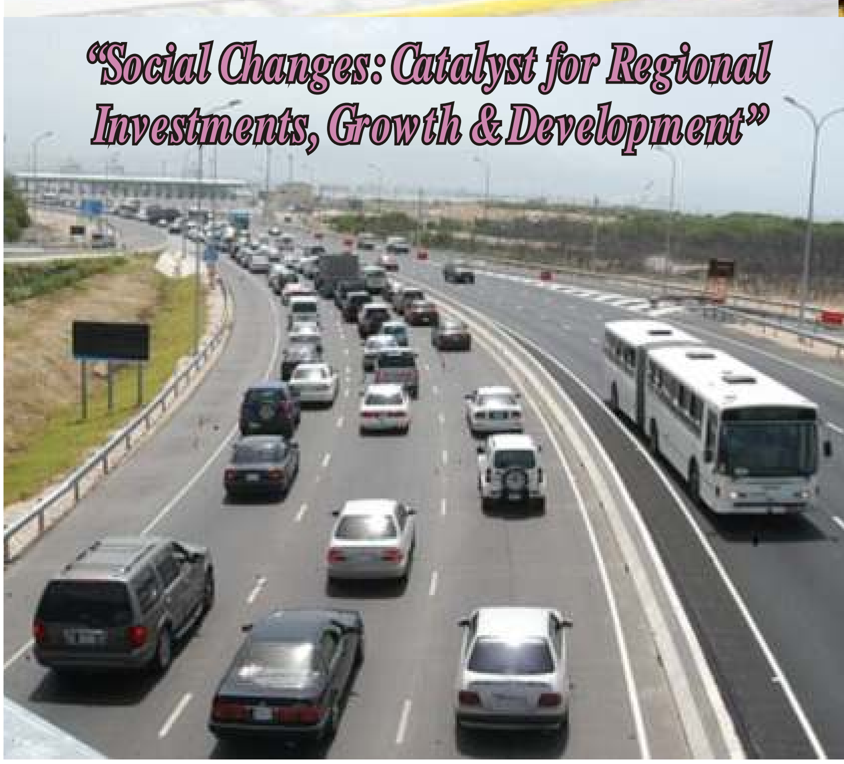
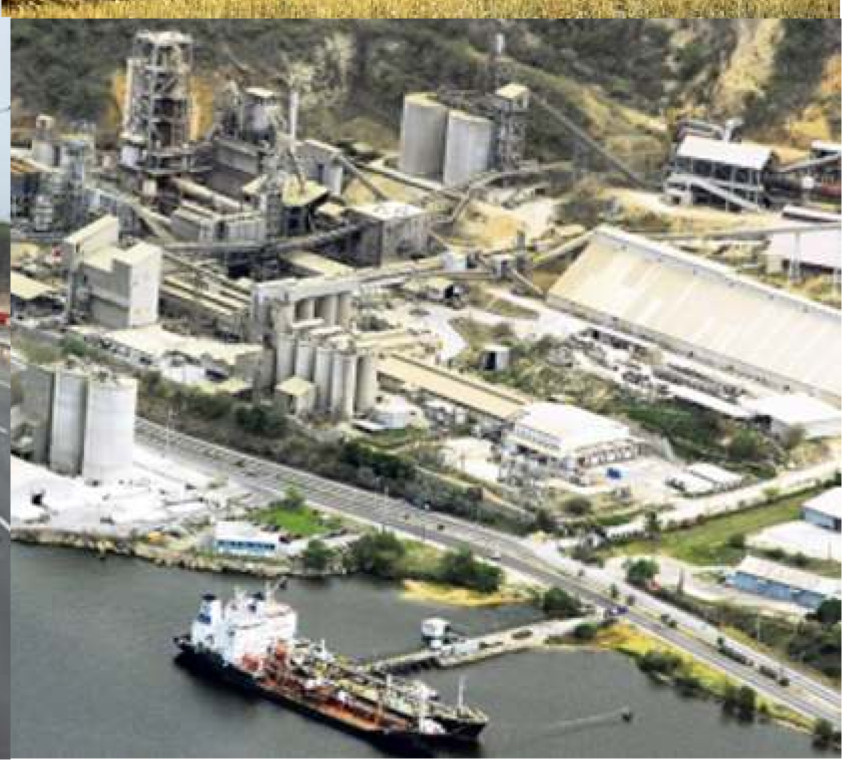
JAMAICA STOCK EXCHANGE

"Providing A Fair, Efficient and Transparent Stock Market"

ANNUAL REPORT 2012



"Social Changes: Catalyst for Regional Investments, Growth & Development"



"Social Changes: Catalyst for Regional Investments, Growth & Development"

ANNUAL REPORT 2012

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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 36th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Sixth (36th) Annual General Meeting of the Jamaica Stock Exchange will be held at the Jamaica Stock Exchange, 40 Harbour Street, Kingston on **Thursday, June 20, 2013**, commencing at 1:00 p.m. for the following purposes:

1. **To Adopt the Audited Financial Statements**

To receive the Audited Group Financial Statements for the year ended December 31, 2012, together with the Directors' and Auditors' Reports.

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

Resolution No. 1

"That the Audited Group Financial Statements for the year ended December 31, 2012, and the Reports of the Directors and Auditors be adopted."

2. **To Elect Directors**

The Directors retiring from office by rotation pursuant to Article 103 of the Company's Articles of Incorporation are: Mr. Christopher Berry, Mr. Dennis Cohen, Mrs. Jane George, Mrs. Rita Humphries-Lewin and Mrs. Janet Morrison.

All the Directors, being eligible, offer themselves for re-election.

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

Resolution No. 2

(i) ***"That Director Christopher Berry, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.***
(ii) ***"That Director Dennis Cohen, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.***
(iii) ***"That Director Allan Lewis, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.***
(iv) ***"That Director Rita Humphries-Lewin, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.***
(v) ***"That Director Jane George, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.***

3. **To Appoint the Auditors and Authorize the Directors to Fix the Remuneration of the Auditors.**

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

Resolution No. 3

"That Deloitte and Touche, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."

(Cont'd on next page)

NOTICE OF 36th ANNUAL GENERAL MEETING (Cont'd)

4. ***To Fix the Fees of the Directors***

To fix the fees of the Directors or to determine the manner in which such fees are to be fixed.

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

Resolution No. 4

"That the Directors be and are hereby authorized to fix their fees for the fiscal period 2013/2014."

5. ***To Transact any other Ordinary Business of the Company.***

BY ORDER OF THE BOARD

Marlene J. Street-Forrest
Secretary
Dated: April 9, 2013

IMPORTANT NOTE FOR MEMBERS WHO ARE NOT ABLE TO ATTEND:

A member entitled to attend and vote at the meeting can appoint a Proxy to vote on his behalf. The person so authorized shall be entitled to exercise the same powers as the member whom he represents.

DIRECTORS' REPORT

The Directors submit herewith the Audited Financial Statements for the Jamaica Stock Exchange and its wholly owned subsidiary, the Jamaica Central Securities Depository for the year ended December 31, 2012 along with the accompanying notes as follows:

1. Consolidated Statement of Comprehensive Income
2. Consolidated Statement of Financial Position
3. Consolidated Statement of Changes in Equity
4. Consolidated Statement of Cash Flows

Income for the year was $504.3 Million compared to the Income of $256.3 Million for 2011; an increase of 96.8%. Investment Income was $38.2 Million, compared to $24.9 Million in 2011 representing an increase of 53.4%. Other gains of $5.9 Million represents a write-off of professional fees for which provision was made in a prior year.

Total Expenses for the year, (inclusive of finance cost) increased by 33.4% to $362.8 Million in 2012, with the most significant absolute increase that of Securities Commissions fees. Profit before taxation was $185.6 Million compared to $37.6 Million in 2011.

Consolidated Total Assets of the Group as at December 31, 2012 were $789.4 Million compared to $645.4 Million for 2011. Total Equity increased from $473.9 Million in 2011 to $581.5 million in 2012, up 22.7%.

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

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Donovan H. Perkins
Chairman

DIRECTORS AND SENIOR MANAGEMENT
PROFILES OF DIRECTORS

Mr. Donovan Perkins - Chairman

Donovan H. Perkins, BA (Hons.), MBA is the President & CEO of Sagicor Investments Jamaica Ltd (formerly PanCaribbean). Prior to joining Sagicor, he worked with Bank of America in Corporate Banking. In addition to serving on the Board of the Exchange, he sits on the Boards of Pan Jamaican Investment Trust Limited and Jamaica Producers Group.

He previously served the public sector as Deputy Chairman of the National Water Commission, and as a director of the National Insurance Fund and Jamaica Social Investment Fund. His private sector contribution includes lobby associations as Vice President of the Private Sector Organisation of Jamaica and the Jamaica Bankers Association.

Mr. Perkins holds a Bachelor's Degree in Finance (Hons.) from the University of South Florida and an MBA with concentrations in Finance and Marketing from the Darden School at the University of Virginia.

Mr. Allan Lewis - Deputy Chairman

Mr. Allan Lewis is the Senior Vice President, Group Strategy, of the Victoria Mutual Group Limited where he has served for the past 6 years. Prior to this, Mr. Lewis served as Managing Director of Prime Asset Management Limited, where he is currently a Director. Mr. Lewis has had a distinguished career in life insurance and pension fund risk management, asset management, and strategic planning. He achieved the designation Associate of the Society of Actuaries in 1986, and a Masters in Business Administration in 1987.

Notwithstanding his professional accomplishments, he is committed to supporting the wider community. His passion for primary and secondary education motivated him to obtain a Masters in Education in 2002. Allan is a member of the Kiwanis Club of North St. Andrew; a mentor for students at the University of the West Indies and is a member of the Board of the Mona Preparatory School Foundation.

Mr. Curtis Martin

Mr. Curtis Martin is the former Deputy Group President of Capital and Credit Financial Group, as well as the former CEO of Capital & Credit Merchant Bank (CCMB) and Capital & Credit Securities.

He has over 30 years experience in the financial services sector and served as Chairman of the Jamaica Stock Exchange from 2006 to 2011.

Mr. Martin holds a MBA in Finance from Columbia University and a B.Sc. (Hons.) in Management Studies from the University of the West Indies.

He is married with two (2) children and is very keen on spending time with his family. His interest includes Bee Keeping and International Finance

Mrs. Rita Humpries-Lewin, C.D.

Mrs. Humphries-Lewin is a past Chairman of the JSE and is the Founder and Chairman of the Barita Companies, which includes Barita Investments Limited and Barita Unit Trusts Management Company Limited. A pioneer in stock broking in Jamaica and the wider Caribbean, her sterling contribution led to her being conferred with The Order of Distinction, Commander Class by the Government of Jamaica in the year 2000.

A philanthropist in many areas of the Jamaican society, her passion continues to rest in the field of early childhood education. She was honoured in 2012 with a Doctorate Degree of Education in Leadership by Mico University, for her contribution to early childhood development.

DIRECTORS AND SENIOR MANAGEMENT
PROFILES OF DIRECTORS

Mr. Edwin McKie; C.D.

Mr. McKie is the Chairman and Managing Director of M/VL Stockbrokers Limited. He is a former Trade Administrator and Chairman of the Trade Board Limited. He also served as Chairman of the Agricultural Credit Bank, the Agricultural Credit Board and the College of Agriculture. He served as Board Member of the National Investment Bank of Jamaica, Bank of Jamaica and National Water Commission. He served as a Board member of the Development Bank of Jamaica.

Mr. McKie was awarded the Order of Distinction, Commander Class, in the field of Banking.

Mr. Christopher Berry

Christopher Berry has been the Executive Chairman of Mayberry Investments Limited since 1993. A former Deputy Chairman of the Jamaica Stock Exchange, he sits on several boards, including the Jamaica Central Securities Depository, Access Financial Services, Apex Health Care Associates Limited, Apex Pharmacy Limited, Air Jamaica Limited, Rose Town Foundation for The Built Environment and St. Edmund Trust.

He has over twenty years experience in the securities industry, having joined Mayberry Investments Limited in 1987, when he was responsible for corporate planning and information technology. He subsequently led the company's listing on the Jamaica Stock Exchange in 2005.

Mr. Berry has a Bachelor of Industrial Engineering (Hons.) from the Georgia Institute of Technology, Atlanta, Georgia.

Interests are tennis, sailing, basketball, computers and economics.

He is married to Dr. Patricia Yap-Berry with two (2) children

Mr. Mark Croskery

Mr. Mark Croskery has been the President & CEO of SSL since 2007. He serves as an Executive Director on the Board of Directors. SSL has grown into a leading provider of wealth management solutions and provider of investment banking advisory services under his stewardship.

Before joining SSL, Mr. Croskery was a leading Wealth Manager and Equity Trader at NCB. Previously, Mr. Croskery interned at Prudential Financial, Inc. (now Wachovia Securities) in Miami, Florida.

Mr. Croskery received an M.Sc. in Global Financial Analysis and a dual B.Sc. in Corporate Finance/Accounting from Bentley University in Boston, Massachusetts.

Mr. Croskery is a Director of Island Ice & Beverage Company Limited (IIBC) and is a Member of Young Presidents' Organization (YPO). Mr. Croskery is the Second Vice President of the Jamaica Securities Dealers Association (JSDA) and was also appointed to the Task Force of Caymanas Track Ltd for recommendations for the divestment of this Entity.

Mr. Croskery previously served as Chairman of the Fisheries Management & Development Fund and as a Director on the Boards of Land Administration & Management Programme, the Sugar Company of Jamaica and the Jamaica Racing Commission.

DIRECTORS AND SENIOR MANAGEMENT
PROFILES OF DIRECTORS

Mr. Garth Kiddoe

Mr. Kiddoe is Chairman of the Professional Engineers Registration Board (PERB). He is a Project Supply Chain Manager in the Project Management Unit for the UTech Enhancement Project, a US42.6 Million project funded jointly by the Government of Jamaica, the Caribbean Development Bank and the University of Technology, Jamaica (UTech). He is a former Dean of the Faculty of Business and Management (now College of Business and Management) at Utech.

Mr. Kiddoe is also deputy Chairman of the Greater Caribbean Regional Engineering Accreditation System (GCREAS), an independent accreditation agency involving representatives from the Dominican Republic, Panama and Jamaica. He is a member of the Board of Directors of the Jamaica Stock Exchange (JSE), Chairman of the Board of the Jamaica Central Securities Depository Ltd, a subsidiary of the JSE and a member of the Public Accountancy Board. He is a past President of the Jamaica Institution of Engineers, the Institute of Chartered Accountants of Jamaica and the Institute of Chartered Accountants of the Caribbean.

Mr. Robert Drummond

Mr. Robert Drummond has been President of First Global Financial Services Limited (FGFS), the securities trading and asset management subsidiary of GraceKennedy Limited since November 2008. Since joining GraceKennedy in early 2005, his other roles include that of Principal of GK Investments, executing acquisition strategy and the development of new businesses within the financial services and retail division.

Mr. Drummond's career has included appointments in general management and strategic planning for Fortune 500 companies such as American Express, ITT and Nike. Additionally, Mr. Drummond has spent several years as a management consultant assisting Caribbean and U.S. companies with strategy implementation and business process improvement. He began his career in public accounting with PricewaterhouseCoopers in New York City.

He earned his MBA Degree at the Harvard University Graduate School of Business Administration in Boston, Massachusetts and his Undergraduate Degree in Business from Pace University in New York.

He also serves as a member of the Board for First Global Financial Services Limited and is currently the President Elect of the Rotary Club of St. Andrew.

Mr. Lissant Mitchell

Lissant Mitchell has over 18 years experience in the local financial industry. He joined Scotia Investments in October 2007 as SVP Treasury & Capital Markets and was promoted to Chief Operating Officer in October 2010, and appointed Senior Vice President Wealth Management – Scotiabank Group Jamaica & Chief Executive Officer – Scotia Investments Jamaica Limited in November 2011.

Lissant has served as the President of the Primary Dealers Association and is currently the Secretary of the Jamaica Securities Dealers Association. He sits onScotiabank's and Scotia Investments' Asset & Liability Committees as well as the Group's Managed Funds Investment Committee. He is also a director of Scotia Investments Jamaica Limited, Scotia Asset Management Jamaica Limited, Scotia Caribbean Income Fund, and the Jamaica Stock Exchange.

Mr. Mitchell holds a MBA from the University Of Manchester, and a BSc in Accounting and Economics from the University of the West Indies.

Mr. Julian Mair

Mr. Julian Mair is the Chief Investment Strategist at Jamaica Money Market Brokers Limited. Julian brings a wealth of experience to this position, having played a critical role in the development of Jamaica's capital market for over 19 years. Prior to his appointment, the firm benefited from his wealth of knowledge when he served as Senior Trader and Cambio Manager. He has consulted with various international financial institutions in structuring global issues, primarily for the Government of Jamaica.

Before joining JMMB, Julian worked with some of the island's leading financial institutions in key positions, including Dehring, Bunting and Golding (now Scotia Investments Jamaica) where he headed the Treasury and Investment arm and Lets Investment Ltd. where he was Managing Director. Under his leadership, that boutique operation became a global player in the trading of internationally issued securities.

Julian is a founding member and executive of the Jamaica Securities Dealers' Association and serves as a director of JMMB Securities Limited, JMMB International, JMMB BDI America and the Jamaica Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT
PROFILES OF DIRECTORS

Mr. Dennis George Cohen

Dennis Cohen is the Deputy Group Managing Director for National Commercial Bank Jamaica Limited and CEO of NCB Capital Markets Limited.

Mr. Cohen joined NCB in 2004 as Group Chief Financial Officer after a decade of experience gained at Citibank N.A. Jamaica, serving as Country Treasurer for the local branch and its affiliates. He also served as head of Citibank's Relationship Management Group. Prior to commencing his career in banking, Mr Cohen was employed to Price WaterhouseCoopers as a Senior Accountant.

As Deputy Group Managing Director, Mr Cohen is charged with oversight of a number of the Group's business segments including retail, corporate, insurance and wealth management. As CEO of NCB Capital Markets Ltd., he has responsibility for the day to day management of the Group's securities dealership and stock brokerage business, which forms a major part of the wealth management segment.

Mr Cohen is the Chairman of Advantage General Insurance Company Limited. He is also a director of National Commercial Bank Jamaica Limited, NCB Capital Markets Limited, NCB Insurance Company Limited, NCB (Cayman) Limited, West Indies Trust Company Limited and Chairman for Mutual Security Insurance Brokers Limited. He is also a fellow of the Institute of Chartered Accountants of Jamaica (ICAJ).

Dennis obtain his bachelors degree at the U.W.I. before qualifying in areas as a chartered accountant.

Mrs. Marlene Street Forrest; J.P.

Mrs. Marlene Street-Forrest is the General Manager of the Jamaica Stock Exchange. Mrs. Street-Forrest has a B.Sc. in Management Studies and an MBA. She has over twenty five years of combined experience in financial and general management.

Her mandate as General Manager of the JSE 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.

There are six alternate Directors' who have been approved by the Directors of the Exchange. These are:

1. **Mr. Dylan Coke** — NCB Capital Markets Limited
2. **Mr. Phillip Armstrong** — Sagicor Investments Limited
3. **Mr. Ian McNaughton** — Barita Investments Limited
4. **Mr. Gary Peart** — Mayberry Investments Ltd.
5. **Dr. Derrick McKoy** — MV/L Stock Brokers Limited
6. **Mr. Jason Chambers** — First Global Financial Services Limited

INDEPENDENT MEMBERS OF THE JSE BOARD OF DIRECTORS

Miss Dian Black

Miss Dian Black is the Director of Securities Management (Debt Management Unit) in the Ministry of Finance & the Public Service. In this capacity she has responsibility for all activities related to the registrar and payments functions for government securities and provides the necessary interface between the JSE and the Government.

She is the Chairman of the Audit and Finance Committee of the Board of the JSE.

Miss Black obtained her first degree from the U.W.I. And her MBA in Banking & Finance at the University of Wales & Manchester Business School.

Mrs. Jane George

Mrs. Jane George assumed the role of Corporate Attorney-at-Law and Head of the Legal Department of The Lascelles, deMercado Group of Companies in 2001, becoming the Company Secretary and head of the Corporate Secretariat in 2005. She was admitted as a Solicitor in England and Wales and as an Attorney-at-Law in Jamaica and is a member of the Law Society of England & Wales and the Jamaican Bar Association.

Mrs. George, who has approximately 26 years experience in the legal profession in Jamaica and England, joined the Board of the Jamaica Stock Exchange in 2008. She sits on the Regulatory and Market Oversight Committee, the Corporate Governance and Nomination Committee, the Audit and Finance Committee of the Board and the Member Dealer Admissions Committee.

Mr. Livingstone Morrison - Chairman Regulatory & Market Oversight Committee (RMOC)

Livingstone Morrison is the Deputy Governor of the Bank of Jamaica with responsibility for Administration and Technical Services, Finance and Technology and Payment System and Risk Management.

Mr. Morrison joined the staff of the Bank of Jamaica in 1982 and worked for several years in the Financial Institutions Supervisory Division. Between 1998 and 2002, Mr. Morrison served as the Division Chief of the Finance and Technology Division, with core responsibilities for strategic management of the accounting, finance, and information and communication technology functions of the Bank. In 2011, Mr. Morrison assumed responsibility for the Administration and Technical Services Division in addition to the Finance and Technology and Payment System and Risk Management Division.

Mr. Morrison Chair the Regulatory & Market Oversight Committee and is also a Director of the Jamaica Central Securities Depository. He studied at the U.W.I. And University of Oxford and holds a masters degree in Accounting.

INDEPENDENT MEMBERS OF THE JSE BOARD OF DIRECTORS

(Cont'd)

Mrs. Janet E. Morrison

Janet Morrison was called to the Jamaican Bar in 1978 and has been a partner at DunnCox since 1995. Her practice is primarily in the area. She is listed in **IFLR 1000** as one of the world's leading lawyers.

A graduate of the University of the West Indies and the Norman Manley Law School, Janet also holds a Masters Degree in Commercial and Corporate Law from the University of the West Indies.

Janet is a member of the council of the Jamaican Bar Association and the Commercial Law Sub-Committee of the Bar Association and acted as one of its representatives in deliberations before the Jamaican Parliament in the drafting of the Companies Act. She is also a member and former chairman of the Publications Sub-committee of the Bar Association. She has presented at several conferences on Corporate Governance, the Pensions Act and the Companies Act and has contributed many legal commentaries and articles in the Jamaican press. She is an Associate Tutor at the Norman Manley Law School. Janet is also chairman of the Justice Reform Committee of the Private Sector Organization of Jamaica and is a member of Jamaica Institute of Arbitrators Limited, a charitable organization. Janet became a member of the Chartered Institute of Arbitrators in 2011.

JSE BOARD COMMITTEES 2011/2012

LISTING COMMITTEE
Chairman: Mr. Donovan Perkins
Mr. Allan Lewis
Mrs. Rita Humphries-Lewin (Alternate Mr. Ian McNaughton)
Mr. Livingstone Morrison
Miss Dian Black
Mr. Dennis Cohen (Alternate Mr. Dylan Coke)

MEMBER DEALER ADMISSION COMMITTEE
Chairman: Mr. Livingstone Morrison
Miss Dian Black
Mr. Garth Kiddoe
Mrs. Jane George
Mrs. Janet Morrison

COMPENSATION COMMITTEE
Chairman: Mr. Donovan Perkins
Mr. Garth Kiddoe
Mr. Mark Croskery
Mr. Dennis Cohen (Alternate Mr. Dylan Coke)
Miss Dian Black

REGULATORY & MARKET OVERSIGHT COMMITTEE
Chairman: Mr. Livingstone Morrison
Miss Dian Black
Mr. Garth Kiddoe
Mrs. Jane George
Mrs. Janet Morrison

AUDIT COMMITTEE
Chairman: Miss Dian Black
Mr. Garth Kiddoe
Mr. Ed. McKie (Alternate Dr. Derick McKoy)
Mr. Allan Lewis
Mr. Livingstone Morrison
Mrs. Jane George
Mr. Mark Croskery

CORPORATE GOVERNANCE & NOMINATION COMMITTEE
Chairman: Mrs. Janet Morrison
Mr. Garth Kiddoe
Mrs. Jane George
Mr. Lissant Mitchell
Mr. Ed McKie (Alternate Dr. Derrick McKoy)

EXECUTIVE COMMITTEE
Chairman: Mr. Donovan Perkins
Mr. Allan Lewis
Mr. Christopher Berry (Alternate Mr. Gary Peart)
Mr. Ed McKie (Alternate Dr. Derrick McKoy)
Mr. Julian Mair
Mrs. Janet Morrison
Mrs. Marlene Street Forrest (Co-opted)
Mr. Robin Levy (Co-opted)

RULES COMMITTEE
Chairman: Mr. Allan Lewis
Mr. Dennis Cohen (Alternate Mr. Dylan Coke)
Mr. Christopher Berry (Alternate Mr. Gary Peart)
Mr. Garth Kiddoe
Miss Dian Black

THE MANAGEMENT TEAM

Michelle Sirdar	**Josephine Lewis**	**Doreen Parsons Smith**	**Marlene Street Forrest**	**Suzette Whyte**	**Wentworth Graham**
Manager, Registrar Services	Manager, Trustee Services	Human Resources Manager	General Manager, JSE	Financial Controller	Chief Regulatory Officer

THE MANAGEMENT TEAM

Suzette McNaught
Manager, Information Technology & Systems

Riccalya Robb
Market Operations & Trading Manager

Robin Levy
General Manager, JCSD & Deputy General Manager, JSE

Kadyll McNaught Hermitt
Manager, Equity Operations

Neville Ellis
Marketing Manager

From the Chairman's Desk

On behalf of our Directors, I am pleased to report on the Group's performance in 2012. Given the challenges facing the Jamaican economy, the Jamaica Stock Exchange reported positive results with Profit after Tax of $128.7 Million compared to $33.9 Million in 2011.

These strong results were positively impacted by two acquisition transactions during the year: Campari's purchase of the ordinary and preference shares in Lascelles deMercardo, and JMMB Group's successful offer for Capital & Credit Financial Group. Both deals were seamlessly conducted over our Exchange, influencing the doubling of our revenues to $504 Million.

Globally, signs of economic recovery were signaled by the number of equity markets that showed signs of improvement as many indices rose. However, in Jamaica our main market index reflected a 3% contraction while the junior market index posted a contraction of 13%. Within the region, both the main index of Trinidad & Tobago's and Barbados increased by 5.15 % and 1.10% respectively.

Junior Market

The Junior Market continued to be a growth driver with continued its positive development, with four new companies listed in 2012. These were KLE, Purity, Paramount Chemical and C2W and we welcome these new entities and their shareholders. We expect this trend to continue with additional listings in 2013.

Main Market

Despite a contraction in the fourth quarter, equities showed signs of recovery in expectation that an IMF Agreement would be signed and reduce deep concerns emerging that began to be reflected in the currency markets locally.

New Member Dealers

The JSE's strategic focus in 2012 was to increase listings, attract new investors, broaden the number of number of stockbrokers and develop more products. We believe that this will help to drive our shareholder value in the future. Accordingly, in fulfillment of these objectives, we invited Proven Investments Ltd. to join the JSE as our newest stockbroker. We expect Proven, along with all our existing stockbrokers, to compete and play an important role in growing our market and its prospects.

We also expect another new broker in 2013 to bring additional energy and customers to the equity markets.

Mr. Donovan Perkins
Chairman
Jamaica Stock Exchange

(Cont'd on next page)

From the Chairman's Desk (Cont'd)

2013 OUTLOOK

With an IMF Agreement expected in 2013 and continuing uncertainty regarding Jamaica's growth prospects, our stock exchange must play an important role in supplying capital that creates wealth and supports Jamaica's development, economic growth and an expanding tax base. Without growth and economic recovery, it will become increasingly difficult for our listed companies to improve their earnings, pay decent salaries and reward investors through dividends and capital appreciation.

