

This Prospectus is dated Friday 28 June 2013. A copy of this Prospectus was delivered to the Registrar of Companies for registration pursuant to section 40(2) of the Companies Act, 2004 and was so registered on Friday 28 June 2013. The Registrar of Companies accepts no responsibility whatsoever for the contents of this Prospectus. A copy of this Prospectus was also delivered to the Financial Services Commission (“the FSC”) for the purposes of the registration of The Jamaica Stock Exchange Limited (the “Company”) as an issuer pursuant to section 26 of the Securities Act and the Company was so registered on Friday 28 June 2013. The FSC has not approved the Shares for which subscription is invited nor has the FSC passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.



**28,050,000 Shares for subscription
and 10,200,000 Shares for sale
at the price of \$2.85 per Share**

The Company invites Applications on behalf of itself, and Capital & Credit Securities Limited (“Capital & Credit” or the “Selling Shareholder”) for 38,250,000 Shares in the Invitation of which 28,050,000 Shares are newly issued Shares for subscription and 10,200,000 Shares are existing Shares of the Selling Shareholder for sale. Up to 10,837,500 Shares in the Invitation (the “Reserved Shares”) are initially reserved for priority application from the following persons: (a) 3,825,000 Shares (the “Staff Reserved Shares”) for senior managers and employees of the Company, and (b) 7,012,500 Shares (the “Lead Broker’s Reserved Shares”) for managed fund and other clients of Stocks and Securities Limited (“SSL”), the lead broker to the Invitation. All Shares in the Invitation save for the Staff Reserved Shares are priced at the Invitation Price of \$2.85 per Share. The Staff Reserved Shares are priced at a discounted price of \$2.55 per Share. If any of the Reserved Shares in any category are not sold to or subscribed by the persons entitled to them they will be available for sale to, and subscription by, the other Reserved Share Applicants and thereafter, any remaining Reserved Shares will become available for sale to, and subscription by, the general public. **See Section 6.4 of this Prospectus for full terms and conditions of the Invitation.**

An Application Form for use by all Applicants is provided at the end of this Prospectus together with notes on how to complete it. The Invitation will open at 9:00 a.m. on the Opening Date, Friday 5 July 2013. Application Forms submitted prior to 9:00 a.m. on the Opening Date will be received, but not processed until 9:00 a.m. on the Opening Date. The Invitation will close at 4:00 p.m. on the Closing Date, Friday 19 July 2013 subject to the right of the Company to: (a) close the Invitation at any time after it opens on 9:00 a.m. on the Opening Date once Applications for all of the Shares in the Invitation are received, or otherwise at the discretion of the Company; and (b) extend the Closing Date for any reason, provided that it does not extend beyond the expiration of 40 days after the publication of this Prospectus for the purposes of section 48 of the Companies Act. In the case of an early closing of the Invitation, or an extension to the Closing Date, notice will be posted on the website of the Company at (www.jamstockex.com).

It is the intention of the Company to apply to the Listing Committee of the Board of the Jamaica Stock Exchange to list the Shares on the Main Market, however please note that this statement of the Company's intention is not a guarantee that the Shares will be listed. The application is dependent on (i) the full subscription of all of the 28,050,000 Shares in the Invitation for which the Company invites applications; and (ii) other criteria for admission set out in the JSE Rules. If the Shares in the Invitation are not appropriately subscribed and sold as aforesaid so as to meet the requirements for listing on the Main Market, all payments received from Applicants will be refunded.

SHARE CAPITAL

Authorised share capital	600,000,000 Shares
Maximum to be issued by the Company in the Invitation, fully paid	28,050,000 Shares
Maximum to be sold by the Selling Shareholder in the Invitation, fully paid	10,200,000 Shares

CONSIDERATION

Total consideration assuming all Shares in the Invitation are fully subscribed and sold by the persons entitled to them:

• 3,825,000 Staff Reserved Shares at \$2.55 each	\$ 9,753,750
• 7,012,500 Lead Broker’s Reserved Shares at \$2.85 each	\$19,985,625
• 27,412,500 Shares for the general public at \$2.85 each	\$78,125,625
Total Consideration	<u>\$107,865,000</u>

Due to the Company in respect of the 28,050,000 Shares for subscription in the Invitation	\$79,101,000
Due to the Selling Shareholder in respect of the 10,200,000 Shares for sale in the Invitation	\$28,764,000

Prospective Applicants are encouraged to seek the advice of an independent financial professional, attorney – at –law or chartered accountant before making an investment decision.

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1. Important Disclaimers

Responsibility for the Contents of this Prospectus

This Prospectus has been reviewed and approved by the Board of Directors of the Company. The Directors of the Company whose names appear in Section 8 of this Prospectus are the persons responsible (both individually and collectively) for the information contained in it. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and no information has been omitted which is likely to materially affect the import of information contained herein.

This Prospectus has also been reviewed and approved by the directors of the board of the Selling Shareholder, and the Selling Shareholder is acting on its own behalf in inviting Applications for Shares in the Invitation. To the best of the knowledge and belief of the directors of the board of the Selling Shareholder, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and no information has been omitted which is likely to materially affect the import of information contained herein.

Each of the Directors of the Company, together with each of the directors of the board of the Selling Shareholder, have signed this Prospectus for the purposes of their responsibilities as described herein. Such responsibilities are joint and several as contemplated by the Companies Act. See the signatures in Section 16 of this Prospectus.

Contents of this Prospectus

This Prospectus contains important information for prospective investors in the Company. All prospective investors should read this Prospectus carefully in its entirety before submitting an Application.

This Prospectus also contains summaries of certain documents, which the Board of Directors of the Company and the directors of the board of the Selling Shareholder believe to be accurate. Prospective investors may wish to inspect the actual documents that are summarised, copies of which will be available for inspection as described in Section 15. Any summaries of such documents appearing in this Prospectus are qualified in their entirety by reference to the complete document. The publication of this Prospectus shall not imply that there has been no change in the business, results of operations, financial condition or prospects of the Company since the date of this Prospectus.

Unauthorised representations

No person is authorised to provide information or to make any representation whatsoever in connection with this Prospectus which is not contained in this Prospectus, either on behalf of the Company or on behalf of the Selling Shareholder. Neither the FSC nor any Government agency or regulatory authority in Jamaica has made any determination as to the accuracy or adequacy of the matters contained in this Prospectus.

Invitation made in Jamaica only

This Prospectus is intended for use in Jamaica only and is not to be construed as making an invitation to persons outside of Jamaica to subscribe for any Shares. The distribution or publication of this Prospectus and the making of the invitation in certain jurisdictions outside of Jamaica is prohibited by law.

Application to Subscribe for Shares

This Prospectus is not a recommendation by the Company or the Selling Shareholder that prospective investors should submit Applications to subscribe for or purchase any Shares in the Company. Prospective investors are expected to make their own assessment of the Company, and the merits and risks of subscribing for or purchasing Shares.

Prospective investors are also expected to seek appropriate advice on the financial and legal implications of subscribing for or purchasing Shares, including but not limited to any tax implications. Each Applicant who submits an Application acknowledges and agrees that: (1) he/she has been afforded a meaningful opportunity to review this Prospectus (including the terms and conditions in section 6.4), and to gather and review all additional information considered by him/her to be necessary to verify the accuracy of the information contained in this Prospectus; (2) no person connected with the Company or the Selling Shareholder has made any representation concerning the Company or the Selling Shareholder or this Prospectus not contained in this Prospectus, on which the Applicant has relied in submitting his/her Application.

2. Summary of Key Information

Issuer:	The Jamaica Stock Exchange Limited (28,050,000 Shares)	
Selling Shareholder:	Capital & Credit (10,200,000 Shares)	
Total Securities:	38,250,000 Shares, inclusive of 10,837,500 Reserved Shares (<i>Reserved Share Applicants see * below</i>)	
Pricing:	General public and Lead Broker's Reserved Shares are priced at \$2.85 per Share. Staff Reserved Shares are priced at \$2.55 per Share. All Shares must be paid for on delivery of an Application. See Payment Methods, below.	
Application:	See Appendix 1 of this Prospectus	
Terms and Conditions:	See Section 6.4 of this Prospectus	
Payment Methods:	See paragraph 8 of Section 6.4 for full details.	
Timetable of Key Dates:	Registration and Publication of Prospectus:	Friday 28 June 2013
	Opening Date:	Friday 5 July 2013
	Closing Date:	Friday 19 July 2013

APPLICATION FORMS MAY BE SUBMITTED IN ADVANCE OF THE OPENING DATE. ** Early Applications will be received, but not processed until the Opening Date. All early Applications will be treated as having been received at the same time, being 9:00 a.m. on the Opening Date. All other Applications will be received and processed on a first come, first served basis.