We count amongst our shareholders, some of the largest and most successful companies in Jamaica, and the Jamaica Stock Exchange will use its influence as well as that of our shareholders, to ensure that steps are taken to further encourage efficient, transparent capital markets and a business environment that promotes development of Jamaica.

THANKS

In closing, I wish to thank my fellow directors along with the executives of the Exchange for their support and advice during 2012. I also acknowledge the work of our Committee Chairmen, who do much of the work behind the scenes to make our jobs easier when we meet as directors.

The JSE's performance last year was also supported by a wider Team that gets the job done and is supportive of the listed companies and their shareholders. Their efforts deserve to be recognized and I express my appreciation on the Board's behalf.

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Mr. Donovan Perkins
Chairman
Jamaica Stock Exchange

Chairman's Report
Regulatory & Market Oversight Committee

Mr. Livingstone Morrison
Chairman

In 2012 Jamaica celebrated its Golden Jubilee, as well as the historic achievements of its athletes at the London Summer Olympics. Both events gave Jamaicans, at home and in the diaspora, an opportunity to highlight and reflect on the country's achievements. The year 2012 also marked the fifth anniversary since the Board of the Jamaica Stock Exchange (JSE) ceded its regulatory responsibilities to the Regulatory & Market Oversight Committee (RMOC). This report provides an opportunity to review and reflect on the Committee's performance since inception and during 2012 in particular.

Principal Activities

The RMOC operates on core principles of being independent, accountable, transparent and of high integrity. Since its establishment, the Committee has demonstrated independence with it being comprised of only Independent Directors of the JSE's Board, and having all its decisions final and binding on the Exchange. The RMOC's accountability and transparency are demonstrated with the provision of monthly reports to the Board of the JSE, as well as providing the Financial Services Commission with advisories from time to time, and seeking their review and approval for rule amendments. The Committee prides itself as operating on high integrity standards based on its Terms of Reference, and against the background of a new undertaking in 2012 where members agreed to endorse a conflict of interest declaration statement to disclose whether they may be conflicted in fulfilling their responsibilities. This endorsement will be done at the beginning of each year, and as the need arises.

During the course of the year, the RMOC had one (1) Special Meeting and ten (10) Regular Meetings. All Committee members attended the Special Meeting, and members' attendance at Regular Meetings is presented in Table 1 below:

Table 1 RMOC Regular Meeting Attendance in 2012

RMOC Members	Number of meetings out of 10
Livingstone Morrison (Chairman)	10
Dian Black	9
Jane George	8
Garth Kiddoe	10
Janet Morrison	8

Functional Deliverables

In reviewing the activities of the RMOC it will be highlighted that one of its mandates is to adopt measures and rules necessary to strengthen market integrity. In this regard, since inception the Committee has reviewed and introduced seven (7) market rules and guidelines, and of the set four (4) were done in the year 2012; they are as follows:

(Cont'd on next page)

Chairman's Report
Regulatory & Market Oversight Committee (Cont'd)

- JSE Rule 402 C & 402 D Minimum Issued Capital;
- JSE Rule 215 Advertising;
- JSE Rule Appendix 3, Section 18 Listing Agreement; and
- JSE Junior Market Rule Appendix 2, Part 4 (1a)(i)&(ii)
- Ongoing Reporting Requirements.

In addition to the above mentioned rules the RMOC is forecasting the introduction of five (5) rules amendments during the course of 2013. The rules in progress are as follows:

- Jamaica Stock Exchange Model for Securities Transaction by Directors and Senior Executives of Listed Companies - Main Market;
- Jamaica Stock Exchange Model for Securities Transaction by Directors and Senior Executives of Listed Companies - Junior Market;
- JSE Rule 228 Disciplinary Proceedings;
- JSE Rule Appendix 1 Takeovers and Mergers; and
- JSE Rule Appendix 14 Fines and Penalties.

One of the objectives of the RMOC is to monitor the conduct of Member-Dealers and Listed Companies, and where necessary take steps to enforce compliance of market regulations. Over the past five (5) years the RMOC has reviewed and decided on thirty-three (33) regulatory cases involving Member dealers and Listed Companies, and of the set seven (7) were done during the course of 2012.

Another responsibility of the Committee is to create policy direction of its operational arm, the Regulatory and Market Oversight Division (RMOD). Given this undertaking, it can be reported that since its establishment the Division has operated within budget. The Division has also instituted operational procedures for reviewing prospectuses, circulars, corporate communications, preparing regulatory reports and assessing Listed Companies' and Member-Dealers' financial statements. In overseeing the policy development of the RMOD, the Committee has been very keen on building its institutional framework, and that of the wider JSE. In this regard, in 2012 on behalf of the Exchange, the RMOC signed a Memorandum of Understanding with the Institute of Chartered Accountants of Jamaica (ICAJ), which is expected to enhance information sharing between both institutions, while providing the staff of the RMOD with access to relevant training opportunities offered by the ICAJ. The RMOD is responsible for the implementation of the Exchange's oversight responsibilities; a depiction of the Division's oversight performance activities over the past five (5) years is presented in Table 2 below:

Table 2 Performance Indicators

Activity	2012	2011	2010	2009	2008
Member - dealers timely filing of Monthly Statements	97%	99%	97%	95	95%
Member - dealers timely filing of Quarterly Statements	93%	100%	95%	93%	95%
Member - dealers timely filing of Audited Statements	91%	100%	73%	73%	64%
Member - dealers Indemnity Insurance Renewal	100	100%	100%	100%	100%
Listed Companies timely filing of Unaudited Statements	80%	76%	72%	77%	75%
Listed Companies timely filing of Audited Statements	56%	64%	61%	76%	47%
Listed Companies timely filing of Annual Reports	49%	43%	49%	48%	46%
Total Number of regulatory/compliance issues	128	127	125	123	86
Percentage of regulatory/compliance issues closed	96%	98%	98%	95%	96%
Total Number of Enforcement Actions	9	1	9	6	8
Total Enforcement Charges ($000)	565	5	380	720	400

Based on the above performance indicators it is recognized that Listed Companies' timely filing of Audited and Annual Reports require urgent attention. It is further recognized that there are deficiencies in the existing rules to address these issues. The pending implementation of JSE Rule Appendix 14 – Fines and Penalties is intended to assist the RMOC in promoting improvement in the compliance indicators.

Closing Remarks

In closing, I wish to express gratitude to all members of the RMOC and the RMOD for the very fruitful year and note my expectation of continued intensity in the regulatory activities in 2013. It is also fitting to use this opportunity to urge members of the RMOC and RMOD to recommit to the task of solidifying the benefits of the separation of the regulatory functions of the Exchange from its commercial activities, as a critical step in the process of promoting the highest standards of market efficiency, transparency and integrity.

Mr. Livingstone Morrison.
Chairman

Audit and Finance Committee Report

The Jamaica Stock Exchange and Its Subsidiaries

During the year under review the Audit and Finance Committee of the Jamaica Stock Exchange (The Exchange) was successful in the fulfillment of its mandate to assist the Board with the oversight responsibilities regarding the integrity of the Company's financial statements, compliance, legal and regulatory requirements, and to serve as the conduit of communication between the Board, the management team and the internal and external auditors. The Committee's main focus for 2012 was on the viability and sustainability of new products launched especially JSE e-Campus, the Group's investments in light of lower than expected revenue inflows in the first half of the year that could impact cash flow and interest income, the budgetary process, financial controls, efficiencies and internal audit reviews.

The Committee focused on compliance with the Company's policy guidelines in respect of effective management of the company's resources and within each period it took a meaningful look at the outturn of the Group's financial performance for the period under review in the context of the Group's budget. Given the introduction of new trading and settlement platforms in December 2011, the Committee conducted a comprehensive post implementation review to ensure that the systems were functional, strengthened operating control and improved on the Group's risk management capabilities and service delivery. Members continued to review the level of internal audit observations and examined the responsiveness of management to effect recommended changes. The Committee was pleased with the level of responsiveness by management and their effort in ensuring that the standards set, as outlined by the policies relating to operational controls and risk management strategies, were maintained and improved. Further, the Group's responsiveness to queries and recommendations was rated as excellent by the Committee and the Internal Auditors.

The Committee continued its review of management accounts and the quarterly financial statements to ensure that the information released to the Board and or the general public was consistent with proper reporting standards and the rules of the Exchange. Another primary objective of the review of the Group's financial reports was to ensure proper and efficient cash flow management, expenditure controls, management of investment portfolios, receivables and new products. A considerable amount of time was spent in examining all aspects of the e-learning programme. The review will continue into 2013, when the Committee will examine a revised business plan for the E-Campus programme. Given the state of the economy which reflected in generally poor market conditions; the Committee conducted a six-month review of the financial projections as presented by management in order to keep a tight focus on both revenue and expenditure and ultimately the Group's profitability.

The Committee's effort in reviewing, evaluating and assisting in developing the methodology and policy framework for the admission of new member dealers to the Exchange resulted in the admission of one new member-dealer. The process of review now continues to further streamline and improve on the procedure where necessary.

The requirement is for the Committee to meet at least four (4) times per year. However, nine (9) meetings were held during the year with satisfactory attendance from all members. There was a decrease in the number of meetings, down from sixteen (16) in the previous financial year. The decrease was due to the fact that the budgetary process was not as extended as the previous year and the policies and procedures for trading license, which were deliberated on in the prior year, were approved by the Board.

The current members of the Committee are:-

- Dian Black (Chair)
- Jane George
- Allan Lewis
- Livingstone Morrison
- Mark Croskery
- Garth Kiddoe
- Ed McKie

....

Dian Black
Chairman

Compensation Committee Report
The Jamaica Stock Exchange and Its Subsidiaries

The Compensation Committee of the JSE is made up exclusively of non-executive directors and is chaired by the Chairman of the Board, Mr. Donovan Perkins. Other members of the committee are:

- Mr. Mark Croskery
- Mr. Garth Kiddoe
- Mr. Dennis Cohen

The committee's mandate is to 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. The Committee had one meeting in 2012 to review incentive payment proposal for non-executive staff.

Directors' fee, which is normally paid to non-Executive Members of the Company, totaled $6.8 million in 2012. This is $0.8 million decline from 2011, which was $7.6M. This was done as a means to assist in cost reduction.

The JSE GROUP
2012 Management's Discussion and Analysis

Executive Summary

The Jamaica Stock Exchange Group comprises of the Jamaica Stock Exchange Limited (JSE), Jamaica Central Securities Depository Limited (JCSD) and JCSD Trustee Services Limited (JCSDTS). This Management Discussion and Analysis (MD&A) of the JSE Group's financial condition and results of its operations is provided to enable stakeholders to assess the financial health, material changes and results of its operation for the year ended December 31, 2012. It provides information on liquidity and capital resources and gives a comparative examination of the current year under review against the previous year's performance. The MD&A should be read in conjunction with our Audited Financial Statements and must be considered as complementary information to that which is provided in the audited statements and the accompanying notes thereto. The information presented is based on the best judgment of management, taking into consideration all our internal systems and controls, our plans and the present programmes and policies that are being pursued.

The JSE is a publicly listed company, having listed variable preference shares in June 2008. Its wholly-own subsidaries Jamaica Central Securities Depository, along with its subsidiary JCSD Trustees Limited, complete the companies referred to as the JSE Group. Within 2012 the Group continued to develop and sustain programmes in order to increase revenue and optimally utilize the assets of the Group. On the other hand, we have sought to manage our expenditure. The focus within the financial year was that of ensuring that proper attention was placed on the strengthening of the new products which were previously launched and on the completion and proper execution of projects that were started in the prior year. Consequently, the JSE delivered on a major strategic objective of inviting new member/dealers into the market by the sale of new licences in the form of permanent or annual renewable trading licences by selling, for the first time since its demutualization, a permanent licence to Proven Investments Ltd.

The e-Campus, another key strategic objective aimed at improving revenue, is considered a work-in-progress. It returned less than a satisfactory result, however the JSE is determined to nurture this new product with the clear mandate that there should be a significant improvement in 2012. The process of external registration and accreditation of the e-Campus will result in greater market acceptance and the expected revenue inflow from this product. The Group's revenue from Cess and Fee Income were positively impacted by two transactions which are respectively, the acquisition of Lascelles de Mercado (LdM) by Campari and the sale of the trading licence.

Despite the effort to control expenditure, the Group recorded an increase in expenditure inclusive of finance costs of $91m or 24.3%. All expense areas showed upward movements which reflected increases associated with goods and services, additional expenditure caused by needed repairs as in the case of property expenses or depreciation and amortization costs which bear reference to capital acquisitions. The most significant increase in expenditure was associated with the securities commission fees arising from the LdM/Campari transaction.

The profitability of the Group improved over the prior period. Profit before taxation reflects increased income of $148.0m which was buoyed by improved operating income due mainly to the improvement in Cess and Fee Income. The net profit for the year of $128.7m reflects the significant one-off transaction, but also an improvement in market conditions in 2012 which saw an increase in the value of ordinary transactions across the main and junior markets.

For further information and in keeping with the JSE Listing Requirement, financial information is also available on the JSE Website www.jamstockex.com.

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2012 Management's Discussion and Analysis (Cont'd)

Executive Summary of Vision, Strategies and Priorities:

The vision, strategies and priorities of the individual companies that comprise the JSE Group, namely the Jamaica Stock Exchange, Jamaica Central Securities Depository and JCSD Trustee Services, are complementary and aligned to the overarching objective of facilitating capital market growth and development. The JSE Group companies ensure that the trading and settlement of different types of securities on a secure and efficient platform are realized.

Our Vision: To be the premier capital markets institution in the Caribbean through wealth creation and economic growth.

Our Priorities:

- **Grow Core Business through Innovation**

  We continue to pursue a path of growing the Group by our thrust into market education, the development of new products, the opening of new markets and the provision of better service to our customers and stakeholders. In keeping with our vision of being the premier securities market in the Caribbean, the Exchange will vigorously target the Region for new listings on the main and junior markets. The Group aims to examine market opportunities wherever they are.

  Through market education the Group aims to retain current investors and attract new investors, as we recognize that expansion will not be successful in the long-term without an expanding pool of educated investors. Recognizing that attracting new players to the market must be supported by new and existing products which are driven by customers' demand, the JSE is treating as an imperative, the development of sustainable products and the delivery of services to our customers. Industry collaboration, stakeholder inclusion and effective lobbying are the conduits through which the innovations in the market will be best facilitated. While we believe that the Group's initiatives will result in more vibrant trading of securities on the stock market as well as a more diversified revenue stream that will augur well for the medium to long-term growth and profitability of the Group, we understand that these initiatives cannot be pursued unless they are driven by external demand.

- **Continued Diversification in Related Business Lines**

  Over the past few years, the Group has diversified into related business lines. The decision taken by the Group to diversify its revenue stream is bearing fruits. New product offerings by the JCSD's Registrar Services Division and the JCSD Trustee Services have met with success and continue to make significant contributions to the bottom line. These product lines are still in their early stages and have the ability to grow even further. The provision of superior products and services compared to that of our competitors are the avenues that are being pursued to arrive at market penetration and growth.

  <u>Summary of Long Term Vision includes:</u>

  - Offering regionally and globally diversified capital market products
  - Commitment to high standards of transparency and governance
  - Continuously improving shareholders' value
  - Setting a strong foundation in all critical divisions and subsidiaries to allow for long-term growth and development
  - Enhanced attractiveness of the equities market to investors and businesses
  - Participation in the development of the Fixed Income Market

(Cont'd on next page)

2012 Management's Discussion and Analysis (Cont'd)

- Strong internal competences
- Being among the top employers of choice in Jamaica
- To be considered a partner that is essential to Nation building
- To forge key regional and global partnerships in furtherance of these goals
- Consistent operational and overall profitability

Summary of Our Performance Measurements

- High customer and employee satisfaction
- Financial measurement including growth and profitability targets, net profit and return on equity
- Diversification of products and services scoring at 50:50 split with progressively less emphasis on equities contributions in each year
- Increase in listings on the Main & Junior Markets

Market Conditions and Outlook

While many regional and global capital markets are still grappling with the decline in their markets arising from the financial crisis that started in 2008, locally the market continued to be affected by these external factors as well as internal issues. Accordingly, though showing some signs of recovery, the market is expected to be characterized by choppy performance and will be quickly impact negatively to any negative market signal. There has been a level of renewed interest in the stock market which we believe is a direct effect of the listings on the Junior Market and the performance of that market. Other companies are however still in a 'wait and see mode' before venturing to take their companies to market.

The market in 2012 displayed mixed market statistics. For both the main and junior markets, the total volume and value of the transactions improved while the number of transactions declined when compared with the previous year.

The Junior Stock Market continues to enjoy success in listing companies to this market. For the period under review four (4) new companies listed on the market for 2012. The market will continue to experience excellent prospects with the continued support of the Government and the brokerage community.

The JSE Group's normal operating revenue is highly dependent upon the level of market activities on our Exchange. Measures of these activities include volume and value traded number of transactions, market capitalization of the securities and number of listings on the Exchange. As we had indicated last year, for the JCSD and the JCSDTS the business lines in respect to the diversification strategy continue to grow.

Our expectation is that 2013 will be a difficult year locally and any growth will be dependent on the ability of the economy to maintain stable fundamental economic indicators. Investors and businesses will also be watching the regional and global economies for signs of recovery and within Jamaica, whether the right infrastructure is being established and cultivated to foster a good business climate. A positive result will translate to a return of confidence in the market and translate to a good year. Short of that, most of our revenue will possibly come through mergers and acquisition, new listings and new member dealers to our market.

(The Market Conditions and Outlook section above contains certain forward-looking statements)

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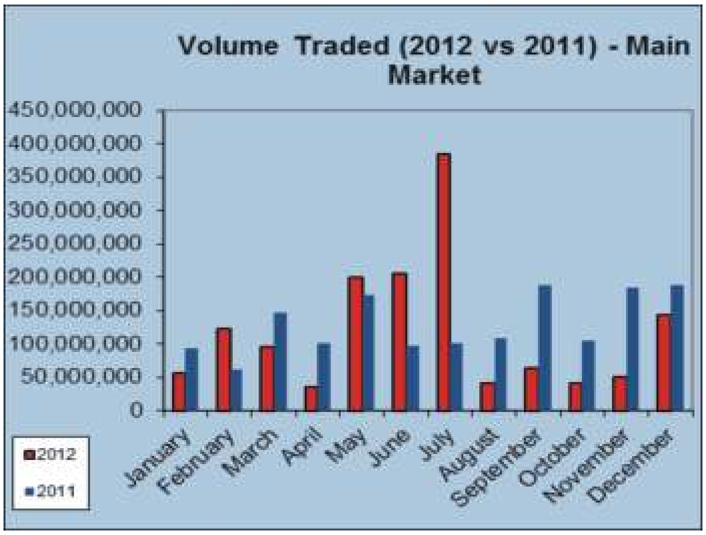
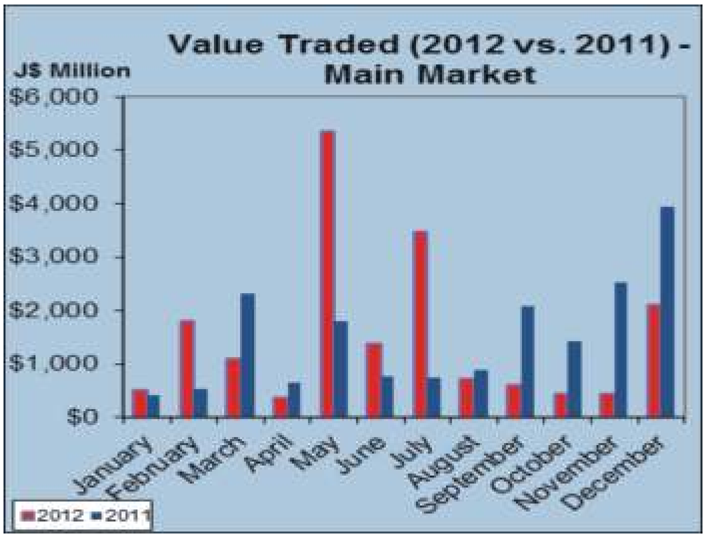
2012 Management's Discussion and Analysis (Cont'd)

Market Operations & Trading

Considerable improvements were realized in the overall market activity of 2012 in comparison to the previous year 2011. Market activity of the main market, including trades in the block market, amounted to 19,515 transactions, volume traded of 2.6 billion units traded valued at $61.1 billion. In comparison to the previous year, this was an increase in the volume traded and value traded of 41.9% and 191.1% respectively, while the number of transactions declined by 16.3%. For the period under review, market statistics, excluding the block market, recorded declines for the number of transactions and volume traded of 16.3% and 7.7% respectively while the value traded increased marginally by 1.1% when compared to the market activity of 2011. The total number of transactions (excluding blocks) amounted to 19,492 transactions; the volume traded (excluding blocks) amounted to 1.4 billion units and value traded amounted to $18.3 billion for 2012. The charts below reflect the trading activity on the main market (excluding blocks) for 2012 compared to 2011. Market activity on the block market in 2012 increased significantly when compared to the activity in the previous year. On the block market, volume traded amounted to 1.15 billion units, an increase of 327.2% and valued traded amounted to $42.8 billion, an increase of 1,380%. However, for 2012, block trades declined by 11.5% to amount to 23 trades in 2012 relative to the 26 block trades in 2011.

Chart 1





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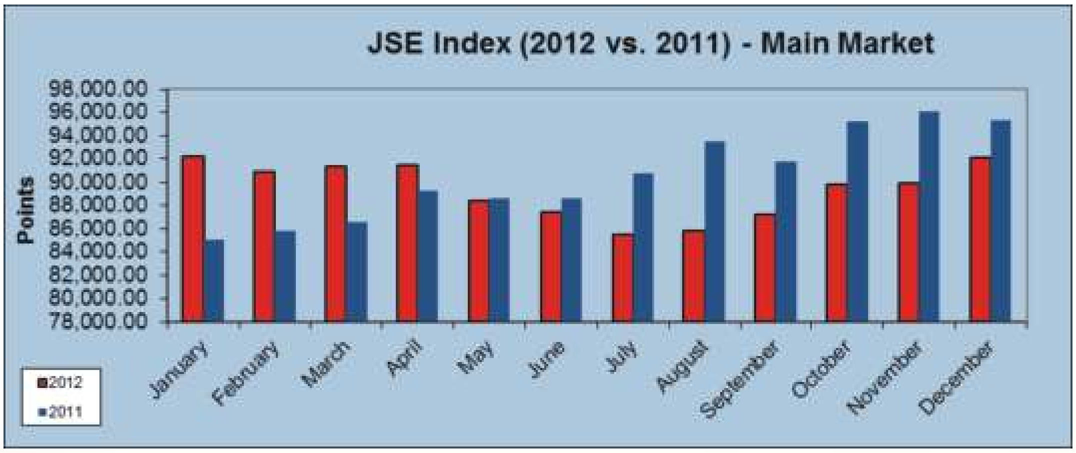
2012 Management's Discussion and Analysis (Cont'd)

Market capitalization of the main market amounted to $590.6 billion at the end of 2012. This was a decline of $28.8 billion or 4.6% from the start of the year. Please view the chart below.

Chart 3

The performance of the market was negatively impacted by economic conditions which are reflected in the declines experienced by all indices, with the exception of the JSE Cross Listed Index, when compared to 2011. As at the end of 2012: the JSE Index declined by 3,195.98 points or 3.4% to close at 92,101.22 points (view Chart 4 below); the All Jamaican Composite Index declined by 11,017.19 points or 10.8% to close at 91,161.60 points; and the JSE Select Index declined by 384.34 points or 13.4% to close at 2,489.67 points, while the JSE Cross Listed Index advanced by 79.38 points or 10% to close at 873.93 points in comparison to the 2011 year end closing indices.

Chart 4



The lackluster performance of the market for 2012 was also captured in the advance/decline ratio and price depreciation. The advance/decline ratio indicated that a total of six ordinary stocks advanced while twenty-six declined. For 2012, the price depreciation of the ordinary stocks in the main market was 14.9%. The six companies that appreciated during the year are presented in Table 1. Table 1 (below) shows the ten advancers and decliners for 2012, while the succeeding Charts indicate the recent five years of JSE trading history of the main market.

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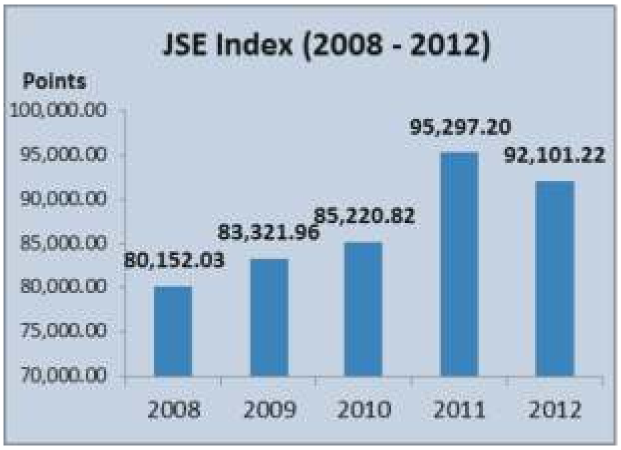
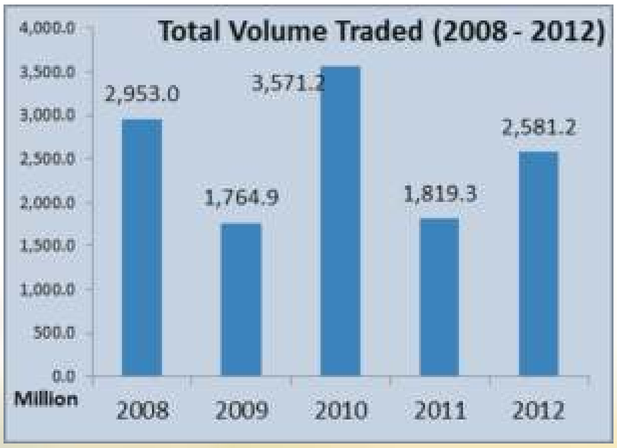
2012 Management's Discussion and Analysis (Cont'd)

Table 1 - Top Advancers and Decliners for 2012

WINNERS	%	LOSERS	%
Guardian Holdings Limited	67.88%	Caribbean Cement Company	(66.67%)
Lascelles, deMercado & Co	33.33%	Pulse Investments	(59.18%)
Palace Amusement	20.00%	Hardware & Lumber	(42.37%)
Scotia Investments Jamaica	5.57%	Barita Investments Limited	(41.40%)
Sagicor Life Jamaica	1.10%	Ciboney Group	(40.00%)
Trinidad Cement Limited	0.11%	Gleaner Company	(36.36%)
		Jamaica Money Market Brokers	(33.79%)
		Seprod Limited	(31.17%)
		Jamaica Producers Group	(25.86%)
		Mayberry Investments Limited	(23.31%)

Charts - Recent Five Year History of Trading Data





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2012 Management's Discussion and Analysis (Cont'd)

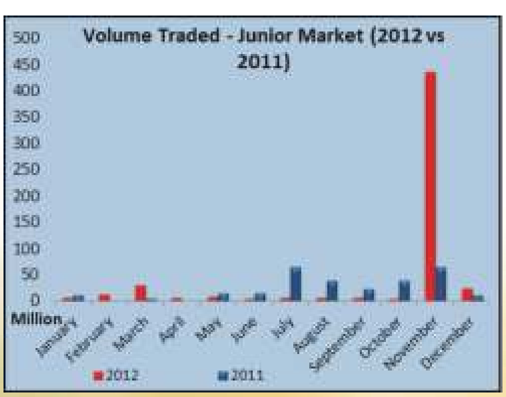
Junior Market

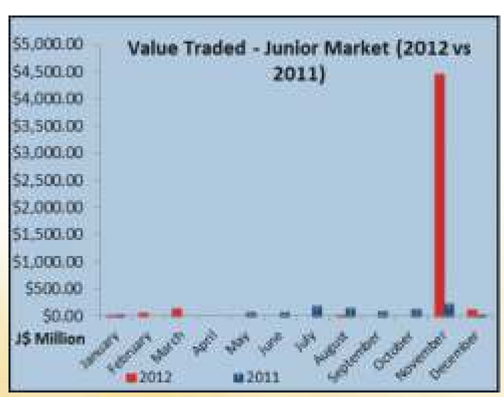
Despite the listing of four additional companies on the Junior Market, bringing the total listings to sixteen companies, the JSE Junior Market Index experienced a decline when compared to the JSE Junior Market Index at the end of 2011. The JSE Junior Market Index declined by 101.08 points or 13.5% to close the year at 647.78 points. Table 2 represents companies that were listed during the year, the amount raised from these listings and the closing prices as at December 31, 2012 along with listing prices:

Table 2

Company	Amount Raised	Listing Price	Close Price Dec 31, 2012	% Change since listing
C2W Music Limited	$129 Million	$1.29	$1.21	(6.20%)
Consolidated Bakeries Limited	$97.34 Million	$1.88	$1.88	0.00%
KLE Group Limited	$97.86 Million	$3.70	$3.70	0.00%
Paramount Trading Limited	$74.87 Million	$2.43	$2.79	14.81%

As at December 31, 2012, market capitalization of the Junior Market amounted to $22.10 billion. This was a decrease of $1.49 billion or 6.3% from the start of the year. Market volume in 2012 increased significantly by 86.1% to 569,866,235 units relative to the 306,220,533 units recorded in 2011. Market value also rose significantly to $5.18 billion from $1.25 billion in the previous year. On the other hand, the number of transactions declined by 36.0% to 5,047 trades in 2012. There were 250 days of trading in 2012 compared to the 252 trading days in 2011. The charts below reflect the trading activity in the Junior Market for the year under review compared to the previous year.