Confirmation of basis of Share Allotments: All Applicants may refer to the notice that will be posted on the website of the JSE (www.jamstockex.com) *within 3 days after the Closing Date.*

Refund Cheques: Available for collection from SSL, or the First Caribbean branch where the Application was made, *within 10 working days of the Closing Date.*

Final Allotment of Shares and Admission to Main Market of JSE: *Within 3 to 4 weeks of the Closing Date.* ***

* The Company invites Applications on behalf of itself and Capital & Credit (the "Selling Shareholder") for 38,250,000 Shares in the Invitation of which 28,050,000 Shares are newly issued Shares for subscription and 10,200,000 Shares are existing Shares of the Selling Shareholder for sale. Up to 10,837,500 Shares in the Invitation (the "Reserved Shares") are initially reserved for priority application from the following persons: (a) 3,825,000 Shares (the "Staff Reserved Shares") for senior managers and employees of the Company, and (b) 7,012,500 Shares (the "Lead Broker's Reserved Shares") for managed fund and other clients of Stocks and Securities Limited ("SSL"), the lead broker to the Invitation. All Shares in the Invitation save for the Staff Reserved Shares are priced at the Invitation Price of \$2.85 per Share. The Staff Reserved Shares are priced at a discounted price of \$2.55 per Share. If any of the Reserved Shares in any category are not subscribed by and sold to the persons entitled to them they will be available for subscription by and sold to the other Reserved Share Applicants and thereafter, any remaining Reserved Shares will become available for subscription by and sale to the general public.

** The Invitation will open at 9:00 a.m. on the Opening Date, Friday 5 July 2013. Applications submitted prior to 9:00 a.m. on the Opening Date will be received, but not processed until 9:00 a.m. on the Opening Date. The Invitation will close at 4:00 p.m. on the Closing Date, Friday 19 July 2013 subject to the right of the Company to: (a) close the Invitation at any time after it opens on 9:00 a.m. on the Opening Date once Applications for all Shares in the Invitation are received, or otherwise at the discretion of the Company; and (b) extend the Closing Date for any reason, provided that it does not extend beyond the expiration of 40 days after the publication of this Prospectus for the purposes of section 48 of the Companies Act. In the case of an early closing of the Invitation, or an extension to the Closing Date, notice will be posted on the website of the Jamaica Stock Exchange (www.jamstockex.com).

***It is the intention of the Company to apply to the Listing Committee of the Board of the JSE to list the Shares on the Main Market. Please note that this statement of the Company's intention is not a guarantee that the Shares will be listed. The application to the JSE is dependent on (i) the full subscription of the 28,050,000 Shares in the Invitation by investors for which Applications are invited by the Company; and (ii) other criteria for admission set out in the JSE Rules. If the Shares in the Invitation are not subscribed accordingly, or if the Shares are not listed on the Main Market of the JSE, all payments received from Applicants will be refunded.



40 Harbour Street, P.O. Box 1084,
Kingston Jamaica.
Tel: (876) 967-3271/Fax: (876) 924-9090
www.jamstockex.com

Friday, June 28, 2013

Dear Prospective Investors:

We are pleased to invite you to apply for up to 38,250,000 Shares in the capital of the Company on the terms set out in this Prospectus.

About the Company

The Company is the only securities exchange in Jamaica. Established in 1968, it was the first securities exchange in the English-speaking Caribbean that provided electronic trading and settlement of transactions.

The Company aims to provide a fair, efficient and transparent stock market. The Main Market trading platform was launched in February 1969, with 34 listed companies. Currently, 34 listed companies offering 41 securities for trading are listed on the Main Market. The Junior Market trading platform was launched in April 2009, and has now grown to include 17 listed companies. The Company recently launched its US Dollar Securities Market and is also working with the Barbados Stock Exchange and the Trinidad & Tobago Stock Exchange on the development of a Caribbean Exchange Network ("CXN"), which aims to open access for trading and listing across the wider Caribbean.

More recently, the Company introduced its e-Campus, which provides internet – based post – graduate courses to persons working in the financial services industry. A subsidiary of the Company, the Jamaica Central Securities Depository (JCSD), provides depository and registrar services to listed and other companies. The JCSD's subsidiary, JCSD Trustee Services Limited, provides trustee services to participants in the financial services market.

The Company also recently approved a new Member Dealer who commenced trading in the second quarter of the year, and the transfer of a trading licence from an existing Member Dealer to a new entity. In the first quarter of this year, the Company also benefited from increased trading activity towards the end of last year due to an extraordinary event, being the takeover of a Main Market listed company on its exchange. Such market events bring with them the potential for increasing the revenues of the Company from time to time and the Directors have founded a dividend policy (described below), which takes into account extraordinary events.