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2012 Management's Discussion and Analysis (Cont'd)

In the US Dollar Equities Market, the total volume amounted to 7,155,710 units valued at $633,960.46 in 2012. This was an increase of 6.4% in the volume traded and a decrease of 26.2% in the value traded when compared to the market activity in 2011. The number of trades amounted to 123 in 2012 down by 15.8% when compared to 2011. The JSE USD Equities Index declined by 10.71 points or 13.6% to close at 67.86 points. Market capitalization declined by $4.4 million or 15.8% to end the year at $28.02 million.

Overview of the Business

Both the Jamaica Stock Exchange and its subsidiary, the Jamaica Central Securities Depository, are licensed to operate by the Financial Services Commission. The JSE and JCSD operate electronic trading and settlement platforms respectively through a service licensing agreement with Trayport and Percival Limited. The trading and settlement platforms allow for greater product offering and will enable us to maintain competitive pricing for the services that we provide to the market place. The JSE boasts the most listings of equity securities within the English-speaking Caribbean.

- 62 listed companies offering fifty (50) Ordinary Securities (33 listed on the JSE Main Market, 16 listed on the JSE Junior Market and 1 listed on the US Dollar Equities Market) and twelve (12) Preference Securities. Trading activities are concentrated mainly around the Ordinary Shares.

- The JSE is the primary venue for the raising of equity capital in Jamaica. The total market capitalization (main and junior markets) as at December 2012 was J$612.74 billion. The top five stocks were in the banking and insurance sectors and represented 65.2% of overall market capitalization.

- The JSE maintained seven indices during 2012:

  (i) The JSE Market Index
  (ii) The JSE All Jamaican Composite Index
  (iii) The JSE Select Index
  (iv) The JSE Cross-Listed Index
  (v) The JSE Junior Market Index
  (vi) The JSE Combined Index
  (vii) The JSE US Dollar Equities Index

  The JSE Main Index is a market-weighted index comprising ordinary shares of all listed companies. The All Jamaican Composite Index measures the performance of Jamaican companies only while the JSE Select Index measures the performance of the JSE's 15 most liquid securities. The JSE Cross-Listed Index measures the performance of the companies that are also registered outside of Jamaica and the JSE Junior Market Index measures the performance of the companies listed on the Junior Market. The JSE Combined Index measures the performance of all the companies listed on the main and junior markets that issue ordinary shares. The JSE US Dollar Equities Index measures the performance of all the companies listed on the US Dollar Equities Market.

- The JSE launched its Junior Market for small and medium sized companies that are seeking to raise between $50 million and $500 million via the market and whose stated capital will not exceed $500 million. This exciting proposition has enjoyed the full support of the Government of Jamaica as evidenced by Cabinet approval of a total of up to ten (10) years of tax exemptions on the corporate profits of these companies. An amount of $399.07 million was raised on the market during 2012 and a total of $2.35 billion has been raised by the companies listed on the Junior Market since inception in 2009.

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2012 Management's Discussion and Analysis (Cont'd)

Year Ended December 31, 2012 Compared with Year Ended December 31, 2011

- ***Net Profit***

  The Net Profit of the JSE Group for the year 2012 of $128.9 million represented an improvement of $94.8 million against the previous year. Income before expenses of $504.3m was higher than the previous period's $256.3 million. With the exception of e-Campus, all areas improved over the previous period. However the most significant movements were Cess and Fee Income which recorded increases of $177.6 million and $69.5 million respectively. Within the grouping of income, only e-Campus showed a marginal decline in income over the previous year. Improvement in the Cess fees due to acquisition of LdM by Campari and the sale of the permanent member/dealer licence buoyed the performance of the Group. The Registrar and Trustee Services which are still considered relatively new revenue areas also improved their performance when compared to the prior year. Investment income improved over the previous year. The decline which began in 2010 due to reduced interest rate was halted in 2012 despite the continued decline in rates. The investment income of $38.2 million represents an improvement of $13.3 million and is due to an increase in the overall investment portfolio due to higher levels of income earned.

- ***Profit & Earnings Per Share***

  Net Profit derived from Operations was $128.7 million in 2012 up from $33.9 million in 2011. This translates to earning per share of $4.59 per common share as compared with $1.21 per common share in 2011.

- ***Revenue***

  - While cess revenue has shown an improvement for the last three years, with the 2012 revenue returning to the level of 2008, the Group is continuing to actively pursue the diversification of the revenue stream. This effort is necessary as the cess revenue in 2012 is in part attributed to the large one-off transaction of $149.8 million. The effort at diversification of the revenue stream is proving to be successful in providing a steady and predictable revenue source and a significant portion of the Group's revenue. New diversified revenue represents 26.2% of total revenue, outstripping initial and annual listing fees and just 5% below cess revenue.

  - The following table and charts provide a visual representation of the revenue structure of the JSE Group, which primarily derives income from trading and settlement, listing fees, pledge fees, investment income and other related activities.

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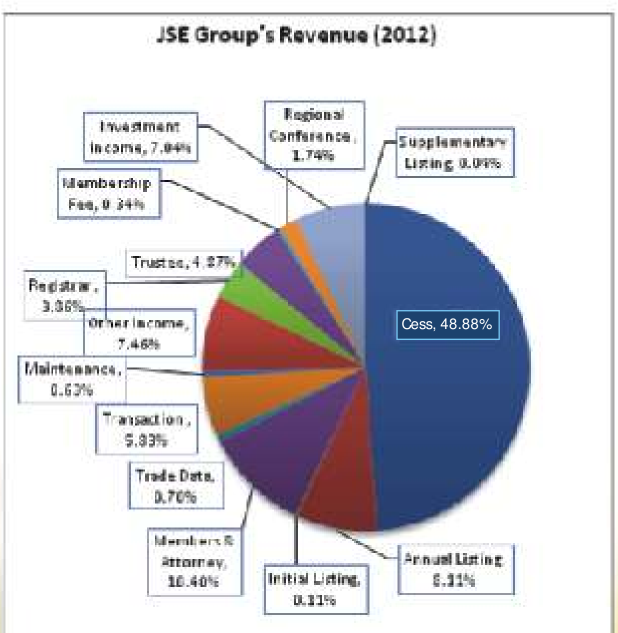
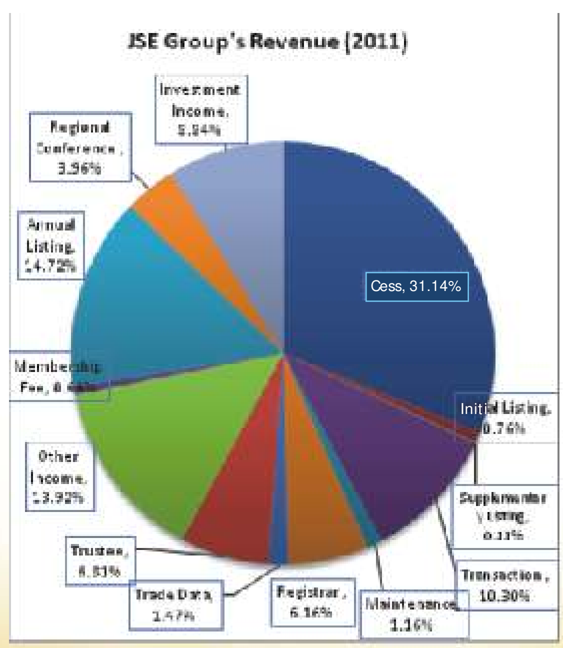
2012 Management's Discussion and Analysis (Cont'd)

Table 3 JSE Group Revenue 2008 through 2012 ($'000)

	2012	2011	2010	2009	2008
Cess	265,164	87,564	82,624	50,240	260,273
Fee Income					
Annual Listing	43,969	41,373	37,957	40,806	36,085
Initial Listing	584	2,148	810	563	3,652
Supplementary Listing	209	308	218	155	700
Members & Attorney	56,390	10	8	8	18
Transaction	31,630	28,957	2,522	16,417	111,428
Maintenance	3,424	3,268	3,021	1,391	1,401
Trade Data	3,789	4,147	10	2,662	2,975
Registrar	20,954	17,313	11,975	6,374	4,410
Trustee	26,429	19,157	10,514	5,566	1,145
Membership Fee	1,854	1,792	1,179	1,325	1,124
Other Operating Income					
Regional Conference	9,421	11,128	9,777	12,180	13,255
Other Income	40,483	39,124	38,764	21,285	33,806
Investment Income	38,166	24,863	33,159	104,416	91,027
TOTAL	**542,466**	**281,151**	**232,537**	**263,387**	**561,297**





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2012 Management's Discussion and Analysis (Cont'd)

The Group is organized into four main business segments, namely:

(a) Exchange operations which deal with the operations and regulation of the exchange.
(b) Depository Services which is involved with the transferring and holding of securities, shares, stocks, bonds and debentures.
(c) Investment: This represents income derived from investing activities of the Group with the exception of Compensation Fund
(d) Other- Registrar and Trustee services, custodianship and other activities.

The Trustee Services represents one of the latest additions to the number and types of services offered. JCSDTS now ranks as the number one service provider in the industry and is the lending provider of services to the Unit Trust market. Therefore the decision taken to move into this area of the market, has paid dividends.

Expenditure

The Exchange continues to monitor expenditure by applying tight procurement guidelines. Despite this, however, the increase in the level of expenditure has been directly affected by the increase in the price of goods and services. All areas of expenditure increased. Staff costs and Securities Commission fees recorded the most significant increases of $19.5 million and $35.4 million respectively. The 15.3% increase in staff cost was mainly triggered by year-end incentive payment made in keeping with the incentive policy. The increase in securities commission fee is directly proportional to the level of cess revenue recorded.

Securities Commission Fee

This is a function of the level of Cess Revenue earned and service fee from the JCSD. The Exchange levies 0.393 of 1% of the value of each transaction on the market and the Financial Services Commission (FSC) earns 0.08% of this amount. On the other hand the FSC receives 5 % of the income earned by the Depository. In 2012, with the increase in the Cess Revenue of $265.2 million compared to $87.6 million in 2011, and the increased fee income from the JCSD, this resulted in an increase in the amount paid to the FSC from $19.0 million in 2011 to $54.4 million or 186.3% for the current year under review.

Total Expenditure in 2012 of $362.8 million inclusive of the finance costs of $6.4 million was higher than the 2011's $272 million (inclusive of finance cost). This represents a 33.4% increase when compared with 2011. All expense areas increased over the prior year. Key highlights are below:

- **Staff Costs**
  Staff Costs of $146.9 million in 2012, increased by $19.5million or 15.3% over the previous year's expenditure of $127.5 million. The primary reason was an increase in salaries of a maximum of 8%.

- **Property expenses**
  Property expenses of $57.9 million in 2012, increased by $10 million or 20.9% over the previous year's expenditure of $47.9 million. The primary reason was an increase in maintenance cost.

- **Professional Fees**
  Professional Fees of $28.1 million in 2012, increased by $8.4 million or 42.9% over the previous year's expenditure of $19.6 million. The primary reasons were an increases in legal cost and services rendered in respect to the preparation of the Jamaica Stock Exchange's initial public offering of its ordinary shares.

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2012 Management's Discussion and Analysis (Cont'd)

- **Allowance for Doubtful Debts**
  Allowance for Doubtful Debts of $3.4 million in 2012 increased by $2.1 million over the previous year's provision of $1.3 million.

- **e-Campus**
  The full impact of the expenditure for the programme was experienced in 2012 resulting in an expenditure of $12.5m compared to $5.6m in 2011. There was also increase in the cost of delivery of the programme. Changes have been made to reduce cost by ensuring that where possible the Group's facilities and expertise is employed. Further as most of the costs are fixed, the effort now is to drive revenue.

- **Revenue Reserves**
  The Group's Revenue Reserves improved in 2012 to $412.5 million from $298.0 million in 2011 or 38.4% due to a net profit of $128.7 million derived from operations.

Five Year Financial Highlights

The table below shows that after consecutive declines in revenue between the periods 2009-10, the consolidated statement of comprehensive income shows the second year of improved performance. The year under review shows an improvement of 92.9% over the prior year.

With the exception of 2008, 2012 returned the highest performance measured in respect to Net Profit and Earnings per share. The surplus was $128.7 million or 279% above the previous year's $33.9 million. Earnings per share of $4.59 were 279% higher than the previous year. In 2012 as in the year 2008 the Group enjoyed the benefit of a large one-off transaction but there was also a steady growth in revenue from operation. Please refer to table and graphs below:

Table 4 Five Year Financial Highlights

($000)	2008	2009	2010	2011	2012
Income	561,297	263,387	232,537	281,151	542,467
Net Profit	173,589	-17,033	8,735	33,919	128,705
Earnings per share $	6.19	-0.61	0.31	1.21	4.59

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2012 Management's Discussion and Analysis (Cont'd)

- **Risk Management**

  A review of The Group's overall risk management strategies shows that JSE continues to be responsive to changes in our environment, both internal and external, and that our practices, policies and procedures are robust. We continue to update our overall risk management systems and our internal auditors have commended the level of responsiveness to their recommendations for improvements.

  Our diversification strategy which started in 2005 with the introduction of the JCSD's Registrar Services continued with our foray into the offering by the JSE of workshop training and other educational offerings. Trustee Services, e-Campus, creation of the Junior Market and the US Denominated Securities Market are other areas in which the diversification strategy has helped. The Group depends far less now on interest income, which continues to decline. The aim is to continue to diversify the stream to improve the bottom-line. Additional strategies to diversify the revenue stream will be put in place in a measured and timely manner.

  Investments

  Management, through the Group's Investment Committee, continues to manage its investment portfolios in line with the Investments Policy Guidelines, which are periodically reviewed by the Audit & Finance Committee of the Board. The Investment Committee receives and review data on current market conditions and economic outlook; reviews various risk including fair value, interest risk, liquidity risk, currency risk and market risk from reports submitted and generally available market data. Analytical skill and financial nimbleness are increasingly important for the effective management of portfolios, especially in an environment of interest rate volatility.

- **Other Operational Risk Mitigation Strategies**

  - **IT Risk Management and Compliance**

    IT governance, risk management and compliance and are areas that are critical to the support of business processes, enable effective management and control and align business with IT. Through continued audits, risks are continually managed to ensure compliance with established policies and international standards. Additionally, we continue to enhance the capabilities of system redundancies, data protection, business continuity and physical and virtual security measures in place to ensure the systems are resilient, allowing for 100% availability during business hours.

    These controls are reviewed quarterly to ensure they provide effective governance and compliance, especially given the rapid change in technology.

    The Group continues to enhance its governance structure through review of the latest standards. With the introduction of Cobit 5, the Group will review this framework to ensure:

    1. IT and business strategies are aligned to achieve strategic goals and realize business benefits
    2. Maintenance of effective controls and adherence to policies
    3. IT-related risks are maintained at an acceptable level
    4. IT infrastructure is optimized to minimize costs
    5. Employee training and continuing to increase awareness and ensure compliance

  Business Continuity:

  Business continuity is an essential element of the Group's risk management strategy and consequently the Group continues to enhance its disaster recovery and continuity capabilities. Within the year 2013, the full development of a business continuity programme will be complete.

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2012 Management's Discussion and Analysis (Cont'd)

The thrust therefore is to ensure commitment to developing a business continuity culture within the organization, particularly since the business relies heavily on information technology. This initiative is supported by

1. Business Continuity Policy
2. Business Continuity Investment
3. Employee Training

Group Medium and Long Term Strategies

Not much has changed in respect to the behavior of the markets regionally, globally or in the domestic sphere. Markets globally continue to behave erratically, with good periods and bad periods and this mirrors the current state of the economies of many countries, regardless of size and perceived economic strength. In instances where there are appearances of market recovery, the fragility of the movement impacts on the ability of investors and companies to properly plan. While this pattern impacts on the Group, there are many opportunities for us. The Group's medium and long term strategies therefore are to engage and encourage investors to the market by market education and providing the best medium for the transaction of our services. While the Exchange continues to be faced with the significant challenge of attracting new entrants to the market and retaining current market players, we believe that potential companies have seen the positive results of the more recently listed companies while investors have benefited from investing in these companies. We intend to continue encouraging business owners to raise capital through the market and to provide the level of float to sustain a vibrant secondary market. Our expectation is that the Exchange must remain poised to fill those needs, provide new and interesting products to the market, bring global and regional markets closer home and to capitalize on renewed interest in the market.
We also expect that with the addition of one new member-dealer and others in the future that there will be greater vibrancy to the market as these new members compete and bring new products and services to the market.

To ensure that the Group is properly positioned for growth, the focus will be on the following activities:

- Increased market educational activities through companies' and investors' outreach, school programmes and training of market intermediaries
- The continued focus through the JSE independent Regulatory and Market Oversight Division of market surveillance and member dealer inspection. The revision and or addition of new rules towards greater market efficiencies.
- More product offerings through the sale of market data; the development of and maintenance of new indices; and derivative products.
- Growing the Junior Market for the Small and Medium Sized Companies.
- Expansion and growth of Registrar and Trustee Services, to possibly include Corporate Secretarial Services
- The operational integration of our regional exchanges through the Caribbean Exchange Network
- Utilization of Information Technology to facilitate greater efficiencies in cost reduction and new product introduction. The introduction of new member dealers to assist with the creation of new products and the servicing of the market.
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GENERAL MANAGER'S REPORT - JSE

Mrs. Marlene Street Forrest
General Manager
Jamaica Stock Exchange

The Jamaica Stock Exchange Group experienced mixed fortunes in what could be considered a difficult economic climate in Jamaica for 2012. Arising from the protracted discussions for Jamaica to arrive at an agreement with the International Monetary Fund (IMF), confidence and optimism were subdued despite the celebration of the country's 50th Anniversary. The Jamaica Stock Market mirrored the sentiment of the population, where the questions that had to be asked and answered were, 'to list or not to list?' and to invest or not to invest?' These were difficult questions for investors and were as challenging for us at the Exchange, as we tried to encourage businesses and investors of positive long-term prospects.

The Exchange Group itself continues to take the long view in respect to market growth and development. Hence we continued to pursue the major plans which were earmarked in order to ensure that the Exchange serves Jamaica and resulted in our addition of a new broker member, Proven Investments, to further deepen the services to investors and businesses alike.

ENVIRONMENTAL FACTORS

The global and especially the local economic conditions created the climate for many market participants to retreat and for potential participants to shy away from or delay activities in the market such as listing, investing or pledging of their securities. Uncertainties about employment, the stability of the Jamaican dollar relative to the US dollar and other hard currencies as well as inflation, stacked the deck away from decisions being made in term of long-term investments, whether viewed from the lens of businesses or individuals.

Despite the downsides that were experienced, some companies and investors recognized the opportunities that existed in the market where there was either value to be had based on the price of particulars stocks on the market, the investment in new growth companies or the capital that can be still be raised by businesses from investors seeking solid companies in which to invest.

It is anticipated that 2013 will be another challenging year. While some confidence will return with the signing of an IMF agreement, this must be followed by a properly structured and well-articulated economic plan backed by sustainable economic policies. We wish to record our appreciation to the Government for its confidence in the equities market, which is demonstrated by their continued support of the Junior Market, and their encouragement which has raised awareness in small and medium sized companies of the importance of equity financing especially in our current economic environment.

JSE PERFORMANCE IN 2012

In light of environmental factors, the stock market achieved mixed results. The value of ordinary transactions on the main market increased by 1.1%; moving from \$18.1b in 2011 to \$18.3b in 2012 but when compared to 2011, the number of transactions and volumes traded declined by 16.3% and 7.7% respectively. While the value of ordinary transactions increased, block transactions increased significantly; moving from \$2.9b in 2011 to \$42.8b in 2012. The acquisition of Capital & Credit Group by JMMB Group and Lascelles

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GENERAL MANAGER'S REPORT - JSE (Cont'd)

2012. The acquisitions of Capital & Credit Group by JMMB Group and Lascelles deMercado by Campari presented the market with two major block transactions.

The main market retreated by 3.35% over the previous year evidenced by a decline in the main index which moved from 95,297.20 points to 92,101.22 points. Market Capitalization also declined by 4.7% which resulted from generally lower share prices and the delisting of Capital & Credit Financial Group, Montego Freeport and Pegasus.

Our Junior Market also suffered mixed fortunes. When compared with the previous year, the number of transactions on the market, declined by 36 %. However, volumes and value increased by 86.1% and 315.5% respectively. Market capitalization also decreased by 6.3 %, while the index declined by 13.5%.

Overall four (4) companies were listed on the Junior Market, which was below our target but still significant in light of the persistent economic malaise. As with every year since the inception of the market, investors remained enthusiastic and receptive to investing in new companies.

Intentionally, no new product or service was offered to the market, as strategically the Exchange took the opportunity to streamline and improve upon the new products or services offered in prior years with a view of ensuring their acceptance, usefulness and viability. We also took the opportunity to begin working on other products and services and infrastructural improvements and are as successful as the market players who take advantage of the infrastructure that which we expect to roll out for the ensuing year.

We will continue our thrust to educate the market, utilizing print, electronic, face to face outreaches, seminars and interactive products.

OPPORTUNITES

There are many opportunities to grow the market. We believe that with the collaboration of all our member-dealers we should be able to develop new products and services aimed at different investor types. The newly introduced trading and settlement platforms provide the infrastructure that can be leveraged for fixed income trading, futures and options, closed end funds and depository receipts among other products offered in other markets.

Even where focus is placed primarily on the products and services currently offered, there is room for further growth. The eagerly awaited FSC regulation in respect of Collective Investment Schemes will make it easier for more persons to access our market. On the other hand we expect that as soon as more confidence is restored to the market, in light of the National Debt Exchange (NDX) more persons will be encouraged to explore other options of investments rather than a concentration of investing in Fixed Income Securities.

New companies, listing ordinary or preference shares either on the main or junior market, have the opportunity, of accessing equity capital which provides the investors with a larger pool of securities in which to invest. This also provides an opportunity for the Exchange Group to deepen our market. We believe that there is still the opportunity through the pricing of our service, incentives given and the empirical data on the growth and expansion of companies post listing, to encourage more companies to list on the Exchange.

There is always merit in introducing new blood to the market place through additional member-dealers. We will continue to pursue this imperative for 2013 provided that the timing is right.

The listing of the JSE's Ordinary shares is another deliverable slated for the upcoming year.

STAYING THE COURSE

Our vision remains focused on improving the capital market by creating products that will enhance investment experience and encourage new companies to list on either the Main or the Junior Market, thus creating new markets in which investors can participate. We understand and appreciate that this must be achieved in order to create real returns to our shareholders. This must however be pursued in conjunction with all who have a stake in ensuring that the market serves the purpose of mobilizing capital and providing an avenue for long-term investment.

JSE OPERATING PLATFORMS

Our trading and settlement software and hardware platforms remained robust in 2012 and we are now focused on leveraging the platforms introduced in 2011. In 2012 we introduced the ISIN Generation service and are now focused on streamlining the platforms to ensure that there is full utilization in the areas of Trustee and Registrar Services. The technical capabilities of the system will also allow us to introduce other services such as Online Trading.

During the year 2012, we experienced no significant downtime. This was evidenced by the fact that during the Hurricane in October 2012 our systems were not affected.

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GENERAL MANAGER'S REPORT - JSE (Cont'd)

The market opened, closed and settled on time every day after resuming normal operations.

As we seek to enhance our capabilities, the JSE will continue to ensure that we take advantage of available market technologies.

JSE CORPORATE ACTIVITIES AND NEW INITIATIVES

On-going Activities

- Upgrades and enhancement of trading platform for efficient market delivery
- Upgrades of other supporting systems to ensure relevance and compliance
- Website enhancement including Stock Market Game geared at market education at high school & tertiary level
- Staff training
- Continued development of internal processes for CXN
- Preparation for Futures & Options Market
- JSE e-Campus
- Public Stock Market Game and
- Development of the Fixed Income Market

DEPARTMENTAL HIGHLIGHTS

MARKETING ACTIVITIES

The Stock Exchange Group continues to be driven by the research data and information received from the JSCD that although more persons are investing in the market, we need to double our effort at growing the market. We are sensitive to the fact that while we add new investors, we have to be sensitive to the needs of existing clients in order to encourage them to continue to participate in the market. To this end the Marketing Department is developing programmes to engage all our constituents and at the same time grow the number of investors.

Some of the programmes being pursued are:

Capital Market Conference

The Regional Conference on Investments and the Capital Market Conference, hosted by the Jamaica Stock Exchange celebrated its seventh year in 2012. There is no better testimony to the success of any Conference than the fact that the major sponsors remain on-board year after year. Over the years we have sponsors such as Oppenheimer & Co., Inc. which is based in USA as our lead sponsor. TVJ and Jamaica Observer as our major local sponsors have partnered with us in advertising and providing coverage of the Conference. We have had tremendous support from our repeated sponsors who have time and again signaled their willingness to continue to participate in this important Conference. Our new sponsors have now shared in the vision of the Conference of this nature and the benefits to be derived from having this important calendar event which kick-starts and helps to set the tone for the New Year.

Every year the Conference focuses on areas of local, regional and global interest to discuss how economies can position itself to capitalize on any opportunities that presents itself, but most importantly how organizations can facilitate the growth and development in Jamaica. The JSE has been able to interest some of the world's leading experts as well as local resource persons to stimulate thought provoking discussions and postulate solutions and directions in which organizations can position themselves to ensure continued positive return on their investments.

Stock Market Game

The Jamaica Stock Exchange's Stock Market Game for High Schools ended its fourth season on April 30, 2012. In this season, there were four first time entrants, namely, Guy's Hill High, Holy Childhood High, York Castle High, and Ocho Rios High.

This website-based simulation game allows students to buy and sell stocks traded on the JSE Stock Market. Each participating school is comprised of two students who will trade and compete against each other and students from other schools over a seven month period. Each student is given a portfolio with JA$100,000.00 to invest and the students with the highest portfolio value at the end of the period are declared the winners. The school with the highest aggregate portfolio value will be crowned the JSE School Champion.

Calabar High School after winning their first JSE Stock Game for High School title in 2009-2010, made it two in a row in 2011. In 2012, their centenary year they once again won the JSE Stock Market Game for High Schools title, making it three in a row.

The Calabar High pair of Lavois Cruickshank and Jevaughn Leon placed their school first with an aggregate portfolio value of $1,714,920.00. Kingston College placed second with an aggregate portfolio value of $269,577.80. In third place was Kingston Technical High with a portfolio value of $200,818.50.

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GENERAL MANAGER'S REPORT - JSE (Cont'd)

Market Research Competition

For every quarter of the year, the JSE invites analysts from the securities industry, tertiary institutions and the media to submit analyses based on the past performance and future expectations of listed companies.

Participants conduct research, perform analyses and prepare submissions on the selected company, using the JSE's required format.

A select panel (drawn from academic institutions, the financial services sector, the investing community and the media) judges these submissions based on stated criteria and determines the winning entry and runner-up for each quarter. The panel conducts briefings periodically to provide feedback to participants. At year-end, the panel will determine the top two winners who will make final presentations (written and oral) for a select panel of judges to determine the overall winner for the year.

Throughout the year, winning analyses are published. Quarterly and overall winners receive cash prizes. In addition, winning entrants may be submitted for publication in the print and electronic media.

The 2012/13 winner of the Market Research Competition was NCB Capital Markets Limited's Shellon Williams, while Scotia Investments' Najja Daley was the first runner up.

High School Education Programme

The JSE continues its drive towards assisting High School students, who are pursuing the CSEC and CAPE exams, to understand the roles and functions of the Stock Exchange and to allow students to develop an appreciation for investments. In summary the programme aims to introduce students from an early age to:

- ✓ The role & functions of the stock market
- ✓ The importance of Savings & Investments
- ✓ Investing using stocks and
- ✓ The importance of financial literacy

Workshops

The JSE's workshops provide an avenue for complex matters to be addressed in an interactive and supportive environment which is conducive to positive learning outcomes. Participants of these workshops are usually drawn from Listed Companies, Member Dealer firms and persons in the related field, based on the material to be explored. The JSE's workshops seek to introduce new concepts aimed at stimulating individuals towards further research and or application. These workshops also demonstrate and encourage practical and current techniques to help spur participants to remain current with the latest trends and for them to take back to their business places.

The JSE's Workshops are an ideal way to teach hands-on skills because they offer participants a chance to delve into new methods and share experiences.

JSE's Public Investor Outreach

The Jamaica Stock Exchange (JSE) continues to reshape the financial landscape with our informative and engaging public awareness programmes. We aim to transform how people view the stock market by enabling them to embrace investing in securities on the Exchange as a viable medium for wealth creation. The Exchange hosted three Public Investor Outreaches in 2012. These were held in Kingston & St. Andrew and Manchester. They were well received and built awareness in respect to raising capital through listing on the main and junior markets and the creation of wealth by investing in equities.

Based on our success to date, the JSE will continue to host our branded ***Public Education Outreach*** Forum. Through each of these events, which enable a partnership between the JSE and our associates drawn primarily from our member-dealer firms, major towns across the island are visited. We engage in honest discussion with enthusiastic and sometimes skeptical participants, on the role of the stock market and introduce to them to ways they can benefit from investment opportunities in the stock market.

Corporate Outreach

As a part of the JSE's thrust to educate the market on how to invest in the stock market, the Group offers an exciting 30-minute presentation geared towards employees in the Jamaican workforce. The aim of the programme is to present simple and concise information about how the stock market works to benefit Jamaicans. In 2012 the Stock Exchange visited 24 institutions, ranging from top corporations to tertiary institutions. This represents a fifty percent (50%) increase over 2011, when the Exchange visited 16 institutions.

National Investor Education Week

In 2012, The Jamaica Stock Exchange in association with its partners, Supreme Ventures, Financial Services Commission, the Gleaner Company, JN Fund Manager, Sagicor, RBC Bank, First Global Financial Services and Barita Investments Ltd. joined forces in hosting the 4th National Investor Education Week from October 1-4, 2012 under the theme **"Securing**

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GENERAL MANAGER'S REPORT - JSE (Cont'd)

your Financial Future over the next 50 Years". This was a part of Jamaica's 50th anniversary celebration.

The objectives of the week were to:

- Be a part of the 50th anniversary celebration
- Bring into focus the importance of the Equities Market
- Educate the investing public in these towns about the benefits of listing on the market, investing in equities and the regulatory framework that is in place to protect their investments
- Increase the number of equity investors on the market
- Reconnect with existing investors and business associates

The major highlights of the week were the contribution of $50,000.00 to 10 companies which was aimed at assisting them with their business development plans. The JSE with the partnership of First Global, Sagicor and RBC Bank was able to make the contribution to these fledging organizations. Ten Companies that were listed on the Exchange from the inception of the JSE were also recognized at a Luncheon.

Best Practices Awards

National Commercial Bank walked away with four of the top awards including the Governor General's Award for Excellence at the Jamaica Stock Exchange's eight Best Practices Awards, which was held at the Jamaica Pegasus Hotel on December 5, 2012. National Commercial Bank beat the 2011 winner PanCaribben Financial (Sagicor) into second place.

The JSE Best Practices Awards were established in 2004 by the Jamaica Stock Exchange as a medium to encourage listed companies and stockbrokers in the securities industry to adopt and uphold best practices standards and to enhance the relationship between the JSE and its stakeholders. The JSE has over the years refined these awards and has added several new awards since its inception. Chief among these are:

- ✓ Junior Market Awards 2012
- ✓ The Member Dealers Awards category in 2011
- ✓ The PSOJ Award for Corporate Governance in 2008

Each year these prestigious awards are now seen as a listed company or a member-dealer's mark of excellence.

Publication

The Exchange publishes a number of publications aimed at assisting investors, potential investors and the investment community to make more informed decisions and generally to provide market updates. These publications are:

1. The Stock Market Review
2. The Pocket Book
3. The Year Book
4. CEO's Report
5. A Guide to the Jamaican Securities Markets

E-Campus

In the face of a changing global economy and evolving technology, the Jamaica Stock Exchange introduced a game changer: it recognized that persons in the financial services industry needed to remain current and relevant within their field, but without sacrificing family and social time, and eliminating the hassle of frequent travel to brick and mortar institutions. In March 2012 the JSE introduced its e-Campus.

The JSE e-Campus is a web-based learning system that allows students to attend courses online. Lessons are interactive with video and audio clips of lecturers. Students are able to view content material and e-books, do tests and interact with lecturers, from anywhere, at any time. In addition to the online component, students are also afforded the opportunity to interact with their lecturers and peers in face-to-face Sunday lecture sessions at least once during each course.

INTERNAL AUDIT

Our internal controls and procedures have improved following our decision to outsource our internal audit function to PriceWaterHouseCoopers. The JSE has taken on board the recommendations of our auditors and our response time for implementation has been excellent. This trend will continue and will lend itself to further gains in respect to efficiencies and controls.

INFORMATION TECHNOLOGY

The Group's technology unit continues the journey of ensuring we keep current relevant areas of the IT infrastructure. We have made significant progress in this area to ensure the organization's strategic objectives are met.

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GENERAL MANAGER'S REPORT - JSE (Cont'd)

Successful initiatives during 2012 and continuing into 2013 were:

1. Replacing obsolete computers across the group
2. Introduction of a new service offering: ISIN Generation, a direct result of our new settlement system implemented in 2011
3. Commencement of the implementation of a new telephone system
4. Commencement of activities for the implementation of an Online Trading System
5. Commencement of activities related to continued improvement in our Business Continuity planning process
6. Commencement of activities geared towards the JSE establishing a mobile presence
7. Commencement of the implementation of a Business Process Improvement and document management systems
8. Launch of the Stock Market Game for the public

In the area of Risk Management and Compliance we continue to enhance and maintain system redundancies which allows for 100% availability during business hours. Our risk management policies and procedures ensure that we are compliant with established policies and international standards geared towards ensuring compliance through continued audits.

Our team remains committed to the initiatives to be achieved in 2013 and will continue to expand its capacity to ensure that the Group takes advantage of market opportunities through the utilization of efficient and effective use of technology.

HUMAN RESOURCE DEVELOPMENT

The JSE Group continues to invest in various training and development programmes to facilitate staff advancement and development. Team members participated in different workshops, seminars in both operational support and other courses specific to their respective areas of responsibility. Our Chief Regulatory Officer, Mr. Wentworth Graham is now a Professional Member of the International Compliance Association after successfully completing the ICA International Diploma in Compliance. Additionally, Miss Josephine Lewis, Manager Trustee Services Department, successfully completed the JSE's e-Campus Post Graduate Diploma in Financial Services Managements and was among the first graduates of JSE's e-Learning Cohort 1.

Miss Josephine Lewis

The JSE Group embraces staff advancement, and in 2012 five (5) team members were promoted, to managerial and officer levels.

We continue to enable staff to have access to resources which will allow them to make important personal lifelong decisions. This is done through our Chat-In Sessions where representatives from different financial institutions engage staff in discussion on matters such as financial planning/ wealth management and health and gender issues.

Recognizing that good health and regular health checks are of paramount importance, we continue to hold our annual health fair in collaboration with the Heart Foundation of Jamaica.

Safety is everyone's business and staff members from different departments participated in Safety Awareness Training (including the matter of civil unrest, fire and disaster preparedness). These employees were appointed as Safety Wardens with their main responsibilities being that of identifying safety hazards and engaging their colleagues on the matter of safety in the workplace.

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GENERAL MANAGER'S REPORT - JSE (Cont'd)

INTERNAL COMMUNICATIONS

While we have free flowing communications within the Group which is aided by our Snap Communication tool, going forward, we will be increasing internal communications by having regular interface between regular staff and members of the Senior Management team. These meetings which will be called **'Garden Chit-Chat'** would be one-on-one informal group meetings with the General Manager and other Senior Managers. This will facilitate improved staff engagement, employee feedback on issues governing the Group and the building of more effective rapport between Senior Management team and Staff.

CORPORATE SOCIAL RESPONSIBILITY

The JSE continues to recognize the importance of Corporate Social Responsibility and our major thrust is in the area of education. To this end we continued the school-feeding programme at St. Michael's All Age School which has resulted in an improvement in both attendance and punctuality of the students. It is our intention to become more involved in the school through its PTA so as to improve the prospects of the students.

FOCUS - 2013

2013 Initiatives Growing our business and improving processes

In 2013, the JSE's primary main focus will be on the implementation of the following:

- Business Process Improvement and Document Management geared towards full process automation
- Development of Stock Market mobile application
- Enhancement of Disaster Recovery & Business Continuity capabilities
- Improvement in our website
- Improvements in our internal capabilities and infrastructure for better service delivery

Our team is committed to continuing the thrust to implement solutions that are geared towards allowing the Group to take advantage of market opportunities which will increase revenue and improve quality of service. We will also seek to leverage the existing technology and reduce expenses by rationalization of the IT infrastructure.

In addition, the JSE and its subsidiary will look for opportunities within the market to grow and expand our services. We intend to listen to the market and provide solutions in keeping with these calls. The focus will be on people, place, products and portal.

Our team is committed to continuing the thrust to implement solutions that are geared towards allowing the JSE and its subsidiaries to take advantage of market opportunities which will increase revenue, improve customer service and restore profitability. An increase in the Return on Equity, efficient utilization of assets and cost effective regulation of the market and maximizing the Group's investment portfolio will be the major areas of focus. This was our commitment to you last year and we continue to work towards improvements and realizing our goal.

Finally I wish to take this opportunity to commend the dedicated employees who, despite the tough economic climate and sometimes limited resources, so ably perform the tasks of developing new products, energizing old ones and just simply maintaining them. The enthusiasm was always on display whether to our internal or external customers. Many thanks to the members of the Board and the Committee who continue to play their part in ensuring that the strategies and the underlying fabric of the Group is current, modern and appropriate and that good governance is not just a catch-phrase but is practiced.

The Stock Market is relevant, it is timely and, as with all good products and services it must be properly utilized. The team stands ready to continue to deliver on the promise of 'providing a fair, efficient and transparent market'.

Marlene J. Street Forrest

Marlene J. Street Forrest
General Manager, JSE

The Regulatory & Market Oversight Division's 2012 Year In Review of JSE's Regulatory Activities

Mr. Wentworth Graham
Chief Regulatory Officer

Overview

In 2012 global economies placed emphasis on rebuilding their economic base while bolstering systems to prevent deteriorated conditions that they experienced during the World Financial Crisis; in realizing desired national outcomes most nation states relied on financial market oversight.

The Jamaica Stock Exchange (JSE) plays a pivotal role in Jamaica's economic development and stability, and as a Self-Regulatory Organization its regulatory responsibilities are critical and essential. The JSE's regulatory activities are undertaken by its divisional unit: the Regulatory & Market Oversight Division (RMOD). The RMOD reports to the Regulatory & Market Oversight Committee (RMOC), the independent body of the Exchange's Board which is responsible for JSE's regulatory matters. During the course of 2012 the RMOD undertook necessary engagements to ensure that JSE's oversight activities continue to be adequate and effective; and in satisfying its regulatory objectives the Division concentrated on the following core functions: Listed Company Compliance, Member-dealer Regulation, Market Surveillance, Enforcement, Dispute Resolution/Arbitration and Risk Assessment.

Listed Company Compliance

One aspect of Listed Company Compliance is Listed Companies' Financial Compliance, which involves the RMOD's review of Listed Companies' financial results before and after listing on the JSE. For the 2012 calendar year RMOD reviewed the five (5) new listings on the JSE to ensure that their financial results satisfied JSE's listing requirements; in 2011 seven (7) new listings were reviewed. Additionally, during the year the Division reviewed two hundred and forty-eight (248) Financial Statements (Unaudited, Audited and Annual Reports) that were filed with the Exchange to verify that continued listing standards were satisfied; and of the set sixty-seven (67) had to be amended. In 2011 the Division reviewed two hundred and sixty-four (264) Financial Statements, and of the set eighty-nine (89) had to be amended.

Listed Companies' Corporate Compliance is the other aspect of Listed Company Compliance, and in this regard the RMOD ensures that Listed Companies satisfy the highest standards of accountability and transparency. For the year 2012 the Division examined five hundred and seventeen (517) Corporate Notices, twenty-nine of which were considered non-compliant. In 2011 the Division reviewed five hundred six-five (565) Corporate Notices and twenty-three (23) were determined as non-compliant.

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The Regulatory & Market Oversight Division's 2012 Year In Review of JSE's Regulatory Activities (Cont'd)

Member-dealers Regulation

Member-dealers regulation entails examinations, monitoring, rules development and educating industry practitioners. For year in review, as part of its member-dealer examination, the RMOD reviewed one hundred and eight-seven (187) financial filings (Monthly, Quarterly and Audited Reports) that were made by member-dealers. Equally, in 2012 the Division did two (2) on-site member-dealer inspections, and two (2) off-site inspection updates. The RMOD identified two (2) issues as part of its monitoring of member-dealers' activities during 2012, and it undertook one (1) rule amendment for member-dealers. As it relates to educating industry practitioners, in addition to publishing two (2) issues of its newsletter entitled "Inside the RMOD", the Division had two (2) training sessions for member-dealers; one which took the form of a joint workshop with the Institute of Chartered Accountants of Jamaica, and the other as a member-dealer's orientation session.

Market Surveillance

The RMOD market surveillance responsibilities take the form of monitoring trading activities to identify market infractions and irregular trading patterns. The Division has direct access to JSE's trading and settlement platforms which aid its market surveillance activities, and given this access during 2012 nine (9) trading exceptions were identified. All issues were thoroughly investigated and requisite clarifications were provided. In 2011 the Division identified five (5) trading exceptions.

Enforcement

As a consequence of determining that there has been a violation of the JSE's Rules and other market regulations the RMOD is required to administer enforcement actions. During 2012 the number of enforcement actions that were taken against member-dealers and Listed Companies were seven (7) and two (2), respectively. In 2011 one (1) enforcement action was administered, and it was against a member-dealer.

Dispute Resolution/Arbitration

The Division has a duty to provide a neutral setting for dispute resolution between investors, member-dealers and Listed Companies. During 2012 the Division was called upon to settle one (1) issue between an investor and a Listed Company; in 2011 the Division also handled one (1) issue between an investor and a Listed Company.

Risk Assessment

In fulfilling its risk assessment objective the RMOD is required to assess the risks in the industry as well as to measure the efficacy of its own regulatory programmes. Given the size of its operations, the RMOD treats with the industry's risks by conducting Risk Based Inspections. In satisfying the foregoing, during 2012, the Division did onsite and follow-up inspections as detailed above. In relation to testing of the Division's inspection programme, during the course of 2012, the JSE's Internal Auditors did an examination of the unit and provided recommendations that have been duly accepted.

Closing Comments

In addition to the above mentioned core activities, it is suitable also to mention that during the course of 2012 the RMOD reviewed twenty-seven (27) Circulars (Prospectuses, Take-over Bids, Directors' Circulars) that were submitted to the JSE; the amount equaled 2011's tally. The Division attended 37 of the 45 Special and Regular meetings convened during the year by Listed Companies.' In 2011 the Division attended thirty-seven (37) of the forty-three (43) Special and Regular Meetings convened by Listed Companies.

In closing, I wish to acknowledge the RMOC for its indefatigable direction of the RMOD, as well as the invaluable support and teamwork of the Division's officers, and assistance provided by staff of the wider JSE. Given the role and responsibilities of the RMOD, I wish to assure all stakeholders that in the ensuing year every effort will be made to advance the Exchange's regulatory responsibilities.

JSE CORPORATE HIGHLIGHTS 2012

Best Practices Awards 2011

National Commercial Bank Wins 2011 Governor General's Awards for Excellence

It was a night when National Commercial Bank walked away with four of the top awards at the Jamaica Stock Exchange Best Practices Awards, which was held at the Jamaica Pegasus Hotel on Wednesday, December 5, 2012. The event was fully supported by corporate Jamaica. This prestigious gathering included the Honourable Steadman Fuller, Custos Rotulorum of Kingston,representing His Excellency, the Most Honourable Patrick Allen- the patron of the event, and the Honourable Marigold Harding, Custos Rotolorum of St. Andrew.

Mrs. Marlene Street Forrest, General Manager of the Jamaica Stock Exchange opened the event by welcoming the guests. Mrs. Street Forrest lauded the efforts of the various companies throughout the Jamaica and the Caribbean that have focused on Corporate Social Responsibility (CSR). According to her, "Many persons do not know that the purpose, content and structure of a company's CSR are reviewed as part of these best practices awards. So often persons speak to how much more corporate Jamaica should or could be doing for social development without stopping to recognize the major contributions that are already made by these companies. Indeed, we shudder to think what Jamaica and the wider Caribbean would look like without these contributions and those of civil society. We wish to congratulate all companies that are often tirelessly and thanklessly doing their part and urge you to continue to do your best".

Dennis Cohen, Deputy Group Managing Director of National Commercial Bank Jamaica receives the Governor General's Award for Excellence from the Hon Steadman Fuller, Custos of Kingston at the JSE's Best Practices Awards 2011 held December 5, 2012.

The Guest Speaker for the eighth Best Practices Awards was Dr. Claire Nelson; Founder and President of the Institute of Caribbean Studies, a think-tank based in Washington DC. She gave a riveting presentation advocating that Jamaica as a country can achieve excellence and Jamaicans in particular have the ability to achieve excellence. She spoke of Marcus Garvey, who had no cellular phone and no Twitter account, yet had over one million followers in over twenty countries. She told the audience that the four basic and essential ingredients to achieve excellence are vision, perseverance, passion and love. The first ingredient is instilled in us through our national anthem, the second requires determination or 'stick-to-it-iveness', the third is energy or motivation and finally love, which she described as all-encompassing and holds everything together. Love, she said, transcends all boundaries and has the ability to lift the spirits of individuals.

Professor Neville Ying, the Chairman of the Best Practices Committee next threw out an appeal to the Listed Companies and Brokerage, to be the best that they can be. According to Professor Ying " As we are living in a global village where companies have to compete against the best of the best, it is very important that we change our mind-set in Jamaica and ensure that mediocrity has no place amongst institutions. The world is at our fingertips; this means by the click of a mouse, business can be done anywhere in the world. Therefore, it is imperative that companies have the best Board of Directors, the best management team, the best customer service, the best products, the best

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JSE CORPORATE HIGHLIGHTS 2012 (Con'td)

website ... and as a matter of fact simply the best of everything to be able to effectively and efficiently compete in the global market place".

It was now left to the Master of Ceremonies, Mr. Michael Anthony Cuffe, along with Dr. Nsombi Jaja to announce the winners. They started with the Member Dealers Awards. In the category of **Revenue Generation & Market Activity**, the JSE recognized Member Dealers that, during the year, "Traded the most value on the Exchange" and participated in the JSE's programmes:
2nd Runner up was JMMB Securities Ltd., 1st Runner up was NCB Capital Markets Ltd. and the winner in this category was Pan Caribbean Financial Services Ltd. for the second year running.

The next category to be announced was that of **Investor Relations**. This award recognizes the Member Dealer that "consistently exceeds customers' expectations by providing excellent customer service." The 1st Runner ups were Barita Investments Ltd. & Capital & Credit Securities Limited and the winner for the second year running was PanCaribbean Financial Services Ltd.

JSE Member-Dealers Award for Best Website was next. This award is given to encourage member dealers to raise the quality and efficiency of the dissemination of information to the investing public via the website. Stocks & Securities Limited was the 2nd Runner up, with the 1st runner up being Capital & Credit Securities Limited and the winner for the second year running was First Global Financial Services Ltd.

Terry-Ann Jamieson Warren (left), Research Analyst - Pan Caribbean Financial Services receives the winning award for JSE Member-Dealers Investor Relations Award from Hon Marigold Harding, Custos of St. Andrew.

Angeline Carr (left), Compliance Officer, Stock & Securities Ltd accepts the 2nd Runner up prize in the JSE Member Dealers Website category from Dr. Claire Nelson, Founder & President, Institute of Caribbean Studies.

Lissant Mitchell (left) Chief Operating Officer, Scotia Investments Jamaica Ltd accepts the 2nd runner up award for the JSE Member Dealers Expansion of Investors & Listed Companies base from Alvaro Casserly, Director, JCSD.

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JSE CORPORATE HIGHLIGHTS 2012 (Con'td)

The next category to be announced was the "Expansion of Investors & Listed Companies Base". This award recognizes the Member Dealer that has; "increased the number of clients in the JCSD and has listed the most companies within 2011". The 2nd runner up in this category was Scotia Investments Jamaica Limited, the 1st runner up position went to JMMB Securities Ltd. and the winner was Mayberry Investments Ltd for the second year in a row.

The Jamaica Stock Exchange **Member Dealers Overall** Winner went to Mayberry Investments Ltd. for the second consecutive year!

It was now time for the Best Practices Awards 2011 for Listed Companies to be announced. This year both Junior Market and Main Market companies were recognized. The first award in this category was the presentation of the **Best Practices - Annual Report Award** for Junior & Main Markets Listed Companies. This award is given to encourage publicly listed companies to produce clearer, more reader-friendly annual reports and to provide greater insight into the companies' financial affairs, governance practices and business activities. General Accident Insurance Company Ltd. was the only winner in the Junior Market category. While in the Main Market, 2nd Runner up went to Sagicor Life Jamaica Ltd. and Joint Winners were PanCaribbean Financial Services Ltd & National Commercial Bank Jamaica Ltd.

Best Performing Company Award seeks to identify and recognize outstanding performance by Listed Companies in enhancing shareholder value in the areas of capital efficiency, profitability and direct return on

Lennox Channer (left), Assistant General Manager, Group Managing Director's Office, NCB receives the award for Best Practices Annual Report Main Market (joint with Pan Caribbean) from Professor Neville Ying, Chairman of the Best Practices Committee.

Allan Lewis, Deputy Chairman - JSE presents the JSE Member-Dealers Revenue Generation & Market Activity Award to Kirk Al Brown, Senior Equity Trader, Pan Caribbean Financial Services Limited.

Odel Johnson, Financial Controller of Jamaica Property Company Limited a subsidiary of Pan-Jamaican Investment Trust Ltd accepts the 2nd runner up award for the JSE Best Performing Company (Main Market) from Donovan Perkins, Chairman - JSE.

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JSE CORPORATE HIGHLIGHTS 2012 (Con'td)

shareholdings. In the Junior Market category the 2nd Runner up was Lasco Financial Services Ltd., while 1st Runner up went to Lasco Manufacturing Ltd. and Cargo Handlers emerged the winner. In the Main Market category the 2nd Runner up was PanJamaican Investment Trust Ltd., while the1st Runner up was Scotia Investments Jamaica Ltd. and the **winner** was **Carreras Ltd.**

Corporate Disclosure & Investor Relations award serves to recognize companies that maintain good investor relations with the wider investing public and make timely and accurate reports and announcements to the JSE. In the Junior Market category, the 1st runner up was Caribbean Producers Jamaica Limited and the winner was Honey Bun Ltd. The Main Market had Joint 2nd Runner up in Grace Kennedy Ltd. & Scotia Group Jamaica Ltd., while the 1st Runner up was PanCaribbean Financial Services Ltd. **The Winner was National Commercial Bank Jamaica Ltd.**

The Best Practices Website Award seeks to encourage listed companies to raise the quality and efficiency of the dissemination of information to the investing public via their websites. The Junior Market awards were handed out as usual with 2nd Runner up- Lasco Manufacturing Ltd., 1st Runner up - Honey Bun Ltd. and the winner was Caribbean Producers Jamaica Ltd. The Main Market presentation 2nd Runner up went to Sagicor Life Jamaica Ltd., 1st Runner up went to Trinidad Cement Limited and Guardian Holdings Ltd was the winner for the second year running.

The penultimate award was the **PSOJ/JSE Corporate Governance Award** which *seeks to recognize companies that demonstrate and practice outstanding corporate governance. The* 2nd Runner up was Pancaribbean Financial Services, followed by the 1st Runner up - Scotia Group and National Commercial Bank emerged the winner.

In the end the **JSE's Junior Market**

Patrice Gray, Finance Director Carreras Ltd., receives the winning award for the JSE Best Performing Company (Main Market) from Donovan Perkins, Chairman-JSE.

Overall Best Practices Award had Joint Overall Winners Caribbean Producers Jamaica Ltd and Honey Bun Ltd.

The company to walk away with **Governor General's Award for Excellence** and the overall winner of the competition was National Commercial Bank Jamaica Ltd.

Robin Levy, General Manager JCSD presents 2nd Runner up award for Best Practices Corporate Disclosure & investor Relations to Ms. Gene Douglas, Company Secretary Pan Caribbean Financial Services.

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JSE CORPORATE HIGHLIGHTS 2012 (Con'td)

Custos Harding Rings Bell to Mark The Opening of The Market At JSE's Niew on October 4, 2012 and in the background is Mr. Robin Levy, General Manager JCSD and Deputy General Manager; JSE.

From left Mr. Gary Peart, Mr. Robin Levy, Mrs. Marlene Street Forrest, Mr. John Mahfood and Mr. Brian George at the Gleaner Editor's Forum as part of the JSE National Investor Education Week 2012.

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JSE CORPORATE HIGHLIGHTS 2012 (Con'td)

Salada Foods Jamaica one of the sponsors of the JSE National Investor Education Week 2012.

Attendees at the JSE/JMMB Investor Forum speak with a JMMB Representative the seminar held April 17, 2012.

From Left Mr. Roy Reid, Mrs. Marlene Street Forrest and Paul Gray speak with participants at the JSE/JMMB Investor Forum held April 17, 2012.