In 2008, the Company successfully raised J\$66 million from the issue and listing of its variable rate preference shares on the Main Market. It is now seeking to raise approximately J\$79 million by inviting Applications for up to 28,050,000 Shares in the Invitation. The Selling Shareholder, which was recently acquired by JMMB in a successful takeover, is also inviting applications to purchase 10,200,000 Shares in the Invitation, so as to reduce JMMB's combined effective shareholding and so as to meet the stipulations of the JSE's Articles regarding concentration of share ownership. These stipulations are further explained in Section 6.4 (5) of this prospectus.

Of the Shares in the Invitation, 10,837,500 Shares are Reserved Shares for priority application from, and subscription by, senior managers and employees of the Company (as to 3,825,000 Reserved Shares) and managed fund and other clients of Stocks and Securities Limited, the lead

A Member of
Century Club



Board Members:

Mr. Donovan Perkins (Chairman); Mr. Allan Lewis (Deputy Chairman); Mr. Christopher Berry; Miss Dian Black; Mr. Mark Croskery; Mr. Dennis Cohen; Mr. Robert Drummond; Mrs. Jane George; Mr. Garth Kiddoe; Mrs. Rita Humphries-Lewin; Mr. Ed McKie; Mr. Julian Mair; Mr. Curtis Martin; Mrs. Janet Morrison; Mr. Livingstone Morrison; Mr. Lissant Mitchell.

broker and underwriter to the Invitation (as to 7,012,500 Reserved Shares). All Shares in the Invitation save for the Staff Reserved Shares are priced at the Invitation Price of \$2.85 per Share. The Staff Reserved Shares are priced at a discounted price of \$2.55 per Share.

Use of Proceeds

The Company is seeking to further diversify its business and income streams while maintaining its core focus. The Directors of the Company intend to use the proceeds of the Invitation towards:

- Retirement of debt
- Design and facilitation of planned and other new product offerings
- Expenses of the Invitation, which the Directors believe will not exceed \$9.9 million (inclusive of brokerage fees, legal fees, accountant's fees, Registrar's fees, filing fees, initial listing fees, marketing expenses, and GCT).

The proceeds of the sale of the 10,200,000 Shares by the Selling Shareholder in the Invitation will accrue to the benefit of the Selling Shareholder.

Dividend Policy

If the Invitation is successful and the Shares are admitted to listing on the Main Market, the Board expects to pay dividends of not less than 20% of net profits available for distribution, subject to the need to re-invest earnings for growth. The Board also expects to pay special dividends based on exceptional earnings of the Company from time to time.

How to Make an Application for Shares

Those investors who are interested in subscribing for Shares should read this Prospectus in its entirety and the full terms and conditions of the Invitation set out in Section 6.4, and then complete the Application set out in Appendix 1.

The Application sets out an option to make a voluntary donation to the Jamaica Environment Trust (JET), a non - profit non – governmental membership organization formed in 1991 that supports environmental education and advocacy in Jamaica. The contribution to JET may be treated as an allowable deduction for the purposes of income tax under the Income Tax Act. The Directors are hopeful that prospective investors will take up the opportunity to support both the Company and the Jamaica Environment Trust in their future efforts.