SHAREHOLDINGS

Top 10 for Jamaica Stock Exchange
As at December 31, 2012

Name Account(s)	Joint Holders	Volume	Percentage
FIRST GLOBAL FIN. SERV. LTD-TRADING A/C			
		1,408,803.00	4.27
		1,408,803.00	**4.27**
DEREK DEMERCADO			
		1,254,489.00	3.80
		1,254,489.00	**3.80**
WILFORD REID			
	Ronton Constantine Schrouder	1,249,511.00	3.79
		1,249,511.00	**3.79**
CHARLES LEIBA			
		1,200,000.00	3.64
		1,200,000.00	**3.64**
VICTORIA MUTUAL BUILDING SOCIETY			
		1,011,747.00	3.07
		1,011,747.00	**3.07**
WINSTON COLE			
		1,008,705.00	3.06
		1,008,705.00	**3.06**
BERRIST ALFANZO PHILLIPS			
	Cherrie Evadney Phillips	1,000,618.00	3.03
		1,000,618.00	**3.03**
VMWM CLIENT 1			
		918,821.00	2.78
		918,821.00	**2.78**
ONIS JOHNSON			
	Monica Johnson	751,725.00	2.28
		751,725.00	**2.28**
LASCELLE LENFORD BROWN			
	Paula Ann Sinclair	627,278.00	1.90
		627,278.00	**1.90**

Executives Holdings for Jamaica Stock Exchange
As at December 31, 2012

Name Account(s)	Joint Holders	Volume	Percentage
MARLENE STREET-FORREST			
1656248		8,333.00	0.03
		8,333.00	**0.03**
ROBIN LEVY			
1903798		25,000.00	0.08
		25,000.00	**0.08**

(Cont'd on next page)

SHAREHOLDINGS Cont'd

Executives Holdings for Jamaica Stock Exchange
As at December 31, 2012

Name Account(s)	Joint Holders	Volume	Percentage
SUZETTE MCNAUGHT			
1300367	Minette McLeish	25,000.00	0.08
		25,000.00	**0.08**
DOREEN PARSONS-SMITH			
1902782		8,333.00	0.03
		8,333.00	**0.03**
SUZETTE WHYTE			
1902956	Felix Whyte	10,000.00	0.03
		10,000.00	**0.03**
NEVILLE ELLIS			
1902931		8,333.00	0.03
		8,333.00	**0.03**
JOSEPHINE LEWIS			
1303106		25,000.00	0.08
		25,000.00	**0.08**

Directors Holdings for Jamaica Stock Exchange
As at December 31, 2012

Name Account(s)	Joint Holders	Volume	Percentage
RITA HUMPHRIES LEWIN			
1012871		19,978.00	0.06
		19,978.00	0.06
EDWIN MCKIE			
1002955	Beulah McKie	49,846.00	0.15
		49,846.00	0.15

(Cont'd on next page)

SHAREHOLDINGS Cont'd

Ordinary Shareholdings for Jamaica Stock Exchange
As at December 31, 2012

Names	Shareholdings
Barita Investments Limited	2,550,000
First Global Financial Services Limited	2,550,000
Jamaica Money Market Brokers Limited	2,550,000
M/VL Stockbrokers Limited	2,550,000
Mayberry Investments Limited	2,550,000
NCB Capital Markets Limited	2,550,000
PanCaribbean Financial Services Limited	2,550,000
Scotia DBG Investments Limited	2,550,000
Stocks & Securities Limited	2,550,000
VM Wealth Management Limited	2,550,000

FINANCIAL & STATISTICAL HIGHLIGHTS

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue ($)		+309,628,000	232,537,000	263,387,000	561,297,000	240,797,000	294,515,000	313,590,000	219,395,000
Expenses($)		272,030,000	230,239,000	283,248,000	302,306,000	212,796,000	323,349,000	180,099,000	135,495,000
Income Before Taxes ($)		37,598,000	2,298,000	-19,861,000	258,991,000	28,001,000	Ø-28,834,000	133,491,000	83,900,000
Net Income After Tax ($)		50,310,000	37,402,000	43,018,000	207,703,000	44,116,000	8,213,000	114,213,000	109,001,000
Compensation Fund ($)		582,720,000	564,125,000	544,281,000	510,134,000	463,759,000	434,686,000	404,253,000	378,839,000
Members' Equity ($)		473,857,000	434,609,000	423,931,000	436,956,000	486,273,000	465,872,000	484,043,000	403,770,000
Reported Share Volume (Millions)* (Units)		2,125.52	3,617.26	1,764.89	2,953.01	2,433.48	5,639.39	2,498.03	5,194.56
Daily Average Share Volume (Millions)* (Units)		8.43	10.66	6.98	11.81	9.73	22.55	9.91	20.45
Reported Dollar Value (Millions)* ($)		22,241.92	21,020.82	12,189.89	67,026.87	29,047.42	37,041	40,747	35,994.85
Daily Average Dollars Value (Millions)* ($)		88.26	69.6	48.12	268.10	116.18	148.16	161.69	141.71
JSE Combined Index as at December 31	93,503.79	97,134.00							
JSE Market Index as at December 31	92,101.22	95,297.20	85,220.82	83,321.96	80,152.02	107,968.00	100,678	104.510	112,655.51
JSE Junior Market Index as at December 31	647.78	748.86	379.92	150.01					
Member Organizations	11	11	11	11	11	11	11	11	11
New Listed Companies/Securities*	4/05	5/7	8/10	1	9	1	3	1	Nil
Total Listed Companies/Securities*	61	52	51	44	45	44	44	41	40
Total Shares Listed (Billions) (Reg and Jnr)	51.04	51.51	47.65	47.16	47.49	47.16	49.23	46.19	42.28
Market Capitalization as at December 31:(Billion) ($) (Reg and Jnr)	612.74	691.44	564.72	544.88	597.28	876.69	822.86	839.85	879.30
JSE USD Market Index as at December	67.86	78.57							
Total Shares Listed	294,951,884	294,951,884							

*Includes Junior Market

△ Restated

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

\+ One off gain from disposal of property

JAMAICA STOCK EXCHANGE

AND ITS SUBSIDIARY

AUDITORS' REPORT & FINANCIAL STATEMENTS

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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) and the financial statements of the Company and its subsidiary (the Group), set out on pages 58 to 126, which comprise the Group's and the Company's statements of financial position as at December 31, 2012, the Group's and the Company's statements of comprehensive income, statements of changes in equity and statements of 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Companies Act, 2004 of Jamaica and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(Cont'd on next page)

Report on the financial statements (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2012 and of the Group's and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on additional requirements of the Companies Act, 2004 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 by the Companies Act, 2004 of Jamaica in the manner so required.

Deloitte & Touche

Chartered Accountants

Kingston, Jamaica,
February 27, 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2012

	Notes	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
ASSETS				
Non-current assets				
Property and equipment	5	76,620	93,087	87,555
Intangible assets	6	31,828	24,610	12,977
Post employment benefits	8	85,208	79,601	76,163
Investment in securities	9	279,557	262,102	286,435
Long-term receivables	10	8,777	7,524	6,935
Total non-current assets		481,990	466,924	470,065
Current assets				
Income tax recoverable	34	12,771	35,946	37,898
Trade and other receivables	11	64,449	68,544	26,963
Investment in securities	9	49,396	19,164	-
Cash and cash equivalents	12	180,766	54,829	36,723
Total current assets		307,382	178,483	101,584
Total assets		789,372	645,407	571,649
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	13	168,590	168,590	168,590
Fair value reserve	14	446	7,272	1,943
Revenue reserve	15	412,462	297,995	264,076
Total equity		581,498	473,857	434,609
Non-current liabilities				
Long-term liabilities	16	14,334	86,124	69,487
Deferred tax liabilities	17,34	37,938	24,181	25,543
Total non-current liabilities		52,272	110,305	95,030
Current liabilities				
Payables and accruals	18	82,473	54,499	40,460
Current portion of long-term liabilities	16	73,129	6,746	1,550
Total current liabilities		155,602	61,245	42,010
Total equity and liabilities		789,372	645,407	571,649

The notes on Pages 66 to 126 form an integral part of the financial statements.

The financial statements Pages 58 to 126 were approved and authorized for issue by the Board of Directors on February 27, 2013 and are signed on its behalf by:

Director

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2012

	Notes	2012 $'000	2011 $'000
Income			
Cess		265,164	87,564
Fee income		189,232	119,759
E-campus		4,386	5,432
Other operating income	19	45,519	43,533
		504,301	256,288
Expenses			
Staff costs	20	146,929	127,467
Property expenses		57,948	47,949
Depreciation and amortisation		19,526	11,188
Advertising and promotion		20,782	20,692
Professional fees		28,119	19,629
Securities commission fees		54,436	19,045
Allowances for doubtful debts	11	3,390	1,324
E-campus		12,532	5,580
Other operating expenses		12,714	12,517
		356,376	265,391
Investment income	21	38,166	24,863
Other gains	22	5,931	28,477
Finance costs	23	(6,382)	(6,639)
PROFIT BEFORE TAXATION	24	185,640	37,598
Taxation	25	(56,935)	(3,679)
NET PROFIT	26	128,705	33,919
OTHER COMPREHENSIVE INCOME			
Net fair value (loss) gain on available-for-sale financial assets during the year	14	(6,826)	5,329
Other comprehensive income for the year, net of taxes		(6,826)	5,329
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		121,879	39,248
Earnings per share	27	$4.59	$1.21

The notes on Pages 66 to 126 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2012

	Note	Share Capital $'000	Fair Value Reserve $'000	Revenue Reserve $'000	Contingency Reserve $'000	Total $'000
Balance at January 1, 2011 as previously stated		168,590	1,943	264,076	559,818	994,427
Prior year restatement	34	-	-	-	(559,818)	(559,818)
Balance at January 1, 2011 restated		168,590	1,943	264,076	-	434,609
Profit for the year as restated	34	-	-	33,919	-	33,919
Other comprehensive income for the year	14	-	5,329	-	-	5,329
Total comprehensive income for the year as restated		-	5,329	33,919	-	39,248
Balance at December 31, 2011 as restated		168,590	7,272	297,995	-	473,857
Profit for the year		-	-	128,705	-	128,705
Other comprehensive income for the year	14	-	(6,826)	-	-	(6,826)
Total comprehensive income for the year		-	(6,826)	128,705	-	121,879
Payment of dividend	32	-	-	(14,239)	-	(14,239)
Balance at December 31, 2012		168,590	446	412,402	-	581,498

The notes on Pages 66 to 126 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

	Note	2012 $'000	2011 $'000
OPERATING ACTIVITIES			
Net profit		128,705	33,919
Adjustments for:			
Depreciation of property and equipment		9,619	8,637
Amortisation of intangible assets		9,907	2,551
Gain on sale of available-for-sale investments		(2)	(9)
Gain on disposal of property and equipment		-	(28,477)
Unrealised foreign exchange losses on investments		(10,089)	1,723
Post employment benefit (credit) charge		(103)	1,646
Allowances for doubtful debts		3,390	1,324
Income tax expense		56,935	3,679
Other gains		(5,931)	-
Interest income		(28,330)	(26,043)
Interest expense		6,382	6,639
Operating cash flows before movements in working capital		170,483	5,589
Decrease (Increase) in trade and other receivables		1,318	(43,024)
Increase in payables and accruals		33,905	5,311
Post employment benefit contributions		(5,504)	(5,084)
Cash utilised in operations		200,202	(37,208)
Income tax paid		(16,590)	(5,752)
Interest paid		(6,382)	(6,639)
Cash provided by (used in) operating activities		177,230	(49,599)
INVESTING ACTIVITIES			
Investment securities (net) other		(74,053)	(17,783)
Proceeds from disposal of property and equipment		-	41,826
Proceeds from sale of available-for-sale investments		28,430	32,334
Acquisition of property and equipment		(8,453)	(27,518)
Acquisition of intangible assets		(1,824)	(14,184)
Long-term receivables		(1,866)	(488)
Interest received		25,863	31,918
Cash (used in) provided by investing activities		(31,903)	46,105
FINANCING ACTIVITIES			
Dividend paid		(14,238)	-
Proceeds from loans		-	25,663
Loan repaid		(5,407)	(4,128)
Cash (used in) provided by financing activities		(19,645)	21,535
NET INCREASE IN CASH AND CASH EQUIVALENTS		125,682	18,041
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		54,829	36,723
Effect of foreign exchange rate changes		255	65
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	180,766	54,829

The notes on Pages 66 to 126 form an integral part of the financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2012

	Notes	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
ASSETS				
Non-current assets				
Property and equipment	5	67,154	85,806	79,582
Intangible assets	6	20,646	11,095	9,192
Investment in subsidiary	7	61,000	61,000	56,000
Post employment benefits	8	66,562	62,439	60,131
Investments in securities	9	228,906	201,734	215,643
Long-term receivable	10	8,220	7,111	5,771
Total non-current assets		452,488	429,185	426,319
Current assets				
Income tax recoverable	31	10,240	34,485	31,253
Trade and other receivables	11	36,516	38,026	16,051
Investments in securities	9	21,375	10,825	-
Due from related party	29	29,174	36,805	64,705
Cash and cash equivalents	12	157,741	40,652	16,610
Total current assets		255,046	160,793	128,619
Total assets		707,534	589,978	554,938
EQUITY AND LIABILITIES				
Shareholders' Equity				
Share capital	13	168,590	168,590	168,590
Fair value reserve	14	272	6,456	2,345
Revenue reserve		355,305	276,653	263,998
Total shareholders' equity		524,167	451,699	434,933
Non-current liabilities				
Long-term liabilities	16	14,334	86,124	69,487
Deferred tax liabilities	17,34	28,688	15,764	21,159
Total non-current liabilities		43,022	101,888	90,646
Current liabilities				
Payables and accruals	18	67,216	29,645	27,809
Current portion of long-term liabilities	16	73,129	6,746	1,550
Total current liabilities		140,345	36,391	29,359
Total equity and liabilities		707,534	589,978	554,938

The notes on Pages 66 to 126 form an integral part of the financial statements.

The financial statements Pages 58 to 126 were approved and authorized for issue by the Board of Directors on February 27, 2013 and are signed on its behalf by:

Director

Director

COMPANY STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2012

	Notes	2012 $'000	2011 $'000
INCOME			
Cess		229,860	65,690
Fee income		101,052	43,839
E-campus		4,386	5,432
Other operating income	19	44,431	44,551
		379,729	159,512
EXPENSES			
Staff costs	20	106,978	94,087
Property expenses		34,388	27,420
Depreciation and amortisation		13,930	7,757
Advertising and promotion		20,526	20,490
Professional fees		18,905	16,294
Securities commission fee		53,042	17,608
Allowances for doubtful debts	11	519	955
Other operating expenses		5,497	4,405
E-campus expenses		12,532	5,580
		266,317	194,596
Investment income	21	29,720	18,292
Other gains	22	-	28,477
Finance costs	23	(6,345)	(6,480)
PROFIT BEFORE TAXATION	24	136,787	5,205
Taxation	25	(43,897)	7,450
NET PROFIT		92,890	12,655
OTHER COMPREHENSIVE INCOME			
Net fair value(loss) gains on available-for-sale financial assets during the year	14	(6,184)	4,111
Other comprehensive income for the year, net of taxes		(6,184)	4,111
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		86,706	16,766

The notes on Pages 66 to 126 form an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2012

	Notes	Share Capital $'000	Fair Value Reserve $'000	Revenue Reserve $'000	Contingency Reserve $'000	Total $'000
Balance at January 1, 2011 as previously stated		168,590	2,345	263,998	559,818	994,751
Prior year restatement	34	-	-	-	(559,818)	(559,818)
Balance at January 1, 2011 restated		168,590	2,345	263,998		434,933
Profit for the year as restated		-	-	12,655	-	12,655
Other comprehensive income for the year	14	-	4,111	-	-	4,111
Total comprehensive income for the year as restated			4,111	12,655		16,766
Balance at December 31, 2011 as restated		168,590	6,456	276,653	-	451,699
Profit for the year		-	-	92,890	-	92,890
Other comprehensive income for the year	14	-	(6,184)	-	-	(6,184)
Total comprehensive income for the year		-	(6,184)	92,890	-	86,706
Payment of dividends	32	-	-	(14,238)	-	(14,238)
Balance at December 31, 2012		168,590	272	355,305	-	524,167

The notes on Pages 66 to 126 form an integral part of the financial statements.

COMPANY STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

	Note	2012 $'000	2011 $'000
OPERATING ACTIVITIES			
Net profit		92,890	12,655
Adjustments for:			
Depreciation of property and equipment		7,223	6,268
Amortisation of intangible assets		6,707	1,489
Gain on disposal of property and equipment		-	(28,477)
Foreign exchange gain/loss on investments		(7,032)	2,204
Post employment benefit (credit) charge		(261)	1,300
Allowances for doubtful debts		519	955
Gain on sale of investments in available-for-sale financial assets		(2)	(12)
Income tax expense charge (credit)		43,897	(7,450)
Interest income		(22,942)	(19,891)
Interest expense		6,345	6,480
Movements in working capital		127,344	(24,479)
Decrease (Increase) in trade and other receivables		1,562	(22,561)
Increase (Decrease) in trade and other payables		37,571	(6,892)
Post employment benefit contributions		(3,862)	(3,608)
Cash used in operations		162,615	(57,540)
Income tax paid		(3,636)	(3,232)
Interest paid		(6,345)	(6,480)
Cash provided by (used in) operating activities		152,634	(67,252)
INVESTING ACTIVITIES			
Net acquisition of investments in securities		(45,574)	(10,158)
Proceeds from sale of investments in available-for-sale financial assets		10,017	20,099
Investment in subsidiary		-	(5,000)
Payments by related parties		7,631	27,900
Acquisition of property and equipment		(3,872)	(25,841)
Net proceeds on disposal of property and equipment		-	41,826
Acquisition of intangible assets		(957)	(3,392)
Long-term receivable		(1,680)	(1,709)
Interest received		18,279	26,030
Cash (used in) provided by investing activities		(16,156)	69,755
FINANCING ACTIVITIES			
Dividend paid		(14,238)	-
Proceeds from loans		-	25,663
Loan repaid		(5,407)	(4,128)
Cash (used in) provided by financing activities		(19,645)	21,535
NET INCREASE IN CASH AND CASH EQUIVALENTS		116,833	24,038
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		40,652	16,610
Effect of foreign exchange rate changes		256	4
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	157,741	40,652

The notes on Pages 66 to 126 form an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

1 GROUP IDENTIFICATION

1.1 The Jamaica Stock Exchange Limited (the Company) is incorporated in Jamaica as a public limited liability company. The main activities of the Company are the regulation and operation of a stock exchange and the development of the stock market in Jamaica. The Company performs the twin role of regulating participants in the stock market, and operating an efficient platform on which that market trades, which is the commercial arm of the company. The registered office of the Company is 40 Harbour Street, Kingston, Jamaica.

These financial statements are expressed in Jamaican dollars.

1.2 ***Principal Activities***

The Group comprises the Company and its wholly-owned subsidiary as detailed below:

Subsidiary	Principal Activity
Jamaica Central Securities Depository Limited (JCSD) and its wholly-owned subsidiary, JCSD Trustee Services Limited (Incorporated July 21, 2008)	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. Its subsidiary JCSD Trustee Services Limited provides trustee company management custodianship and related services.

Both the JCSD and its subsidiary are incorporated in Jamaica.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 ***New and revised Standards and Interpretations* affecting the reported financial performance and/or financial position or disclosure**

There were no Standards or Interpretations effective in the current year that affected the presentations or disclosures in the financial statements or the reported financial performance or position.

Details of other new and revised Standards and Interpretations applied in the financial statements but which had no effect on the amounts reported are set out in Note 2.2.

2.2 ***New and revised standards applied with no effect on the financial statements***

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (annual periods beginning on or after July 1, 2011)

The amendments:

- Replace references to a fixed date of 'January 1, 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs.
- Provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

2 **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Cont'd)**

2.2 New and reviewed standards applied with no effect on the financial statements (Cont'd)

Amendments to IFRS 7 disclosures – Transfers of Financial Assets (annual periods beginning on or after July 1, 2011)

- The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

Amendments to IAS 12 deferred Tax: Recovery of Underlying Assets (annual periods beginning on or after January 1, 2012)

- Under the amendments investment, properties that are measured using the fair value model in accordance with IAS 140 Investment Property, are presumed to be recovered entirely through sales for the purposes of measuring deferred tax unless the presumption is rebutled.

2.3 ***New and revised IFRSs and Interpretations in issue but not yet effective***

At the date of authorisation of these financial statements, the following new Standards and Interpretations and amendments to those in issue were not yet effective or early adopted for the financial period being reported upon:

		Effective for annual periods beginning on or after
New Standards		
IFRS 9	Financial Instruments	
	- Classification and Measurement of financial assets	January 1, 2015
	- Accounting for financial liabilities and derecognition	January 1, 2015
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosures of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013
Revised Standards		
IAS 1	Presentation of Financial Statements	
	- Amendments to revise the way other comprehensive income is presented	July 1, 2012
IFRS 1	First-time Adoption of International Financial Reporting Standards:	
	- Amendment addressing how a first-time adopter would account for a Government loan with a below market rate of interest when transitioning to IFRSs	January 1, 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

2.3 ***New and revised IFRSs and Interpretations in issue but not yet effective (Cont'd)***

Revised Standards (Cont'd)		Effective for annual periods beginning on or after
IFRS 7	Financial Instruments: Disclosures	
	- Amendments requiring disclosures about the initial application of IFRS 9	(i)
	- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	(ii)
IFRS 10	Consolidated financial statements	
	- Amendment to provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period	
	- Amendment providing 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 *Financial instruments of IAS 39 Financial Instruments: Recognition and Measurement*	January 1, 2013
IFRS 11	Joint Arrangements	
	- Amendment eliminating the requirement to provide comparative information for periods prior to the immediately preceding period	January 1, 2013
IFRS 12	Disclosure of Interest in Other Entities	
	- Amendment eliminating the requirement to provide comparative information for periods prior to the immediately preceding period	January 1, 2013
	- Amendment requiring additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries	January 1, 2014
IAS 19	Employee Benefits	
	- Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 1, 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

2.3 *New and revised IFRSs and Interpretations in issue but not yet effective (Cont'd)*

		Effective for annual periods beginning on or after
Revised Standards (Cont'd)		
IAS 27	Consolidated and Separate Financial Statements - Reissued as IAS 27 *Separate Financial Statements*	January 1, 2013
	- Amendment requiring an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated)	January 1, 2014
IAS 28	Investments in Associates - Reissued as IAS 28 *Investments in Associates and Joint Ventures*	January 1, 2013
IAS 32	Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities	January 1, 2014
IFRS 1, IAS 1, 16, 32 and 34	Amendments resulting from Annual Improvements 2009-2011 cycle: Repeat application, borrowing costs; comparative information; servicing equipment; tax effect of equity distributions; interim reporting of segment assets - respectively	January 1, 2013
New and Revised Interpretations		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

(i) Annual periods beginning on or after January 1, 2015 (or otherwise when IFRS 9 is first applied)

(ii) Annual periods beginning on or after January 1, 2013 and interim periods within those periods

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

2.3 *New and revised IFRSs and Interpretations in issue but not yet effective (Cont'd)*

Except as noted below, the Board of Directors and management anticipate that the adoption of these standards and interpretations in the future periods at their effective dates will not be relevant to the financial statements of the Group in the periods of initial application.

- *IFRS 9 Financial Instruments* (effective for annual periods beginning on or after January 1, 2015 with earlier application permitted) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are as follows:

(i) IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

(ii) The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

2.3 *New and revised IFRSs and Interpretations in issue but not yet effective (Cont'd)*

- New and revised standards on consolidation, joint arrangements, associates and disclosures.

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

- IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

- IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

  In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

- IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

  In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

  These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all five standards are applied at the same time.

  The Directors have not yet performed an assessment of the impact of application of these standards, except for IFRS 10 for which the adoption will have no impact on initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

2.3 *New and revised IFRSs and Interpretations in issue but not yet effective (Cont'd)*

- IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on or after January 1, 2013, with earlier application permitted) establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

  The directors anticipate that the application of the new Standard will impact the amounts reported in the financial statements and will result in more extensive disclosures. However, a detailed assessment has not yet been done.

- The amendments to IAS 1 *Presentation of items of other comprehensive income (effective for annual periods beginning on or after July 1, 2012 with earlier application permitted) introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1* retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

  The amendments to IAS 1 will result in the presentation of items of other comprehensive income being modified accordingly when the amendments are applied in the future accounting periods.

- *Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures*

  The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

  The amendments to IFRS 7 requires entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

2.3 *New and revised IFRSs and Interpretations in issue but not yet effective (Cont'd)*

The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required.

The directors anticipate that the application of these amendments to IAS 32 and IFRS 7 will not have a significant impact but may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in future periods.

- *Annual Improvements to IFRSs 2009 - 2011 Cycle Issued in May 2012*

The Annual Improvements to IFRS 2009 - 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013. Amendments to IFRSs include:

- amendments to IAS 16: *Property, Plant and Equipment*; and
- amendments to IAS 32: *Financial Instruments: Presentation*

- *Annual Improvements to IFRSs 2009 - 2011 Cycle Issued in May 2012 (Cont'd)*

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The directors do not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income taxes*. The directors anticipate that the amendments to IAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 *Statement of compliance*

The Group's financial statements have been prepared in accordance, and comply with, International Financial Reporting Standards (IFRS) and the Companies Act, 2004 of Jamaica.

3.2 *Basis of preparation*

The Group's financial statements have been prepared on the historical cost basis, except for revaluation of financial assets classified as available-for-sale investments that are measured at revalued amounts or fair values as explained in the accounting policies at Note 3.9.3. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3.3 *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). 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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

3.4 *Property and equipment*

Property and equipment held for use in the supply of services, or for administrative purposes, are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land, land improvements and work-in-progress are not depreciated.

Depreciation is recognised so as to write off the cost of property and equipment (other than freehold land, land improvements and work-in-progress) less residual values, over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.5 *Intangible assets*

3.5.1 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

3.5.2 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.6 *Impairment of tangible and intangible assets*

At the end of each reporting period, 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). When 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. When 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 at least annually and 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 its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of tangible and intangible assets

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

3.7 *Investment in subsidiary*

Investment in subsidiary is stated at cost in the financial statements of the Company.

3.8 *Financial Instruments*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3.9 *Financial assets*

Financial assets are classified into the following specified categories: 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3.9.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for the debt instruments.

3.9.2 Held-to-maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the compensation fund has the positive intent and ability to hold to maturity. Subsequent to initial recognition held-to-maturity investments are measured at cost using the effective interest method less any impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.9 *Financial assets (Cont'd)*

3.9.3 Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivative that are either designated as AFS or are not classified as (a) loan and receivables or (b) held-to-maturity investments.

Listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in Note 31.10. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of fair value reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. Foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary assets. Other foreign exchange gains and losses are recognised in other comprehensive income.

3.9.4 Loans and receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, cash and cash equivalents and long-term receivable) 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.

3.9.5 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

3.9 ***Financial assets (Cont'd)***

Impairment of financial assets (cont'd)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of fair value reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.9 Financial assets (Cont'd)

3.9.6 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.10 ***Financial liabilities and equity instruments issued by the Group***

3.10.1 Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.10.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3.10.3 Financial liabilities

3.10.3.1 Financial liabilities of the Group are classified as other financial liabilities.

Other financial liabilities (including borrowings, trade and other payables) are initially measured at fair values net of transaction costs and subsequently measured at amortised cost using the effective interest method.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, (where appropriate), a shorter period, to the net carrying amount on initial recognition.

3.10.3.2 *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.11 *Employee benefit costs*

Pension obligations

The Group operates a defined benefit pension plan. The cost of providing benefits is determined using the Projected Unit Credit Method with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10% of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The post-employment benefit recognised in the statement of financial position represents the fair value of the plan assets, as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and as reduced by the present value of the defined benefit obligation. 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.

3.12 *Taxation*

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

3.12.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated statement of comprehensive income because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.12.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deducitble temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES

3.12 ***Taxation (Cont'd)***

Defered Tax (cont'd)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. 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 end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.12.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.13 ***Related party transactions and balances***

A party is related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the Group (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the Group; or
- has joint control over the Group;

(ii) the party is an associate of the Group;
(iii) the party is a joint venture in which the Group is a venturer;
(iv) the party is a member of the key management personnel of the Group;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES

3.13 *Related party transactions and balances* *(Cont'd)*

Related party transactions and balances are recognised and disclosed in the financial statements.

Transactions with related parties are recorded in accordance with the normal policies of the Group at transaction dates.

3.14 *Revenue recognition*

3.14.1 *Cess income*

Cess income which is based on a percentage of the volume of business done through brokers on the Stock Exchange and derived from levies on investors, is accounted for on the accruals basis.

3.14.2 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 entities wishing to be listed on the Stock Exchange. These are accounted for when they become due.

Fee income of the subsidiaries include:

- Membership fees

  These are annual fees charged to the brokers and institutional investors who participate in the CSD, and are accounted for on the accrual basis.

- Account maintenance fees

  These are monthly fees charged to the brokers and institutional investors who participate in the CSD, and are accounted for on the accrual basis.

- User fees

  These include charges per transaction for deposits, withdrawals and delivery orders (trades), and are accounted for on the accrual basis.

- Trustee service fee

  These include service fees charged for the provision of trustee services, company management, custodianship and related services and are accounted for on the accrual basis.

3.14.3 E-campus income

This represents revenue generated from JSE offering of post graduate certificate and diploma courses to professionals and is accounted for on the accrual basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.14 ***Revenue recognition (Cont'd)***

3.13.4 Members/dealers license fee

These are fees levied on members/dealers annually. Additionally, an initial fee determined on the basis of a bid is payable by new dealers subject to approval by the Board of Directors.

3.14.5 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 the accrual basis.

3.14.6 Investment income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of the income can be measured reliably.

Interest income is accrued on a time basis and is recognised in the statement of comprehensive income, by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimate future cash receipts through the expected life of the financial asset to that assets net carrying amount on initial recognition.

3.15 ***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 each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

3.16 ***Dividends***

Dividend distribution to the Group's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

3.17 ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.17 *Borrowing Costs (Cont'd)*

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss 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, the directors are required to make judgments, 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 recognised 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.

4.1 *Critical judgments in applying accounting policies*

Management believes that there are no judgments made that had a significant effect on the amounts recognised in the financial statements.

4.2 *Key sources of estimation uncertainty*

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

4.2.1 Fair value of financial instruments

As described in Note 31, management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets. Valuation techniques commonly used by market practitioners supported by appropriate assumptions are applied by the Group. The financial assets of the Group at the end of the reporting period stated at fair value determined in this manner amounted to $308.2 million (2011: $266.5 million) and the Company $239.19 million (2011: $201.734 million).

Had the fair value of these securities been 2% higher or lower the fair value reserve for the Group would increase/decrease by $6.16 million, Company $4.78 million. (2011: $5.33 million, company $4.03 million).

4.2.2 Post employment benefit

As disclosed in Note 8, the Group operates a defined benefit pension plan. The asset amounts shown in the statement of financial position of approximately $85.208 million (2011: $79.601 million) for the Group and $66.562 million (2011: $62.439 million) for the Company is subject to estimates in respect of periodic costs that are dependent on future returns on assets, future discount rates, rates of salary increases and inflation rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

4.2.2 Post employment benefit **(Cont'd)**

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 post employment benefit obligations. Actuaries are contracted in this regard.

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 used.

The effect of experience adjustments on the plan assets and liabilities are disclosed in Note 8.

4.2.3 Income taxes

Estimates are required in determining the provisions for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. (see Notes 17 and 25).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

5 **PROPERTY AND EQUIPMENT**

	The Group								
	Freehold Land $'000	Land Improvement $'000	Freehold Buildings $'000	Furniture & Fixtures $'000	Office Equipment $'000	Computer Hardware $'000	Motor Vehicles $'000	Work-in-Progress $'000	TOTAL $'000
Cost									
January 1, 2011	16,682	70	65,416	9,910	15,495	70,413	670	1,013	179,669
Additions	105	-	216	275	201	1,989	-	24,732	27,518
Disposal	(11,685)	(70)	(1,862)	-	-	-	-	-	(13,617)
Transfer	304	-	-	709	-	-	-	(1,013)	-
December 31, 2011	5,406	-	63,770	10,894	15,696	72,402	670	24,732	193,570
Additions	-	-	-	361	2,854	5,045	-	193	8,453
Disposal	-	-	-	-	-	-	-	-	-
Transfer (Note 6)	-	-	-	-	5,112	4,319	-	(24,732)	(15,301)
December 31, 2012	5,406	-	63,770	11,255	23,662	81,766	670	193	186,722
Depreciation									
January 1, 2011	-	-	16,995	6,618	13,568	54,263	670	-	92,114
Charge for year	-	-	1,654	732	1,037	5,214	-	-	8,637
Disposals	-	-	(268)	-	-	-	-	-	(268)
December 31, 2011	-	-	19,381	7,350	14,605	59,477	670	-	100,483
Charge for year	-	-	1,600	760	2,005	5,246	-	-	9,619
December 31, 2012	-	-	19,989	8,110	16,610	64,723	670	-	110,102
Carrying amount									
December 31, 2012	5,406	-	43,781	3,145	7,052	17,043	-	193	76,620
December 31, 2011	5,406	-	45,389	3,544	1,091	12,925	-	24,732	93,087
December 31, 2010	16,682	70	48,421	3,292	1,927	16,150	-	1,013	87,555

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

5 PROPERTY AND EQUIPMENT (Cont'd)

	The Company								
	Freehold Land $'000	Land Improvements $'000	Freehold Buildings $'000	Furniture & Fixtures $'000	Office Equipment $'000	Computer Hardware $'000	Motor Vehicles $'000	Work-in-Progress $'000	Total $'000
Cost									
January 1, 2011	16,682	70	65,416	7,381	13,442	51,061	670	709	155,431
Transfer	-	-	-	709	-	-	-	(709)	-
Additions	-	-	216	275	201	417	-	24,732	25,841
Disposal	(11,685)	(70)	(1,862)	-	-	-	-	-	(13,617)
December 31, 2011	4,997	-	63,770	8,365	13,643	51,478	670	24,732	167,655
Transfer (Note 6)	-	-	-	-	5,112	4,319	-	(24,732)	(15,301)
Additions	-	-	-	243	904	2,532	-	193	3,872
December 31, 2012	4,997	-	63,770	8,608	19,659	58,329	670	193	156,226
Depreciation									
January 1, 2011	-	-	16,995	5,466	11,729	40,989	670	-	75,849
Charge for year	-	-	1,654	451	871	3,292	-	-	6,268
Disposal			(268)						(268)
December 31, 2011	-	-	18,381	5,917	12,600	44,281	670	-	81,849
Charge for year	-	-	1,608	473	1,670	3,472	-	-	7,223
December 31, 2012	-	-	19,989	6,390	14,270	47,753	670	-	89,072
Carrying amount									
December 31, 2012	4,997	-	43,781	2,218	5,389	10,576	-	193	67,154
December 31, 2011	4,997	-	45,389	2,448	1,043	7,197	-	24,732	85,806
December 31, 2010	16,682	70	48,421	1,915	1,713	10,072	-	709	79,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

5 PROPERTY AND EQUIPMENT (Cont'd)

The following useful lives are used in the calculation of depreciation of property and equipment:

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

No depreciation is provided on freehold land, land improvements and work-in-progress.

6 INTANGIBLE ASSETS

	The Group			The Company		
	Computer Software $'000	Computer Software Development Project $'000	Total $'000	Computer Software $'000	Computer Software Development Project $'000	Total $'000
Cost						
January 1, 2011	45,856	5,087	50,943	29,155	5,087	34,242
Additions	3,392	10,792	14,184	3,392	-	3,392
December 31, 2011	49,248	15,879	65,127	32,547	5,087	37,634
Transfer (Note 5)	27,671	(12,370)	15,301	16,879	(1,578)	15,301
Additions	563	1,261	1,824	547	410	957
December 31, 2012	77,482	4,770	82,252	49,973	3,919	53,892
Amortisation						
January 1, 2011	37,966	-	37,966	25,050	-	25,050
Charge for the year	2,551	-	2,551	1,489	-	1,489
December 31, 2011	40,517	-	40,517	26,539	-	26,539
Charge for the year	9,907	-	9,907	6,707	-	6,707
December 31, 2012	50,424	-	50,424	33,246	-	33,246
Carrying amount						
December 31, 2012	27,058	4,770	31,828	16,727	3,919	20,646
December 31, 2011	8,731	15,879	24,610	6,008	5,087	11,095
December 31, 2010	7,890	5,087	12,977	4,105	5,087	9,192

Amortisation of the computer software is calculated based on an estimated useful life of 3 - 5 years.
Amortisation is not calculated on computer software in development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

7 INVESTMENT IN SUBSIDIARY

Investment in subsidiary, Jamaica Central Securities Depository Limited is as follows:

	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Shares - at cost	61,000	61,000	56,000

In the year 2011 the Company invested an additional $5 million, for 5 million ordinary shares.

8 POST EMPLOYMENT BENEFITS

The Group operates a defined benefit pension plan for its employees. This scheme is open to all permanent employees and is administered by Prime Asset Management Limited. 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 external actuarial valuations (currently 6.6% of pensionable salary) to meet the obligations of the scheme. Pension benefits are determined on the basis of 2% of final pensionable salary times pensionable years of service.

The most recent actuarial valuation was carried out at December 31, 2012, 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.

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

	The Group and the Company		
	December 31, 2012	December 31, 2011	January 1, 2011
Discount rate	10.5%	10.0%	11.0%
Expected return on plan assets	9.0%	9.0%	10.0%
Expected rate of salary increase	7.0%	6.0%	8.0%
Future pension increases	0.0%	0.0%	0.0%

(b) Amount included in the statement of financial position in respect of the plan is as follows:

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Present value of defined benefit obligations	(101,295)	(84,316)	(71,921)	(70,649)	(56,952)	(50,046)
Fair value of plan assets	171,448	154,733	125,525	119,578	104,516	87,346
	70,153	70,417	53,604	48,929	47,564	37,300
Unrecognised actuarial gains	15,055	9,184	22,559	17,633	14,875	22,831
Net asset in the statement of financial position	85,208	79,301	76,163	66,562	62,439	60,131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

8 **POST EMPLOYMENT BENEFITS (Cont'd)**

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

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Current service cost	4,734	4,896	1,224	2,903	3,306	1,301
Interest cost	9,140	8,814	6,605	6,215	6,093	5,234
Expected return on plan assets	(14,197)	(12,945)	(16,180)	(9,655)	(8,982)	(12,841)
Past service costs	(50)	-	272	-	-	216
Recognised loss	270	801	-	276	881	-
Increase in unrecognised assets			(21,189)			(16,951)
Total included in employee benefit costs	(103)	1,646	(29,288)	(261)	1,300	(23,039)
Actual return on plan assets	10,670	21,350	15,403	9,540	12,224	(1,035)

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

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Opening balance	79,601	76,163	41,095	62,439	60,131	33,355
Amount credited (charged) to income	103	(1,646)	29,268	261	(1,300)	23,039
Contributions paid	5,504	5,084	5,200	3,862	3,605	3,735
Closing balance	85,208	79,601	76,163	66,562	62,439	60,131

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

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Opening defined benefit obligations	84,316	71,921	33,362	56,952	50,046	29,080
Service cost	4,734	4,896	1,224	2,903	3,306	1,301
Interest cost	9,140	8,814	6,605	6,215	6,093	5,234
Members' contributions	8,081	5,528	5,804	3,925	3,571	3,868
Benefits paid	(5,532)	(2,766)	(2,344)	(2,265)	(2,233)	(2,047)
Actuarial (loss)/gain	2,586	(4,077)	24,270	2,919	(3,833)	12,602
Closing defined benefit obligations	101,236	84,316	71,921	70,549	56,952	50,046

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

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Opening fair value of plan assets	154,733	125,525	103,532	104,516	87,346	82,826
Members' contributions	8,081	5,528	5,804	3,925	3,571	3,886
Employer's contributions	5,504	5,084	5,200	3,862	3,608	3,736
Expected return on plan assets	14,197	12,945	16,180	9,655	8,982	12,841
Benefits paid	(5,562)	(2,766)	(2,344)	(2,265)	(2,233)	(2,047)
Actuarial (loss)/gain	(3,505)	8,417	(2,847)	(115)	3,242	(13,876)
Closing fair value of plan assets	171,448	154,733	125,525	119,578	104,516	87,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

8 POST EMPLOYMENT BENEFITS (Cont'd)

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

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Equity investment	45,604	42,552	28,760	31,807	28,742	20,832
Government of Jamaica securities	30,861	29,245	51,537	21,524	19,754	36,076
Real estate	24,003	19,960	20,000	16,741	13,482	14,000
Others	70,980	62,976	24,228	49,506	42,538	16,438
Fair value of plan asset	171,448	154,733	125,525	119,578	104,516	87,346

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.

The history of experience adjustments is as follows:

	The Group Defined Benefit Pension Plan				
	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Present value of defined benefit obligation	(101,295)	(84,316)	(71,921)	(36,362)	(30,963)
Fair value of plan assets	171,448	154,733	125,525	103,532	74,869
Fund surplus	70,153	70,417	53,604	67,170	43,906
Experience adjustments on plan liabilities	(2,586)	4,077	(24,270)	6,281	(1,243)
Experience adjustments on plan assets	3,275	(8,417)	2,847	(11,817)	15,332

	The Company Defined Benefit Pension Plan				
	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Present value of defined benefit obligation	(70,649)	(56,952)	(50,046)	(29,090)	(24,770)
Fair value of plan assets	119,578	104,516	87,346	82,826	59,895
Fund surplus	48,929	47,564	37,300	53,736	35,125
Experience adjustments on plan liabilities	(2,919)	3,833	(12,602)	5,025	(1,265)
Experience adjustments on plan assets	(115)	(3,242)	13,876	(9,454)	12,266

The Group and the Company expect to make contributions of $6.2 million and $4.2 million respectively (2011: $5.2 million and $3.7 million respectively) to the defined benefit plan during the next financial year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

9 INVESTMENTS IN SECURITIES

	The Group			The Company		
	December 31, 2012	December 31, 2011	January 1, 2011	December 31, 2012	December 31, 2011	January 1, 2011
	$'000	$'000	$'000	$'000	$'000	$'000
Available-for-sale - At fair value						
NWC Variable Rate Note 2016, 8.375% (2011: 8.34%)	1,628	2,042	1,803	1,628	2,042	1,803
Benchmark Investment Notes						
Fixed Rate Notes 2013 to 2015 12% - 12.54% (2011: 12% - 12.54%)	30,548	38,837	35,431	77,274	36,570	35,431
Variable Rate Notes 2015 to 2018, 7.0% - 9.1% (2011: 7.8% - 9.1%)	36,783	81,314	91,102	36,783	47,317	66,968
Foreign Currency Investments						
GOJ 10.625% US$ Global Bond, 2017 (nominal value US$410,000)	46,572	41,400	41,617	46,572	41,400	41,617
Government of Belize guaranteed mortgage Notes, 2029 (nominal value US$40,201: 4.25%)	2,058	3,433	1,900	2,058	3,433	1,900
GOJ FR 8.75% and 7% US$ Benchmark Investment Notes, 2013/2014 (nominal value US$516,000)	49,456	46,583	47,691	20,812	19,601	18,784
GOJ 8% Global Euro Bond 2019 (nominal value US$600,000)	53,184	51,371	49,021	53,184	51,371	49,021
GOJ US$ Global bond 2019 (Nominal value US$200,000)	15,095	17,122	16,276			
GOJ Fixed rate US$ indexed Bond AIC 9%	-	4,415	-	-	-	-
AIC Barbados Fixed rate US$ Indexed Bond 13.25% (nominal value US$50,000)			4,495			
	308,204	266,518	266,435	239,191	201,734	215,643
Loans and receivables - At amortised cost						
Repurchase agreements: 5.75% - 6.98% (2011: 5.8% - 6.39%)	20,006	14,490	-	11,090	10,567	-
Repurchase agreement: 2.25% (2011: 4% - 5.1%)	743	258	-	-	258	-
	328,953	281,253	266,435	250,281	212,559	215,643
Less: Current portion	(49,396)	(19,154)	-	(21,375)	(10,825)	-
	279,557	262,102	266,435	228,906	201,734	215,643

	The Group			The Company		
	December 31 2012	December 31 2011	January 1 2011	December 31 2012	December 31 2011	January 1, 2011
	$'000	$'000	$'000	$'000	$'000	$'000
The movement for the year in available-for-sale financial assets is as follows:						
Balance at January 1	266,518	266,435	-	201,734	215,643	-
Additions	70,521	4,415	-	49,977	-	-
Foreign exchange gain (loss)	9,634	-	-	6,770	-	-
Reclassification of investments from held-to-maturity at fair value	-	-	264,566	-	-	211,859
Movement in fair value of available-for-sale financial assets	(10,239)	8,001	1,869	(9,276)	6,178	3,784
Disposal of investments	(28,430)	(12,334)	-	(10,017)	(20,087)	-
Balance at December 31	308,204	266,518	266,435	239,191	201,734	215,643

10 LONG-TERM RECEIVABLES

These represent 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, due within twelve months from the end of the reporting period, amounting to $3.415 million (2011: $2.802 million, 2010: $2.903 million), the Company: $2.870 million (2011: $2.299 million, 2010: $1.930 million) is included in other receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

11 TRADE AND OTHER RECEIVABLES

	The Group			The Company		
	December 31 2012 $'000	December 31 2011 $'000	January 1 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Cess receivable	10,930	26,776	6,553	10,009	19,406	5,022
Fees receivable	10,648	7,029	3,553	-	-	-
E-campus	1,651	2,723	763	1,651	2,723	763
Other	49,816	31,364	17,911	29,888	20,052	12,349
	73,045	67,892	28,780	41,548	42,181	18,134
Less: Allowance for doubtful Debts - other receivables	(11,457)	(8,067)	(6,743)	(6,437)	(5,918)	(4,963)
	61,588	59,825	22,037	35,109	36,263	13,171
Prepayments	2,861	8,719	4,926	1,407	1,763	2,880
	64,449	68,544	26,963	36,516	38,026	16,051

The average credit period on services is 30 days. No interest is charged on the trade and other receivables. The Group has provided 100% for receivables over 180 days (except where these amounts are assessed as recoverable by management), because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable.

Included in other receivables however, are debtors with a carrying amount of approximately $5.524 million for the Group and $0.612 million for the Company (2011: $3.332 million for the Group and $1.179 million for the Company; 2010: $0.967 million for the Group and $0.570 million for the Company), which are past due at the reporting date for which the Group has not provided as there has not been a change in credit quality and the amounts are still considered recoverable.

Ageing of receivables that are past due but not impaired

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
180 - 365 days	3,671	3,332	773	612	1,179	376
Over 1 year	1,853	-	194	-	-	194
	5,524	3,332	967	612	1,179	570

Movement in allowance for doubtful debts on other receivables

	The Group			The Company		
	December 31, 2012 $'000	December 31 2011 $'000	January 1 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Balance at beginning of year	8,067	6,743	6,299	5,918	4,963	4,963
Impairment losses recognised on receivables	3,390	1,324	444	519	955	-
Balance at end of year	11,457	8,067	6,743	6,437	5,918	4,963

In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. Concentration of credit risk is limited due to the nature of the customer base. Accordingly, management believes that there is no further credit provision required in excess of the allowance for doubtful debts and that non-past due unimpaired receivable are collectable in full. In 2012, cess receivable at the end of the year included $4.127 million, $1.451 million and $1.44 million and the Company $4.1 million, $1.3 million and $1.256 million (2011: $10.5 million and $10.1 million for the Group, $7.9 million and $7.5 million for the Company) due from three brokers which represent 38%, 13% and 13% for the Group and 41%, 13% and 13% respectively for the Company (2011: 39% and 38% for two brokers of the Group and 41% and 39% respectively for the Company) which are current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

11 TRADE AND OTHER RECEIVABLES (Cont'd)

Ageing of impaired other receivables

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
180 + days	11,457	8,087	6,743	6,437	5,918	4,983

12 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of bank overdraft and investments in money market instruments with an original maturity of three months or less from the date of acquisition that are held to meet cash requirements rather than for investment purposes.

(a) Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	The Group			The Company		
	December 31 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Cash on hand and in banks	12,271	15,231	13,400	6,120	5,307	4,136
Money market investments denominated in Jamaican dollars at interest rate of 6% (2011: 6.5%)	22,240	39,598	15,938	20,237	35,045	12,226
Money market investment denominated in foreign currency Group US$1,586,259 - 2.8%; Company US$1,423,975 - 3.8% (2011, Group US$85,478 - 4.25%, Company US$2,896 - 3.7%)	146,255	-	7,205	131,384	-	248
	180,766	54,829	36,723	157,741	40,352	16,610

(b) Cash and cash equivalents of $10 million are hypothecated to secure a long-term liability (Note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

13 SHARE CAPITAL

	December 31, 2012 No. of shares	December 31, 2012 No. of shares	January 1, 2011 No. of shares	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Authorised at January 1 and December 31:						
Ordinary shares - no par value	600,000,000	600,000,000	600,000,000			
Preference shares - no par value	100,000,000	100,000,000	100,000,000			
Issued capital at January 1 and December 31:						
Ordinary shares - no par value	28,050,000	28,050,000	28,050,000			
Preference shares - no par value	33,000,000	33,000,000	33,000,000			
Stated capital						
At January 1 and December 31						
Ordinary shares				168,590	168,590	168,590
Redeemable preference shares at $2.00 each (see below)				66,000	66,000	66,000
				234,590	234,590	234,590
Less: Redeemable preference shares classified as liabilities as required by IFRS (Note 16)				(66,000)	(66,000)	(66,000)
				168,590	168,590	168,590

Preference shares:

- The preference shares pay a variable cumulative preferential dividend every three (3) months based on the higher of Government of Jamaica weighted average Treasury Bill yield (having a tenor of between 178 and 184 days) fixed at the beginning of every 6 months period and interest rate paid on open market instruments issued by the Bank of Jamaica that have 180 days tenor.
- The preference shares are redeemable 60 months from the date of issue, that is by June 2013. These preference shares have no voting rights.

14 FAIR VALUE RESERVE

The reserve represents the fair value adjustment relating to available-for-sale investments in securities (Note 9).

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Balance at January 1	7,272	1,943	-	6,456	2,345	-
Net gain (loss) on reclassification of held-to-maturity financial assets to available for sale			1,065			(267)
Net (loss) gain arising on revaluation of available-for-sale financial assets	(10,237)	8,001	1,849	(9,274)	6,178	3,784
Net gain reclassified to surplus on sale of investments	(2)	(9)	-	(2)	(12)	-
Deferred tax adjustments on available-for-sale financial assets (Note 17)	3,413	(2,663)	(971)	3,092	(2,055)	(1,172)
	(6,826)	5,329	1,943	(6,184)	4,111	2,345
Balance at December 31	446	7,272	1,943	272	6,456	2,345

The fair value reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

15 REVENUE RESERVE

Reflected in the financial statements of the:

	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Parent company	355,305	276,653	233,998
Subsidiaries	57,157	21,342	78
	412,462	297,995	234,076

16 LONG-TERM LIABILITIES

These include loans from the National Commercial Bank Jamaica Limited:

	The Group and the Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Loan 1(see (a) below)	1,937	3,487	5,037
Loan 2 US$270,000 (see (b) below)	19,526	23,383	-
	21,463	26,870	5,037
Preference shares (Note 14)	66,000	66,000	66,000
	87,463	92,870	71,037
Less: Current portion (included in current liabilities)	(73,129)	(6,746)	(1,550)
	14,334	86,124	69,487

(a) Loan 1:

The loan from National Commercial Bank is repayable by April 2014 by 47 equal monthly installments of $129,167 plus one final payment of $129,151 is charged at a fixed interest rate of 12% per annum on the reducing balance over the life of the loan. The loan is secured by unstamped Bill of Sale over Information Technology equipment valued at $6.2 million held unstamped and lien over credit balances held unstamped and hypothecation of $10 million held at NCB Capital Markets.

(b) Loan 2:

This loan for US$300,000 from National Commercial Bank Jamaica Limited is repayable in 60 equal monthly installments of US$5,000 plus interest at a fixed interest rate of 8.25% by May 2016. The loan is secured by the hypothecation of $10 million held at NCB Capital Markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

17 **DEFERRED TAX**

This comprises:

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1 2011 $'000	December 31, 2012 $'000	December 31 2011 $'000	January 1 2011 $'000
Deferred tax assets	1,121	14,524	6,403	765	14,090	3,972
Deferred tax liabilities	(39,059)	(38,705)	(31,946)	(29,453)	(29,854)	(25,131)
Net position at the end of the period	(37,938)	(24,181)	(25,543)	(28,688)	(15,764)	(21,159)

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

	The Group		The Company	
	December 31 2012 $'000	December 31 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000
At January 1	(24,181)	(25,543)	(15,764)	(21,159)
Charged to income for the year (Note 25)	(17,170)	4,025	(16,016)	7,450
Credited (Charged) to fair value reserve for the year (Note 14)	3,413	(2,663)	3,092	(2,055)
At December 31	(37,938)	(24,181)	(28,688)	(15,764)

The following are the deferred tax assets and deferred tax liabilities recognised by the Group during the year:

Deferred Tax Assets

	The Group			The Company		
	Accrued Vacation $'000	Tax Loss $'000	Total $'000	Accrued Vacation $'000	Tax Loss $'000	Total $'000
At January 1, 2011	747	5,656	6,403	608	3,364	3,972
Credited (Charged) to income for the year	367	7,754	8,121	72	10,046	10,118
At December 31, 2011	1,114	13,410	14,524	680	13,410	14,090
Credited (Charged) to income for the year	7	(13,410)	(13,403)	85	(13,410)	(13,325)
At December 31, 2012	1,121	-	1,121	765	-	765

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

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, 2011	(3,597)	(1,822)	(1,039)	(25,388)	(31,846)	(2,257)	(1,590)	(1,240)	(20,044)	(25,131)
Charged to income for the year	(2,932)	(18)	-	(1,146)	(4,096)	(1,836)	(63)	-	(769)	(2,668)
Charged to fair value reserve	-	-	(2,663)	-	(2,663)	-	-	(2,055)	-	(2,055)
At December 31, 2011	(6,529)	(1,840)	(3,702)	(26,534)	(38,605)	(4,093)	(1,653)	(3,295)	(20,813)	(29,854)
(Charged)/Credited to income for the year	(318)	(1,680)	-	(1,869)	(3,867)	237	(1,554)	-	(1,374)	(2,691)
Credited to fair value reserve	-	-	3,413	-	3,413	-	-	3,092	-	3,092
At December 31, 2012	(6,847)	(3,520)	289	(28,403)	(39,059)	(3,856)	(3,207)	(203)	(22,187)	(29,453)

18 **PAYABLES AND ACCRUALS**

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Payables and accruals	82,473	54,485	40,403	67,210	29,345	27,609

No interest is charged on the payables balance. The company has financial risk management policies to ensure that all payables are paid within the pre-agreed credit terms.