Yours sincerely,

ON BEHALF OF THE BOARD OF THE JAMAICA STOCK EXCHANGE



Donovan Perkins
CHAIRMAN

4. Definitions Used in This Prospectus

Term	Meaning
Act	means the Companies Act, 2004
allotment	means the allotment of 28,050,000 new Shares in the Invitation to successful Applicants by the Company
Applicant(s)	means a person (being an individual or a body corporate resident in Jamaica, whether a Reserved Share Applicant or a member of the general public) who submits an Application
Application(s)	means the form of application to be used by all Applicants who wish to make an offer to subscribe for or purchase Shares in the Invitation, which is set out in Appendix 1
Articles of Incorporation or “Articles”	means the Articles of Incorporation of the Company filed at the Companies Office of Jamaica on 4 th April 2008, together with any amendments thereto from time to time
Audited Financial Information	means the figures set out in Section 11 that are extracted from the financial statements of the Company as audited by Deloitte for each of the 5 annual reporting periods ended 31 December in the years 2008 to 2012 inclusive
Auditor	means Deloitte, chartered accountants of 4 West Avenue, Kingston Gardens, Kingston, the independent external auditor of the Company
Auditor’s Report	means an independent auditors’ report of Deloitte on (1) the financial statements of the Company as at, and for the year ended, 31 December 2012; and/or (2) the Historical Financial Information exclusive of the Unaudited Financial Information
Board of Directors	means the Board of Directors of the Company
Capital & Credit	means Capital & Credit Securities Limited, a company incorporated in Jamaica (number 46794) with its registered and principal office at 6 Haughton Terrace, Kingston 5
Company	means The Jamaica Stock Exchange Limited, a company incorporated in Jamaica (number 6351) with its registered and principal office at 40 Harbour Street, Kingston
Compensation Fund	means the scheme for compensation of clients of member dealers who have suffered pecuniary loss as a result of the defalcation or fraudulent misuse of securities or documents of title to securities, established by the Company in accordance with Part IV of the Securities Act
Closing Date	means the date on which the Invitation closes, being Friday 19 July 2013 at 4:00 p.m., subject to the right of the Company to shorten or extend the Closing Date in the circumstances described in this Prospectus
Deloitte	means the Auditor
Director(s)	means a director of the Board of the Company whose name and details are set out in Section 8 of this Prospectus
Forward Looking Statements	means the forward looking statements referred to in Section 5 of this Prospectus which are disclaimed by the Company on the terms and for the reasons set out therein
FSC	means the Financial Services Commission of Jamaica of 39 Barbados Avenue, Kingston 5, Jamaica
Financial Information	means the Audited Financial Information and the Unaudited Financial Information
Group	means the Company and JCSD and JCSD Trustee Services
Invitation	means the invitation to subscribe for 28,050,000 Shares made by the Company, and the invitation to purchase up to 10,200,000 Shares made by the Selling Shareholders, on the terms

	and conditions set out in this Prospectus
Invitation Price	means \$2.85 per Share that is not a Staff Reserved Share
JCSD	means the subsidiary of the Company, the Jamaica Central Securities Depository, a company incorporated in Jamaica (number 58658) with its registered and principal office at 40 Harbour Street, Kingston
JCSD Trustee Services	means the subsidiary of the JCSD, a company incorporated in Jamaica (number 76579) with its registered and principal office at 40 Harbour Street, Kingston
JMMB	means Jamaica Money Market Brokers Limited, a company incorporated in Jamaica (number 44615) with its registered office at 6 Haughton Terrace, Kingston 5, Jamaica
JSE	means the Company
JSE Rules	means the rules of the Junior Market and/or the Main Market as the context may require
Junior Market	means the junior market trading platform of the Company established April 2009
Lead Broker's Reserved Shares	Means the 7,012,500 Shares in the Invitation that are initially reserved for application from, and subscription by, managed fund and other clients of SSL, at the Invitation Price
Main Market	means the main market trading platform of the Company established February 1969
Member Dealers	means a company that is licensed by the FSC to act as a securities dealer and is authorised by the Company to trade in securities on the exchange
Opening Date	means the date on which the Invitation opens, being 9:00 a.m. Friday 5 July 2013
PricewaterhouseCoopers	means PricewaterhouseCoopers, Chartered Accountants, of Scotia Centre, Corner of Duke and Port Royal Streets, Kingston, the internal auditors of the Company
Prospectus	means this document dated Friday 28 June 2013, which constitutes a prospectus for the purposes of the Companies Act, 2004 and the Securities Act
Registrar	means the Jamaica Central Securities Depository, a company incorporated in Jamaica with its registered office at 40 Harbour Street, Kingston
Reserved Share(s)	means the Staff Reserved Shares and the Lead Broker's Reserved Shares, and the term "Reserved Share(s)" shall include any one or more category of Reserved Share(s) where the context so requires
Selling Shareholder	means Capital & Credit which has invited Applications to purchase 10,200,000 Shares in the Invitation
Share(s)	means the ordinary shares in the capital of the Company inclusive of the 38,250,000 shares in the Invitation and the expression "Shares" shall include Reserved Shares where the context so requires
Shareholder(s)	means holders of the Shares
SSL	means Stocks and Securities Limited of 33½ Hope Road, Kingston 10, Saint Andrew, the lead broker to the Invitation
Staff Reserved Share(s)	means 3,825,000 Shares in the invitation that are initially reserved for application from, and subscription by, senior managers and employees of the Company excluding all employees of the Regulatory and Markets Oversight Division, at the discounted price of \$2.55 per Share
Terms and Conditions	means the terms and conditions of the Invitation set out in Section 6.4 of this Prospectus
Unaudited Financial Information	means the financial information set out in Section 11 of this Prospectus that has not been audited by Deloitte, namely the financial information in respect of the 3 month period ended 31 st March 2013 that is taken from the management accounts of the Company

\$

means the Jamaican dollar unless otherwise indicated



5. Disclaimer - Forward Looking Statements

Save for the Historical Financial Information contained in this Prospectus, certain matters discussed in this Prospectus contain forward-looking statements including but not limited to statements of expectations, future plans or future prospects, and pro forma financial information and/or financial projections.