19 **OTHER OPERATING INCOME**

	The Group		The Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Regional conference	9,421	11,128	9,421	11,128
Other	36,098	32,405	35,010	33,423
	45,519	43,533	44,431	44,551

20 **STAFF COSTS**

	The Group		The Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Salaries and other employee benefits	136,170	116,632	99,319	85,904
Statutory contributions	10,862	9,189	7,920	6,883
Retirement benefit (credit) charge	(103)	1,646	(261)	1,300
	146,929	127,467	106,978	94,087

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

21 INVESTMENT INCOME

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
21.1 Investment income includes:				
Interest income	28,330	26,043	22,942	19,891
Foreign exchange gain (loss)	9,834	(1,189)	6,776	(1,611)
Gain on disposal of available-for-sale investments	2	9	2	12
	38,166	24,863	29,720	18,292

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
21.2 Investment income earned, analysed by category of financial asset is as follows:				
Loans and receivables	1,946	1,630	1,628	1,261
Available-for-sale	36,220	23,233	28,092	17,031
	38,166	24,863	29,720	18,292

22 OTHER GAINS

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Professional fees write-off (2011: Net profit from sale of property)	5,931	28,477	-	28,477

23 FINANCE COST

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Interest on preference shares	4,181	4,841	4,181	4,841
Interest on borrowings	2,201	1,798	2,164	1,639
	6,382	6,639	6,345	6,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

24 PROFIT BEFORE TAXATION

Profit before taxation is stated after taking account of the following:

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Income:				
Interest	28,330	26,043	22,942	19,891
Expenses:				
Directors' fees	8,630	9,277	6,800	7,614
Audit fees	3,750	3,850	2,550	2,425
Depreciation of property and equipment	9,619	8,637	7,223	6,268
Amortisation of intangible assets	9,907	2,551	6,707	1,489
Interest on long-term liabilities (preference shares)	4,181	4,841	4,181	4,841
Interest on borrowings	2,201	1,798	2,184	1,639

25 TAXATION

25.1 Recognised in statement of comprehensive income

(i) The charge for the year represents:

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current tax	39,765	7,704	27,881	-
Deferred tax (Note 17)	17,170	(4,025)	16,016	(7,450)
	56,935	3,679	43,897	(7,450)

(ii) The charge for the year is reconciled to the profit as per the statement of comprehensive income as follows:

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Profit before taxation	185,640	37,598	136,787	5,205
Tax at the domestic income tax rate of 33⅓%	61,880	12,533	45,596	1,735
Tax effect of items that are deductible in determining taxable profit	380	665	344	644
Prior year over provision	(287)	-	-	-
Tax effect of items not allowed for tax purposes	(5,425)	(10,690)	(2,428)	(10,550)
Other	387	1,171	385	721
	56,935	3,679	43,897	(7,450)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

25.2 **Recognised in other comprehensive income**

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Fair value adjustments	3,413	(2,663)	3,092	(2,055)

26 NET PROFIT OF THE GROUP FOR THE YEAR

Reflected in the financial statements of the:

	2012	2011
	$'000	$'000
Parent company	92,890	12,655
Subsidiary	35,815	21,264
	128,705	33,919

27 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit, by the weighted average number of ordinary shares in issue.

	2012	2011
Profit ($'000)	128,705	33,919
Weighted average number of ordinary shares	28,050,000	28,050,000
Basic earnings per share	$4.59	$1.21

28 SEGMENT REPORTING

The Group's operations are organised into five main business segments as follows:

(a) Exchange operations - The operation and regulation of the Stock Exchange.

(b) Depository - Services in connection with transferring and holding of securities, shares, stocks, bonds and debentures.

(c) Investments - Income derived from investing activities of the Group.

(d) Trustee, custodianship, company management and other activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

28 **SEGMENT REPORTING (Cont'd)**

The Group's operations are located solely in Jamaica.

	2012					
	Exchange Operations $'000	Depository Services $'000	Investments Other $'000	Trustees Services $'000	Eliminations $'000	Group $'000
External revenue	379,729	105,258	38,166	26,470	(1,225)	548,398
Total revenue	379,729	105,258	38,166	26,470	(1,225)	548,398
Result						
Segment result	113,412	31,718	38,166	9,951	(1,225)	192,022
Finance cost		-	-			(6,382)
Profit before taxation						185,640
Taxation						(56,935)
Profit for the year						128,705
Other information						
Depreciation and amortisation	13,930	5,593	-	3	-	19,526
Assets						
Segment assets	707,534	150,253	-	23,828	(92,243)	789,372
Liabilities						
Segment liabilities	183,367	46,547	-	7,572	(29,612)	207,874

Revenue from two brokers of the exchange operations represents $191 million and $56 million of the Group's total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

28 SEGMENT REPORTING (Cont'd)

	2011					
	Exchange Operations $'000	Depository Services $'000	Investments Other $'000	Trustees Services $'000	Eliminations $'000	Group $'000
External revenue	159,512	78,753	53,340	19,157	(1,134)	309,628
Total revenue	159,512	78,753	53,340	19,157	(1,134)	309,628
Result						
Segment result	(35,084)	18,166	53,340	8,949	(1,134)	44,237
Finance cost						(6,639)
Profit before taxation						37,598
Taxation						(3,679)
Profit for the year						33,919
Other information						
Depreciation and amortisation	7,757	3,431	-	-	-	11,188
Assets						
Segment assets	599,010	141,396	-	13,469	(99,436)	654,439
Liabilities						
Segment liabilities	147,311	66,123	-	3,953	(36,805)	180,582

Revenue from one broker of the exchange operations represents $17.3 million of the Group's total revenues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

29 RELATED PARTY TRANSACTIONS/BALANCES

29.1 During the year the Group and the Company had the following transactions with related party in the normal course of business.

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Subsidiary				
Jamaica Central Securities Depository Limited				
Rental income	-	-	1,225	1,134

29.2 Amount owed by related party at reporting date

	The Company		
	2012	2011	2010
	$'000	$'000	$'000
Jamaica Central Securities Depository Limited	26,392	35,692	64,648
JCSD Trustee Services Limited	2,782	1,069	57
	29,174	36,761	64,705

29.3 Compensation of key management personnel

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

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Short-term benefits	34,088	32,120	23,659	20,002
Post employment benefits	2,047	1,928	1,271	1,186
	36,135	34,048	24,930	21,188

29.4 Loans to related parties

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Loans to key management personnel	2,217	2,588	2,117	2,588

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

30 COMMITMENTS

Capital commitments

Capital commitments as at December 31. 2012, amounted to $Nil (2011: $2.9 million in relation to office equipment).

31 FINANCIAL INSTRUMENTS

31.1 *Capital risk management*

The capital structure of the Group consists of equity attributable to the shareholders of the parent company comprising issued capital, reserves, retained earnings and cash and cash equivalents.

The Group's objectives when managing its capital structure, which is a broader concept than the equity on the face of the statement of financial position are:

i) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and

ii) Maintain a strong capital base to support the business development.

The Group's overall strategy remains unchanged from 2011.

Gearing ratio

The gearing ratio at end of the reporting period was as follows:

	The Group			The Company		
	December 31 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Debt (i)	87,463	92,870	71,037	87,463	92,870	71,037
Equity (ii)	581,498	473,857	434,609	524,167	451,699	434,933
Debt to equity ratio	15.04%	19.6%	16.3%	16.7%	20.6%	16.3%

(i) Debt is defined as long- and short-term borrowings as described at Note 16.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

31.2 *Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in Note 3 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

31 **FINANCIAL INSTRUMENTS (Cont'd)**

31.3 ***Categories of financial instruments***

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Financial assets						
Available-for-sale financial assets	308,204	266,518	286,435	239,191	201,734	215,343
Loans and receivables (including cash and cash equivalents)	271,880	136,926	65,695	241,334	131,656	100,257
	580,084	403,444	352,130	480,525	333,390	315,600
Financial liabilities						
Other financial liabilities at amortised cost	165,984	130,284	71,037	152,129	108,562	97,762

31.4 ***Financial risk management objectives***

The Group's Investment Committee is responsible for recommending to the Board of Directors, through the Audit and Finance Committee, uniform investment decisions, policies and procedures. The specific duties of the Investment Management Committee are to receive and review data on current market conditions and economic outlook; review various risk reports submitted including fair value, interest rate risk, liquidity risk, currency risk, and review monthly report on portfolios and establish quarterly investment portfolio strategies. The Group does not enter into or trade financial investments, including derivative financial instruments for speculative purposes.

31.5 ***Market risk***

The Group's investment activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and price movements (see Notes 31.6 and 31.7). The Group manages its risk through extensive research and monitors the risk exposures on the local and international markets.

There has been no change to the manner in which the Group manages and measures this risk.

31.6 ***Foreign currency risk management***

The Group undertakes certain investment transactions denominated in currencies other than the Jamaican dollar. Exchange rate exposures are managed within approved policy parameters and maintaining a manageable balance in the types of investments.

The following balances held in United States dollars are included in these financial statements:

	The Group			The Company		
	December 31, 2012 J$'000	December 31, 2011 J$'000	January 1, 2011 J$'000	December 31, 2012 J$'000	December 31, 2011 J$'000	January 1, 2011 J$'000
Investment in securities	171,006	246,734	285,924	123,526	246,249	238,636
Cash and cash equivalents	147,192	3,449	7,092	132,321	3,499	45
Liabilities (bank borrowings)	(19,525)	(23,382)	-	(19,525)	(23,382)	-
Net exposure	298,673	226,801	293,016	236,322	226,366	238,681

31.6.1 <u>Foreign currency sensitivity analysis</u>

The Group's investment portfolio is exposed to the United States dollar. The Group's sensitivity to a 1% increase or 10% decrease in the Jamaican dollar against the United States dollar is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity of the 1% increase or 10% decrease in the Jamaican dollar against the United States dollar exposure would be an increase in net profit of the Group by J$2.99 million or $29.87 million decrease; company J$2.4 million increase or J23.6 million decrease (2011: 5% increase/decrease J$11.34 million, company J$11.32 million).

The foreign currency sensitivities have not significantly varied as net exposure in foreign currency has decreased marginally.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

31 FINANCIAL INSTRUMENTS (Cont'd)

31.7 *Interest rate risk management*

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

Interest rate sensitivity has been determined based on the exposure to interest rates for the Company's investment in securities at the end of reporting period as these are substantially the interest sensitive instrument impacting financial results. For floating rate financial assets and financial liabilities, the analysis assumes the amount outstanding at year end was outstanding for the whole year. A 400 basis points increase/100 basis points decrease for local currency and 250 basis points increase/50 basis points decrease for United States currency represents management's assessment of the reasonable possible change in interest rates. In 2011, 50 basis points increase/decrease for investments denominated in local and United States currency applied.

Net effect on profit if market interest rates had been 400 or 100 basis points higher or lower for investment denominated in local currency and 250 or 50 basis points higher or lower for investments denominated in United States currency and all other variables were held constant is as follows:

		The Group		The Company	
		2012	2011	2012	2011
		$'000	$'000	$'000	$'000
Effect on net profit increase/decrease 50 basis points		-	1,190	-	880
Effect on net profit increase 400 basis points	(J$)	3,225	-	2,724	-
Effect on net profit decrease 100 basis points	(J$)	806	-	681	-
Effect on net profit increase 250 basis points	(US$)	3,675	-	3,285	-
Effect on net profit decrease 50 basis points	(US$)	735	-	657	-

The Group's and the Company's sensitivity to interest rates has increased during the current year as the Group had a increase in the number of variable rate financial instruments.

31.8 *Credit risk management*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is guided by the investment policies and procedures of the Stock Exchange. In relation to bank accounts and investments securities, the Group, as a policy, deals with credit worthy counterparties, to minimise credit risk exposures. In addition, limits are assigned to various counterparties by the Group.

Trade receivables consist of broker members of the Group and accordingly mitigates against credit risk in relation to such receivables. In the case of other receivables, ongoing credit evaluation is performed on the financial conditions of those receivables.

The carrying amount of financial assets recorded in the financial statements (as disclosed in Note 31.3), which is net of impairment losses, represents the Group's maximum exposure to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

31 FINANCIAL INSTRUMENTS (Cont'd)

31.9 ***Liquidity risk management***

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

31.9.1 Liquidity and interest rate tables

The following table details the Group's and the Company's contractual maturity for its non-derivative financial assets and financial liabilities. The tables below have been drawn up based on undiscounted contractual maturities of financial assets including interest that will be earned on those except where the Group and the Company anticipates that the cash flows will occur in a different period, and in the case of financial liabilities, based on the earliest date on which the Group and the Company can be required to pay.

	The Group						
	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 Months $'000	3 months to 1 year $'000	1 to 5 Years $'000	Over 5 years $'000	Total $'000
2012							
Financial assets							
Non-interest bearing		48,325	-	10,959	-	-	59,284
Variable interest rate instruments	2.8	160,370	1,031	3,148	28,242	40,200	232,991
Fixed interest rate instruments	11.02	17,339	36,178	21,892	200,735	82,599	358,743
		226,034	37,209	35,999	228,977	122,799	651,018
Financial liabilities							
Non-interest bearing		101,212	-	7,125	-	-	108,337
Interest bearing loan	10.13	590	1,586	6,354	17,412	-	25,942
Redeemable preference shares	6.5	-	1,058	68,116	-	-	69,174
		101,802	2,644	81,595	17,412	-	203,453
2011							
Financial assets							
Non-interest bearing		51,961	-	7,613	-	-	59,574
Variable interest rate instruments	6.62	46,022	1,164	3,555	40,051	41,131	131,923
Fixed interest rate instruments	12.47	1,645	7,794	15,899	168,878	78,608	272,824
		99,628	8,958	27,067	208,929	119,739	464,321
Financial liabilities							
Non-interest bearing		74,845	-	3,741	-	-	78,586
Interest bearing loan	10	560	1,680	5,039	19,466	-	26,745
Redeemable preference shares	7.1	-	1,155	3,466	68,324	-	72,945
		75,405	2,835	12,246	87,790	-	178,276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

31 **FINANCIAL INSTRUMENTS (Cont'd)**

31.9 ***Liquidity risk management (Cont'd)***

31.9.1 Liquidity and interest rate tables (Cont'd)

	The Company						
	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 Months $'000	3 months to 1 year $'000	1 to 5 Years $'000	Over 5 years $'000	Total $'000
2012							
Financial assets							
Non-interest bearing		44,795	-	-	-	-	44,795
Variable interest rate instruments	2.46	160,370	772	2,358	17,849	35,003	216,352
Fixed interest rate instruments	12.24	-	12,383	15,599	176,813	63,503	268,298
		205,165	13,155	17,957	194,662	98,506	529,445
Financial liabilities							
Non-interest bearing		64,920	-	-	-	-	64,920
Interest bearing loan	10.13	590	1,586	6,354	17,412	-	25,942
Redeemable preference shares	6.5	-	1,058	68,116	-	-	69,174
		65,510	2,644	74,470	17,412	-	160,036
2011							
Financial assets							
Non-interest bearing		45,379	-	-	-	-	45,379
Variable interest rate instruments	12.47	46,022	906	2,768	29,077	34,757	113,530
Fixed interest rate instruments	6.62	-	1,263	11,774	128,962	59,376	201,375
		91,401	2,169	14,542	158,039	94,133	360,284
Financial liabilities							
Non-interest bearing		20,057	-	-	-	-	20,057
Interest bearing loan	10.13	560	1,680	5,039	19,466	-	26,745
Redeemable preference shares	7.1	-	1,155	3,466	68,324	-	72,945
		20,617	2,835	8,505	87,790	-	119,747

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

31 FINANCIAL INSTRUMENTS (Cont'd)

31.10 ***Fair value of financial instruments***

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where 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 the end of the reporting year. 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) Financial assets classified as available-for-sale are measured at fair value by reference to quoted market prices and or dealer/broker price quotations where available. If quoted market prices are not available these fair values are estimated on the basis of pricing models or recognised valuation techniques.

(ii) The fair value of fixed rate financial instruments is estimated using present value or other estimation techniques based on market conditions on similar instruments at reporting date.

(iii) The carrying amount of liquid assets and other assets maturing within one year is assumed to approximate their fair value. This assumption is applied to liquid assets and the other short-term elements of all other financial assets and financial liabilities.

Management considers that the carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair values.

31.11 ***Fair value measurements recognised in the statement of financial position***

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). There were no Level 3 fair value investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 FINANCIAL INSTRUMENTS (Cont'd)

31.11 ***Fair value measurements recognised in the statement of financial position (Cont'd)***

	The Group 2012			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available-for-sale financial instruments				
Other				
Debt securities	-	308,204	-	308,204
	-	308,204	-	308,204

	The Group 2011			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available-for-sale financial instruments				
Other				
Debt securities	-	266,518	-	266,518
	-	266,518	-	266,518

	The Company 2012			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available-for-sale financial instruments				
Other				
Debt securities	-	239,191	-	239,191
	-	239,191	-	239,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

31 FINANCIAL INSTRUMENTS (Cont'd)

31.11 *Fair value measurements recognised in the statement of financial position (Cont'd)*

	The Company			
	2011			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available-for-sale financial instruments				
Other				
Debt securities	-	201,734	-	201,734
	-	201,734	-	201,734

32 DIVIDEND

On April 30, 2012, a dividend of 51 cents per share (total dividend $14.2385 million) was paid to stockholders of fully paid ordinary shares.

A dividend declared by the Directors on January 17, 2013 of 3.14 dollars per share was paid to shareholders on February 6, 2013. The total dividend paid is $88 million. The payment of this dividend will not have any tax consequence on the Group.

33 COMPENSATION FUND

33.1 Compensation fund financial position

(a) Compensation fund receipts

These are contributions by members' dealers 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.

(b) Contingency reserve

This fund is created out of surpluses for the purpose of providing some protection to the investing public should they suffer pecuniary loss as a result of defalcation or fraudulent misuse of securities or documents of titles to securities. Provisions in respect of the fund are in accordance with Sections 27 to 35 of The Securities Act.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

33 **COMPENSATION FUND (Cont'd)**

33.1 **Compensation fund financial position (Cont'd)**

	Notes	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
ASSETS				
Non-current assets				
Investment in securities	33.3	502,866	406,978	395,122
Current assets				
Income tax recoverable		4,809	813	111
Other receivables		10,823	4,260	3,880
Investment in securities	33.3	87,649	161,742	76,539
Cash and cash equivalents	33.4	10,572	15,459	95,468
		113,853	182,274	175,998
Total assets		616,719	589,252	571,120
EQUITY AND LIABILITIES				
Contingency reserve	33.5	604,296	578,617	559,818
Non-current liabilities				
Deferred tax liabilities	33.6	6,356	4,916	4,246
Current liabilities				
Payable and accruals		6,067	5,719	7,056
Total equity and liabilities		616,719	589,252	571,120

33.2 **Compensation fund - comprehensive Income**

	Notes	2012 $'000	2011 $'000	2010 $'000
INCOME				
Investment income		51,321	48,126	58,872
Gain (loss) in value of investments		9,706	(901)	(5,029)
		61,027	47,225	53,843
EXPENSES				
Administrative expenses	33.7	(25,722)	(22,336)	(21,567)
Net Income		35,305	24,889	32,276
Taxation	33.8	(8,517)	(8,498)	(3,609)
NET PROFIT		26,788	16,391	28,667
OTHER COMPREHENSIVE INCOME				
Net fair value (loss) gain on revaluation of available-for-sale financial assets during the year		(1,109)	2,408	955
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		25,679	18,799	29,622

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

33 COMPENSATION FUND (Cont'd)

33.3 Investments in securities

	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Held-to-maturity - at amortised cost			
Government of Jamaica Securities			
NWC Variable rate bond 8.375% (2011: 8.31%)	24,363	30,451	30,528
GOJ Benchmark Investment Notes			
Fixed Rate Notes 11.5% (2011: 12.63%)	224,316	165,138	151,609
Variable Rate Notes 8.2% (2011: 7.66%)	156,385	150,070	151,498
Foreign Currency Investments			
GOJ Fixed Rate US$ Global Bonds; 10.625%, 2017 (nominal value US$350,000)	36,753	31,244	30,935
Government of Belize guaranteed mortgage Notes, 2029 (nominal value US$55,200; 4.25%)	4,824	4,313	4,350
GOJ US$ 8% Global Bond 2019 (nominal value US$195,000)	13,927	13,016	13,583
GOJ Fixed Rate US$ Benchmark investment Note 6.75% to 7%, 2013 - 2014 (nominal value US$144,000)	13,632	12,747	12,619
GOJ FR US$ BMI Note 7.25%, 2016 (nominal value US$442,283)	42,376	-	-
	516,576	406,981	395,122
Available-for-sale - At fair value			
Investment in Unit Trusts (see below)	15,548	17,211	13,599
Loans and receivables - At amortised cost			
Repurchase agreements: 5.36% (2011: 3.75% - 7.5%)	6,427	75,667	11,524
Repurchase agreement (nominal value US$571,989; 2.0% - 4.6% (2011: nominal value US$816,827; 2% - 4.6%)	51,964	68,862	51,416
	58,391	144,529	62,940
	590,515	568,721	471,661
Less: Current portion	(87,649)	(161,742)	(76,539)
	502,866	406,979	395,122

The movement for the year in available-for-sale financial assets is as follows:			
Balance at January 1	17,211	13,599	12,166
Movement in fair value	(1,663)	3,612	1,433
Balance at December 31 (see above)	15,548	17,211	13,599

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

33 COMPENSATION FUND (Cont'd)

33.4 Cash and cash equivalents

	December 31, 2012 S'000	December 31, 2011 S'000	January 1, 2011 S'000
Cash on hand and in banks	2,338	1,662	699
Money market investments	8,234	13,797	94,769
	10,572	15,459	95,468

33.5 Contingency reserve

	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Opening contingency reserve	578,617	559,818	530,196
Net fair value loss after deferred tax	(1,109)	2,408	955
Net profit	26,788	16,391	28,667
Closing contingency reserve	604,296	578,617	559,818

33.6 Deferred tax liabilities

	Interest Receivable $'000	Fair value on Available-for-Sale Instrument $'000	Total $'000
January 1, 2011	(4,280)	34	(4,246)
Credited to income for the year	534	-	534
Charged to contingency reserve	-	(1,204)	(1,204)
December 31, 2011	(3,746)	(1,170)	(4,916)
Charged to income for the year	(1,994)	-	(1,994)
Credited to contingency reserve	-	554	554
December 31, 2012	(5,740)	(616)	(6,356)

33.7 Administrative expenses include management charges by The Jamaica Stock Exchange for administration of the Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

33 **COMPENSATION FUND (Cont'd)**

33.8 **Income tax**

This comprises:

	2012 $'000	2011 $'000
Income tax	6,523	9,032
Deferred tax	1,994	(534)
	8,517	8,498
The charge for the year is reconciled to the net income as follows:		
Net profit before taxation	35,305	24,889
Tax at 33⅓%	11,768	8,296
Tax effect of items not (chargable) deductable in determining taxable profits	(3,251)	202
	8,517	8,498

34 **PRIOR YEAR RESTATEMENT**

The Compensation Fund was set up for the purpose of providing protection to the investing public in accordance with the Securities act (see Note 33). The contingency reserve which is built up from assets comprising the fund is not part of the Group's distributable reserves.

During the financial year the directors took the decision to clearly separate the assets and liabilities of the Compensation Fund from the Group's consolidated position. The effect of the restatement on the Group's financial position and statement of comprehensive income are as detailed below. The operations of the compensation fund are separately disclosed in Note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 **PRIOR YEAR RESTATEMENT (Cont'd)**

34.1.1

	December 31, 2011		
	Previously Reported $	Adjustments $	Restated $
Consolidated statement of financial position			
ASSETS			
Non-current assets			
Property and equipment	93,087	-	93,087
Intangible assets	24,610	-	24,610
Post employment benefits	79,601	-	79,601
Investment in securities:			
Compensation Fund	406,978	(406,978)	-
Other	262,102	-	262,102
Long-term receivables	7,524	-	7,524
Total non-current assets	873,902	(406,978)	466,924
Current assets			
Income tax recoverable	45,791	(9,845)	35,946
Trade and other receivables	68,544	-	68,544
Investment in securities:			
Compensation Fund	175,742	(175,742)	-
Other	19,164	-	19,164
Cash and cash equivalents	54,829	-	54,829
Total current assets	364,070	(185,587)	178,483
Total assets	1,237,972	(592,565)	645,407
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	168,590	-	168,590
Fair value reserve	7,272	-	7,272
Revenue reserve	297,995	-	297,995
	473,857	-	473,857
Contingency reserve	578,617	(578,617)	-
Total equity	1,052,474	(578,617)	473,857
Non-current liabilities			
Long-term liabilities	86,124	-	86,124
Deferred tax liabilities	38,129	(13,948)	24,181
Total non-current liabilities	124,253	(13,948)	110,305
Current liabilities			
Payables and accruals	54,499	-	54,499
Current portion of long-term liabilities	6,746	-	6,746
Total current liabilities	61,245	-	61,245
Total equity and liabilities	1,237,972	(592,565)	645,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 **PRIOR YEAR RESTATEMENT (Cont'd)**

34.1.2

	Year Ended December 31, 2011		
	Previously Reported $	Adjustments $	Restated $
Consolidated statement of comprehensive income			
Income	256,288	-	256,288
Expenses	265,391	-	265,391
	(9,103)	-	(9,103)
Investment income	24,863	-	24,863
Other gains	28,477	-	28,477
Compensation Fund income (net)	24,889	(24,889)	-
Finance costs	(6,639)	-	(6,639)
PROFIT BEFORE TAXATION	62,487	(24,889)	37,598
Taxation	(12,177)	8,498	(3,679)
NET PROFIT FOR THE YEAR	50,310	(16,391)	33,919
Net fair value gain on available-for-sale financial assets during the year - contingency reserve	2,408	(2,408)	-
Net fair value gain on available-for-sale financial assets during the year	5,329	-	5,329
OTHER COMPREHENSIVE INCOME	7,737	(2,408)	5,329
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	58,047	(18,799)	39,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 PRIOR YEAR RESTATEMENT (Cont'd)

34.2.1

	January 1, 2011		
	Previously Reported $	Adjustments $	Restated $
Consolidated statement of financial position			
ASSETS			
Non-current assets			
Property and equipment	87,555	-	87,555
Intangible assets	12,977	-	12,977
Post employment benefits	76,163	-	76,163
Investment in securities:			
Compensation Fund	395,122	(395,122)	-
Other	286,435	-	286,435
Long-term receivables	6,935	-	6,935
Total non-current assets	865,187	(395,122)	470,065
Current assets			
Income tax recoverable	37,787	111	37,898
Trade and other receivables	26,963	-	26,963
Investment in securities:			
Compensation Fund	169,053	(169,053)	-
Cash and cash equivalents	36,723	-	36,723
Total current assets	270,526	(168,942)	101,584
Total assets	1,135,713	(564,064)	571,649
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	168,590	-	168,590
Fair value reserve	1,943	-	1,943
Revenue reserve	264,076	-	264,076
	434,609	-	434,609
Contingency reserve	559,818	(559,818)	-
Total equity	994,427	(559,818)	434,609
Non-current liabilities			
Long-term liabilities	69,487	-	69,487
Deferred tax liabilities	29,789	(4,246)	25,543
Total non-current liabilities	99,276	(4,246)	95,030
Current liabilities			
Payables and accruals	40,460	-	40,460
Current portion of long-term liabilities	1,550	-	1,550
Total current liabilities	42,010	-	42,010
Total equity and liabilities	1,135,713	(564,064)	571,649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 PRIOR YEAR RESTATEMENT (Cont'd)

34.2.2

	Year Ended December 31, 2010		
	Previously Reported $	Adjustments $	Restated $
Consolidated statement of comprehensive income			
Income	199,378	-	199,378
Expenses	216,439	-	216,439
	(17,061)	-	(17,061)
Investment income	33,159	-	33,159
Compensation Fund income (net)	32,276	(32,276)	-
Finance costs	(13,800)	-	(13,800)
PROFIT BEFORE TAXATION	34,574	(32,276)	2,298
Taxation	2,828	(3,609)	(781)
NET PROFIT FOR THE YEAR	37,402	(35,885)	1,517
Net fair value gain on available-for-sale financial assets during the year - contingency reserve	955	(955)	-
Net fair value gain on available-for-sale financial assets during the year	878	-	878
Net gain arising on held-to-maturity financial assets reclassified to available-for-sale during the year	1,065	-	1,065
OTHER COMPREHENSIVE INCOME	2,898	(955)	1,943
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	40,300	(36,840)	3,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 PRIOR YEAR RESTATEMENT (Cont'd)

34.3.1

	December 31, 2011		
	Previously Reported $	Adjustments $	Restated $
The company statement of financial position			
ASSETS			
Non-current assets			
Property and equipment	85,806	-	85,806
Intangible assets	11,095	-	11,095
Investment in subsidiary	61,000	-	61,000
Post employment benefits	62,439	-	62,439
Investments in securities			
Compensation Fund	406,978	(406,978)	-
Other	201,734	-	201,734
Long-term receivable	7,111	-	7,111
Total non-current assets	836,163	(406,978)	429,185
Current assets			
Income tax recoverable	44,330	(9,845)	34,485
Trade and other receivables	38,026	-	38,026
Investments in securities			
Compensation Fund	175,742	(175,742)	-
Other	10,825	-	10,825
Due from related party	36,805	-	36,805
Cash and cash equivalents	40,652	-	40,652
Total current assets	346,380	(185,587)	160,793
Total assets	1,182,543	(592,565)	589,978
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	168,590	-	168,590
Fair value reserve	6,456	-	6,456
Revenue reserve	276,653	-	276,653
	451,699	-	451,699
Contingency reserve	578,617	(578,617)	-
Total shareholders' equity	1,030,316	(578,617)	451,699
Non-current liabilities			
Long-term liabilities	86,124	-	86,124
Deferred tax liabilities	29,712	(13,948)	15,764
Total non-current liabilities	115,836	(13,948)	101,888
Current liabilities			
Payables and accruals	29,645	-	29,645
Current portion of long-term liabilities	6,746	-	6,746
Total current liabilities	36,391	-	36,391
Total equity and liabilities	1,182,543	(592,565)	589,978

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 **PRIOR YEAR RESTATEMENT (Cont'd)**

34.3.2

	Year Ended December 31, 2011		
	Previously Reported $	Adjustments $	Restated $
The Company statement of comprehensive income			
Income	159,512	-	159,512
Expenses	194,596	-	194,596
	(35,084)	-	35,084
Investment income	18,292	-	18,292
Other gains	28,477	-	28,477
Compensation Fund income (net)	24,889	(24,889)	-
Finance costs	(6,480)	-	(6,480)
PROFIT BEFORE TAXATION	30,094	(24,889)	5,205
Taxation	(1,048)	8,498	7,450
NET PROFIT FOR THE YEAR	29,046	(16,391)	12,655
Net fair value gain on available-for-sale financial assets during the year - contingency reserve	2,408	(2,408)	-
Net fair value gain on available-for-sale investment assets during the year	4,111	-	4,111
OTHER COMPREHENSIVE INCOME	6,519	(2,408)	4,111
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	35,565	(18,799)	16,766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 PRIOR YEAR RESTATEMENT (Cont'd)

34.4.1

	January 1, 2011		
	Previously Reported $	Adjustments $	Restated $
The company statement of financial position			
ASSETS			
Non-current assets			
Property and equipment	79,582	-	79,582
Intangible assets	9,192	-	9,192
Investment in subsidiary	56,000	-	56,000
Post employment benefits	60,131	-	60,131
Investments in securities			
Compensation Fund	395,122	(395,122)	-
Other	215,643	-	215,643
Long-term receivable	5,771	-	5,771
Total non-current assets	821,441	(395,122)	426,319
Current assets			
Income tax recoverable	31,142	111	31,253
Trade and other receivables	16,051	-	16,051
Investments in securities			
Compensation Fund	169,053	(169,053)	-
Due from related party	64,705	-	64,705
Cash and cash equivalents	16,610	-	16,610
Total current assets	297,561	(168,942)	128,619
Total assets	1,119,002	(564,064)	554,938
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	168,590	-	168,590
Fair value reserve	2,345	-	2,345
Revenue reserve	263,998	-	263,998
	434,933	-	434,933
Contingency reserve	559,818	(559,818)	-
Total shareholders' equity	994,751	(559,818)	434,933
Non-current liabilities			
Long-term liabilities	69,487	-	69,487
Deferred tax liabilities	25,405	(4,246)	21,159
Total non-current liabilities	94,892	(4,246)	90,646
Current liabilities			
Payables and accruals	27,809	-	27,809
Current portion of long-term liabilities	1,550	-	1,550
Total current liabilities	29,359	-	29,359
Total equity and liabilities	1,119,002	(564,064)	554,938

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 PRIOR YEAR RESTATEMENT (Cont'd)

34.4.2

	Year Ended December 31, 2010		
	Previously Reported $	Adjustments $	Restated $
The Company statement of comprehensive income			
Income	145,258	-	145,258
Expenses	164,550	-	164,550
	(19,292)	-	(19,292)
Investment income	27,679	-	27,679
Compensation Fund income (net)	32,276	(32,276)	-
Finance costs	(13,800)	-	(13,800)
PROFIT (LOSS) BEFORE TAXATION	26,863	(32,276)	(5,413)
Taxation	4,434	3,609	825
NET PROFIT (LOSS) FOR THE YEAR	31,297	(28,667)	(4,588)
Net fair value gain on available-for-sale financial assets during the year - contingency reserve	955	(955)	-
Net fair value gain on available-for-sale investments during the year	2,612	-	2,612
Net gain on held-to-maturity financial assets reclassified to available-for-sale during the year	(267)	-	(267)
OTHER COMPREHENSIVE INCOME	3,300	(955)	2,345
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	34,597	(29,622)	2,243

35 SUBSEQUENT EVENT

On February 12, 2013 the Government of Jamaica (GOJ) invited holders of certain domestic debt instruments to voluntarily participate in the National Debt Exchange (NDX) programme. The stated objectives of the programme are to reduce the interest expense, as well as lengthen the maturity profile, of GOJ's domestic debt portfolio. Under the NDX, GOJ intends to retire certain existing debt instruments ("Benchmark Investment Notes") and issue new debt instruments ("New Benchmark Investment Notes") of longer duration with coupon rates that are lower than the rates of the existing debt instruments.

At December 31, 2012 holdings of the relevant debt instruments were as follows:

	Nominal Value $'000	Inclusive of US$'000
The Group	153,708	259
The Company	117,983	109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

35 **SUBSEQUENT EVENT (Cont'd)**

The Company accepted the invitation to participate in the NDX. The Company's portfolio of Old Notes has been replaced with a portfolio of New Notes on a "par for par" basis such that the principal amounts that would have been received at maturity from the Old Notes are equal to the corresponding amounts to be received from the New Notes. Any gain or loss on derecognition of the Old Notes, will be recognised in the statement of comprehensive income for year ending December 31, 2013. Concerning the defined benefit pension plan for employees of the Group and the Company, the NDX may also have an impact on the defined benefit obligations going forward. At December 31, 2012 post employment benefit asset of $85.208 million and $66.562 million were included in the statement of financial position of the Group and the Company respectively.

Products Offered by JSE

Remote Observer

The Real Time Market Watch / Remote Observer is another exciting feature of the Jamaica Stock Exchange which allows investors to view real time trading activities at their convenience. This product has endless possibilities for those who take the stock market seriously, and abounds with the following features:

- It allows the client to be on the cutting edge of technology.
- Clients will be able to monitor daily activities of the market in real time giving them a distinct competitive advantage.
- Clients will have ready access to market information and will therefore be able to make informed decisions.
- Clients watching the activities can negotiate sale and purchase fees of securities, thus lowering their transaction cost.
- Clients can know if their brokers are executing their requests.

This product is proven to provide significant benefits to the client and is a viable source of revenue for the Stock Exchange, especially when the market is bullish.
The Remote Observer is the only product on the market that offers real time information on trading on the Jamaican stock market and attracts customers both locally and internationally.

This product is designed to meet the needs of:

i. Companies involved in pension funds management: (The contact will be established with Chief Executive Officers, Managing Directors and the Pension Funds Managers).
ii. Companies that invest in securities.
iii. Middle-to-upper income professionals who invest in the Stock Market as the means to create a solid retirement plan.
iv. Chief Executive Officers, especially those of listed companies, who have an avid interest in the stock market.
v. Chief Executive Officers of potential listed companies
vi. Broker members

Banner Ad

The Stock Exchange's revamped website www.jamstockex.com has a totally new look and feel and has become an exciting vehicle for companies to keep in touch with their upwardly mobile clientele.

The Jamaica Stock Exchange's website receives on average over 1723 visits per day from many local and international visitors who use our site repeatedly to check the daily trade sheets, as well as other information. This product offers an excellent opportunity for companies and institutions to connect with their target market. It is a well-known fact that advertising works best when targeted to a specific audience. Hence the JSE's banner ad is that medium of choice which provides product exposure to existing and potential investors.

Online Statements

Twice yearly, the JCSD sends out statements showing clients' transactions and the trading activity of their invested securities. In response to the demands of clients to supply more current and ready information on their accounts, the JCSD now offers clients the ability to access their statements on-line. This facility gives clients access to their statements whenever they want it!
What will the on-line statement show?

- Account holders who access this statement on-line will be able to see transactions conducted for the last six months.
- Clients will see a quick look-up of their holdings as at the current date.
- Clients will have access to all their active accounts in the JCSD.
- Whether or not clients choose to print their statement or view it on-line, the information will appear in the same format.

Products Offered by JSE (cont'd)

Ticker

The JSE produces its **Website Ticker.**

Website Ticker

This ticker is appealing to companies, web administrators and media houses. It is the ideal product to attract both local and international investors to the client's site. Investors are always seeking information on the performance of the market and once they are aware of a particular site which supplies this information they will make frequent visits to that site. A **"Website Ticker"** site will also attract visits from new customers seeking market report information.

JSE's e-Learning Campus

JSE's e-Learning Campus is a web based e-learning system that will allow students to attend courses online. Lessons are interactive with video and audio clips of lecturers. Students are able to read content, view or print e-books, do tests and other exercises relating to a specific course. Additionally, students are able to bookmark position in each course and resume their course at anytime. The system tracks usage, scores from tests, issue certificates, and allow students to interact with lecturers. Students will also get a chance to meet with lecturers and tutors face-to-face.

Our e-Campus offers the JSE's Post-Graduate Diploma in Financial Securities Management. This programme is a continuing professional education course for participants operating in the capital markets, dealing in investment products and for professionals in the financial services sector.

Publications

PocketBook

This annual publication is a compendium of facts, figures, charts and other illustrations showing the performance of the Jamaican stock market for the previous year. It contains invaluable research material for potential investors locally and abroad as well as for financial planners and managers.

The Pocketbook is distributed to our subscribers, both locally and internationally and is posted on the JSE's website which averages at least ***51,684*** visits per month. This has opened for advertisers, a new window of opportunity to enter the overseas market and in particular to reach Jamaicans living abroad.

Stock Market Review

This magazine is the perfect advertising vehicle for reaching existing and potential clients who invest in the stock market. The publication is timely and contains indicators of market performance as well as pertinent news on market development.

The magazine is published quarterly and circulated free of cost to subscribers and other interested clients in Jamaica and abroad. It also appears on the Jamaica Stock Exchange's website which enjoys thousands of visitors daily.

(Cont'd on next page)

Products Offered by JSE (cont'd)

Year Book

This annual publication is a sought after collection of information showing the performance of the Jamaican stock market for the previous year. The distinguishing features of the Year Book are:

- ✓ A snapshot of the financials of the Listed Companies
- ✓ Comparative figures on companies' financials
- ✓ Comparative figure for market statistics such as Market Capitalization, Volume, Top Ten Companies by Value and Volumes

This publication is invaluable research material for potential investors locally and abroad as well as for financial planners and managers.

The Year Book is distributed to our subscribers, both locally and internationally and is posted on the JSE's website which averages some ***51,684*** visits per month.

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JMMB SECURITIES LTD.
11 Knutsford Boulevard,
Kingston 5.
Phone: 920-5039 / 920-4720
Fax: 960-8106
e-mail: info@jmmbsecurities.com

FIRST GLOBAL FINANCIAL SERVICES LTD.
2 St. Lucia Avenue,
Kingston 5.
Phone: 926-1275
Fax: 926-1279 / 929-6436
e-mail: fgfs@gkco.com

MAYBERRY INVESTMENTS LTD.
1 ½ Oxford Road,
Kingston 5.
Phone: 929-1908-9
Fax: 929-1501 / 920-2103
e-mail: feedback@mayberryinv.com

SAGICOR INVESTMENTS LTD.
60 Knutsford Boulevard,
Kingston 5.
Phone: 929-5583/4
Fax: 926-0555
e-mail: options@sagicor.com

M/VL STOCKBROKERS LTD.
2-6 Grenada Crescent,
Kingston 5.
Phone: 960-1570 / 926-4319
Fax: 960-1571
e-mail: mvl@wtjam.net

NCB CAPITAL MARKETS LTD.
32 Trafalgar Road, 3rd Floor,
Kingston 10.
Phone: 960-7108 Fax: 960-7649
TOLL FREE: 1-888-4-WEALTH
e-mail: info@ncbcapitaimarkets.com

STOCKS AND SECURITIES LTD.
33 ½ Hope Road,
Kingston 10.
Phone: 929-3261 / 929-3400
Fax: 929-4825
e-mail: info@gostocksandsecurities.com

VICTORIA MUTUAL WEALTH MANAGEMENT LTD.
52 - 60 Grenada Crescent,
Kingston 5.
Phone: 960-5000 - 3
Fax: 960-4972
e-mail: spaimer@vmbs.com

PROVEN WEALTH LTD.
26 Belmont Road,
Kingston 5.
Tel: 908-3800
Fax: 754-3802
e-mail: info@weareproven.com

Jamaica Stock Exchange
Yearly Trading Summary (1976-2012)

YEAR	YEAR-END MARKET CAPITAL JA$(000)	NO. OF LISTED COMPANIES	VOLUME TRADED (000)	VALUE TRADED JA$(000)	YEAR-END JSE INDEX	YEAR-END ALL JA COMPOSITE	YEAR-END JSE SELECT	YEAR-END CROSS LISTED	YEAR-END COMBINED INDEX	NO. OF TRANS.	NO. BROKERS	YEAR-END COMBINED MKT CAP JA$(000)
1976	106,426	43	5,650	2,827	55.72					1,170	4	
1977	89,776	43	2,185	1,293	46.99					459	6	
1978	93,494	40	13,818	10,093	49.28					583	6	
1979	109,600	39	4,833	2,217	59.28					420	5	
1980	124,149	41	7,390	5,101	69.83					502	5	
1981	225,761	33	4,198	3,332	152.23					799	5	
1982	315,964	32	5,542	10,156	211.16					1,375	5	
1983	359,199	32	5,185	9,820	240.38					1,566	5	
1984	697,729	32	9,744	26,017	461.10					2,117	5	
1985	1,456,590	33	37,640	117,146	941.50					3,049	6	
1986	3,085,766	36	59,252	374,617	1,499.87					6,691	8	
1987	3,468,661	41	71,877	399,971	1,515.09					11,187	8	
1988	4,290,291	44	43,522	136,739	1,439.22					6,446	8	
1989	6,228,384	44	95,202	516,456	2,075.85					13,892	8	
1990	7,321,285	44	57,960	230,782	2,539.36					8,691	9	
1991	22,214,715	44	144,258	1,156,609	7,681.50					24,072	9	
1992	76,974,281	48	395,606	4,687,337	25,745.88					49,791	9	
1993	41,879,310	48	567,454	8,346,770	13,099.68					55,519	9	
1994	58,018,064	50	741,754	5,155,463	16,676.74					43,144	10	
1995	50,755,753	51	3,565,607	11,560,485	14,266.99					42,600	10	
1996	66,116,257	50	560,528	4,629,395	16,615.99					23,189	8	
1997	79,619,594	49	905,387	4,594,108	19,846.66					18,623	8	
1998	79,038,726	47	604,545	2,064,243	20,593.33					13,748	8+	
1999	104,041,538	44	520,531	2,218,714	21,892.58					9,256	6	
2000	160,135,746	44	694,897	3,441,081	28,893.24	26,894.76	883.67			21,066	6	
2001	222,006,166	42	2,845,199	5,948,358	33,835.59	32,508.99	1,015.26			20,979	10	
2002	292,297,900	40	1,604,591	7,636,877	45,396.21	46,142.81	1,450.34			26,999	10	
2003	512,884,380	41	4,290,433	24,237,330	67,586.72	55,629.64	1,697.87					
2004	879,297,296	40	5,194,558	35,994,853	112,655.51	116,218.38	3,176.62					
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	
2007	876,690,610	44	2,433,488	29,047,425	107,968.00	106,782.82	2,928.98			38,621	11	
2008	597,277,036	45	2,953,011	67,026,871	80,152.03	73,994.96	1,984.74			30,323	11	
2009	544,882,559	44	1,764,894	12,189,895	83,321.96	70,995.77	1,896.05	962.92		16,099	11	
2010	564,720,705	43	3,571,199	20,828,652	85,220.82	80,793.80	2,192.19	863.01		18,359	11	
2011	619,444,770	40	1,819,302	20,993,976	95,297.20	102,178.79	2,874.01	794.55	97,134.00	23,319	11	
2012	590,637,443	36	2,581,249	61,109,565	92,101.22	91,161.60	2,489.67	873.93	93,503.79	19,515	11	612,739,023

+ Six (6) active Brokers 3.64%19,838,146.00
* The All Jamaican Composite started on May 1, 2000 at 31,931.32 points
* JSE Select started on June 1, 2000 at 1,000 points
* JSE Cross Listed Index started on March 2, 2009 at 1,000 points
* JSE Combined Listed Index started on April 1, 2011 at 86,897.43 points

Jamaica Stock Exchange
Yearly Trading Summary Junior Market (2009-2012)

YEAR	YEAR-END MARKET CAPITAL JA$(Million)	NO. OF LISTED COMPANIES	VOLUME TRADED	VALUE TRADED	NO. OF TRANS.	NO. BROKERS	YEAR-END JSE JNR MARKET INDEX
2009	755.17	1	62,248	1,531,915	14	11	150.01
2010	8,466.81	8	50,331,871	206,559,980	1,192	11	379.92
2011	23,595.00	12	306,220,533	1,247,948,069	7,883	11	748.86
2012	22,101.58	16	569,866,235	5,185,299,007	5,047	11	647.78

Corporate Information

Registered Office:
The Jamaica Stock Exchange,
Jamaica Central Securities Depository &
JCSD Trustee Services
40 Harbour Street
P.O. Box 1084
Kingston.
Telephone: (876) 967-3271-2

Fax: (876) 967-3277

Bankers
National Commercial Bank
Cnr. Duke & Barry Streets
Kingston.

Attorneys-at-law
Livingston, Alexander & Levy
72 Harbour Street, Kingston

Auditors
Deloitte & Touche
7 West Avenue
Kingston 4.

Website Address
www.jamstockex.com

E-Mail Address
jse-info@jamstockex.com

Jamaica Stock Exchange Statement of Corporate Governance Principles & Practices

PREAMBLE

The Jamaica Stock Exchange recognizes that as a national self-regulatory organization with a mission to ensure and promote a fair and efficient stock market, it must embrace and practice 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 shareholders and member/dealers. 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. Such review should include the performance of the alternates.
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/PRINCIPLES
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 directors are set out in the Articles of Incorporation of the JSE and stipulate election of directors on an annual basis. Interest groups identified by the Board will propose independent directors to the Corporate Governance and Nomination Committee. Where an interest group fails to make a nomination, the Corporate Governance and Nomination 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 is 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 comprise of member dealers, independent directors and a non executive chairman.
Multiple Board Seats	Members must declare appointments to other companies. They must, at the beginning of the year, and as many times as their positions change, give a written declaration to the Board of the Exchange with pertinent information about the other Boards on which they serve.

Jamaica Stock Exchange Statement of Corporate Governance Principles & Practices

ISSUES	DESCRIPTION/PRINCIPLES
Chairman & CEO	The JSE will have a separate Chairman and CEO.
Independent Directors	Independent Directors must meet the criteria set out in the Appendix attached.
Committees	***Composition*** There are both mandatory and non-mandatory committees of the Board. The mandatory committees of the Board are comprise of the Regulatory & Market Oversight Committee, the Audit & Finance Committee, the Compensation Committee and the Listing 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. ***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 the month prior to the beginning of each year.
Audit Committee	The Audit Committee assists the Board with oversight responsibilities in regards to the integrity of the company's financial statements. It also serves as the communication link between the Board, the management team and the auditors. The Audit Committee ensures that the Company complies with legal and regulatory requirements.
Member Dealers Admissions Committee	The Member Dealers Admission 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.
Regulatory & Market Oversight Committee (RMOC)	The Regulatory and Market Oversight Committee (hereinafter called the "RMOC") is the Committee of the Board of Directors of the Exchange comprising the independent directors who are not the nominees or connected to any Member/Dealer of the Exchange. The Board of Directors of the Exchange has delegated responsibility to the RMOC for reviewing and ensuring compliance with and enforcement of the Laws, any Rules including Business Rules, contractual obligations and appropriate standards of conduct governing the Member/Dealers, their clients and participants on the Exchange. The RMOC is the disciplinary committee of the Exchange which has the power to impose any of the penalties specified in Rule 228 upon a Member/Dealer in respect of whom disciplinary action is taken and which results in a finding of misconduct.
Corporate Governance and Nomination Committee	The Corporate Governance and Nomination Committee is responsible to develop, recommend and review Corporate Governance Principles, applicable to the Board, Management and listed companies. In addition the Committee has the responsibility to oversee the evaluation of the Board's other committees and make recommendations in respect to the structure of and effectiveness of the Committees. The Corporate Governance and Nomination Committee is also responsible for the recommendation of suitable candidates to fill vacancies on the Board and the suitability of alternate directors.
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.
Listing Committee	The Listing Committee ensures the quality and integrity of a listing on the JSE. It is responsible to process applications and make recommendations regarding approval of companies wishing to list on the JSE and review and make recommendations of standards to be observed for companies to remain listed.
Other Committees	These are formed as the Board of Directors see fit.

Jamaica Stock Exchange Statement of Corporate Governance Principles & Practices

ISSUES	DESCRIPTION/PRINCIPLES
Board Meetings	There are formal scheduled meetings of the Board at which matters are specifically reserved for discussions. Matters must be addressed within a reasonable time in order to prevent an overrun of pending items. **Procedure at Board Meetings** In the interest of promoting and ensuring transparency all directors must: Excuse himself/ herself from discussions in, and in making decisions on any matter in which he/she has a personal or business interest or companies on whose board he/she sits or is connected. Further, members shall be bound by similar standards as outlined in Appendix 1- (Part K) of the JSE Rules which addresses 'Acting in Concert'.
General Meetings	General Meetings of shareholders are held each year. Communication with shareholders on decisions concerning material and fundamental corporate changes are made on a timely basis.
Performance Evaluation	***Evaluation of Board Members and Senior Executives*** The Board recognizes the importance of each director (including his or her alternate) working to fulfill the mandate of the company. The Board recognizes the importance of evaluating the performance of each director, alternate director, senior executives and the Board as a whole. Their performance is subject to the review of the Corporate Governance and Nomination Committee.
Term Limits	Nominations to the Board of Directors are reviewed by the Corporate Governance and Nomination Committee. **Committees** **Chairman/Deputy Chairman** The Chairman and Deputy Chairman of the Board and Chairmen of Committees have recommended term limits (from one AGM to another AGM) as follows: (a) The Chairman can serve for five (5) consecutive terms; (b) The Deputy Chairman can serve for three (3) consecutive terms; (c) The Chairmen of Committees can serve for three (3) consecutive terms, except for the Chairman of the Compensation Committee who can serve for a maximum of five (5) consecutive terms. ***Committee Members*** Members can sit for a maximum of five (5) consecutive years with an option to extend the term limit by two (2) years. These members are eligible to be re-elected one year after the seven (7) year consecutive stint. Past Board Chairmen should automatically sit on the Executive Committee for the year after demitting office as Chairman. There is no term limit for members of the Regulatory and Market Oversight Committee and the Member Dealers Admissions Committee.
Age Limits	The JSE has no maximum age limit for members sitting on the Board. However the minimum age limit is eighteen (18) years.
Transparency	Directors are required to provide to the Corporate Governance and Nomination Committee, information as it relates to business dealings, board affiliations and any other information that would pose a conflict of interest.
Accounting Standards	The Jamaica Stock Exchange Board is governed by the accounting standards as communicated from the Institute of Chartered Accountants of Jamaica.
Ethics	The Jamaica Stock Exchange currently maintains ethics and confidentiality requirements for its directors, which are posted on its Website.

Specially adopted from the PSOJ's Corporate Governance Code

Amended March 18, 2013

Corporate Governance Guideline are available on the JSE's Website: www.jamstockex.com

Guidelines for Determining Independence of Board Directors

Appendix 1

The Board should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

The Board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:

- Has been an employee of the company or group within the last five years;
- has, or has had within the last three years, material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company.
- has received or receives additional remuneration from that company apart from a director's fee, participates in that company's share option plan or a performance-related pay scheme, or is a member of the company pension scheme;
- has close family ties with any of the company's advisors , directors or senior employees;
- holds cross-directorship or has significant links with other directors through involvement in other companies or bodies;
- represents a significant shareholder; or
- has served on the board for more than nine years from the date of their first election.

Prepared: Marlene Street Forrest
March 30, 2010

Adopted from the PSOJ Code of Corporate Governance (2009)
Approved by the JSE Board on April 21, 2010

Corporate Governance Guideline are available on the JSE's Website: www.jamstockex.com

Appendix 2

Directors	Designation	JSE Board	Compensation Commitee	Corporate Governance	Executive	JSE Membership	Listing	Nominating	Rules	RMOC	Audit	Average
Perkins, Donovan	Director	90%	100%	-	100%	-	75%	-	-	-	-	**91%**
Lewis, Allan	Director	80%	-	-	-	-	50%	-	100%	-	86%	**79%**
Berry, Christopher	Director	-	-	-	-	-	-	-	-	-	-	**0%**
Peart, Gary	Alternate Director	60%	-	-	50%	-	-	-	100%	-	-	**70%**
Black, Dian	Director	60%	50%	-	-	100%	50%	-	100%	91%	86%	**78%**
Croskery, Mark	Director	90%	50%	-	-	-	-	-	-	-	86%	**75%**
Cohen, Dennis	Director	10%	-	-	-	-	0%	-	-	-	-	**10%**
Coke, Dylan	Alternate Director	70%	100%	-	-	-	50%	-	100%	-	-	**80%**
Drummond, Robert	Director	20%		-	-	-	-	-	-	-	-	**20%**
* Chambers, Jason	Alternate Director	71%	-	-	-	-	-	-	-	-	-	**71%**
George, Jane	Director	60%		100%	-	100%	-	-	-	82%	57%	**80%**
Kiddoe, Garth	Director	60%	100%	100%	67%	100%	75%	-	100%	100%	57%	**84%**
Humphries-Lewin, Rita	Director	10%	-	-	-	-	0%	-	-	-	-	**5%**
McNaughton, Ian	Alternate Director	90%	-	-	-	-	75%	-	-	-	-	**83%**
McKie, Ed	Director	100%	-	100%	100%	-	-	-	-	-	100%	**100%**
McKoy, Derick	Alternate Director	0%	-	-	-	-	-	-	-	-	-	**0%**
Mair, Julian	Director	80%	-	-	10%	-	-	-	-	-	-	**45%**
Martin, Curtis	Director	30%	-	-	-	-	50%	-	-	-	-	**40%**
Morrison, Janet	Director	70%	-	100%	100%	100%	-	-	-	-	-	**93%**
Morrison, Livingstone	Director	60%	-	-	-	100%	100%	-	-	92%	100%	**90%**
Mitchell, Lissant	Director	90%	-	100%	-	-	-	-	-	100%	-	**97%**
Armstrong, Phillip	Alternate Director	0%	-	-	-	-	-	-	-	-	-	**0%**

*** Appointed March 2012**

Notes

PROXY FORM

Please affix $100 postage stamp in this box

I/We ……………………………………………………………………………………………..

of………………………………………………………………………………………………

being a Member of the Jamaica Stock Exchange, hereby appoint

…………………………………………………………………………………………………

of………………………………………………………………………………………………

or failing him/her ………………………………………………………………………………

of………………………………………………………………………………………………

as my/our proxy, to vote for me/us on my/our behalf at the Annual General Meeting of the said company to be held on the 20th day of June, 2013 and any adjournment thereof.

Signed this…………………………………day of……………………………..2013

……………………………………………….
Signature

NOTES:

1. **This Form of Proxy must be received by the Secretary of the Company not less than 48 hours before the time appointed for the Meeting.**
2. **If the appointer is a Corporation, this Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized in writing.**
3. **The proxy form will attract stamp duty of J$100 which may be paid by affixing stamps or stamp duty impressed by the Stamp Office.**