Forward-looking statements are statements that are not about historical facts and speak only as of the date they are made, taking into account any assumptions set out in this Prospectus for that purpose. Although the Directors believe that in making any such statements their expectations are based on reasonable assumptions, such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Prospective investors in the Company are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they have been made. Future events or circumstances could cause actual results to differ materially from historical or anticipated results.

When used in this Prospectus, the words "anticipates", "believes", "expects", "intends", "considers", "pro forma", "forecast", "projection" and similar expressions, as they relate to the Company, are intended to identify those forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. Once this Prospectus has been signed by or on behalf of the Company and the Selling Shareholder, and prior to the admission of the Shares to listing on the Main Market of the JSE, the Company undertakes no obligation to update publicly or revise any of the forward-looking statements in light of new information or future events, including changes in the Company's financial or regulatory position, or to reflect the occurrence of unanticipated events (subject to any legal or regulatory requirements for such disclosure to be made).

There are important factors that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond the Company's control. These factors include, without limitation, the following:

- economic, social and other conditions prevailing both within and outside of Jamaica, including actual rates of growth of the Jamaican and CARICOM regional economies, instability and volatility in domestic interest rates and regional and international exchange rates
- adverse climatic events and natural disasters
- unfavourable market receptiveness to renewals of current products, or any new products
- changes in any legislation or policy adversely affecting the recognition of revenues or expenses by the Company
- any other factor negatively impacting on the realisation of the assumptions on which the Company's pro forma financial statements or financial projections are based
- other factors identified in this Prospectus
- factors as yet unknown to the Company

Neither the FSC nor any Government agency or regulatory authority in Jamaica has made any determination on the accuracy or adequacy of the matters contained in this Prospectus.

6. The Invitation

6.1 General Information

Prospective investors should read this Prospectus carefully. Those prospective investors who wish to subscribe for Shares should review the full terms and conditions of the Invitation set out in Section 6.4. Prospective Investors please see in particular paragraph 5 of the terms and conditions in section 6.4, which describes certain unusual conditions attaching to the Shares before completing the Application set out in Appendix 1.

The Company, on behalf of itself and the Selling Shareholder, invites Applications for 38,250,000 Shares in the Invitation. Of those Shares, 28,050,000 Shares are newly issued Shares for subscription and 10,200,000 Shares are existing Shares of the Selling Shareholder for sale.

Up to 10,837,500 Shares are Reserved Shares for priority application from, and subscription by, senior managers and employees of the Company (3,825,000 Staff Reserved Shares) and managed fund and other clients of Stocks and Securities Limited, the lead broker and underwriter to the Invitation (7,012,500 Lead Broker's Reserved Shares). All Shares in the Invitation save for the Staff Reserved Shares are priced at \$2.85 per Share. The Staff Reserved Shares are priced at the discounted price of \$2.55 per Share. If any of the Reserved Shares in any category are not subscribed by, and sold to, the persons entitled to them they will be available for subscription by, and sale to, the other Reserved Share Applicants and thereafter, by the general public.

The Invitation will open at 9:00 a.m. on the Opening Date, Friday 5 July 2013 and will close at 4:00 p.m. on the Closing Date, Friday 19 July 2013 subject to the right of the Company to: (a) close the Invitation after 9:00 a.m. on the Opening Date once Applications for all of the Shares in the Invitation are received, or otherwise at the discretion of the Company and (b) extend the Closing Date for any reason, provided that it does not extend beyond the expiration of 40 days after the publication of this prospectus for the purposes of section 48 of the Companies Act. In either case an informational notice will be posted on the website of the JSE - www.jamstockex.com

6.2 Minimum Fundraising, Irrevocable Underwriting Commitment, and Application for Listing

For the purposes of the requirement for disclosure set out in section 48 of the Act, the minimum amount which, in the opinion of the Directors, must be received by the Company in order to provide for the matters set out in paragraph two of the Third Schedule to the Act is \$79 million.

6.3 Use of Proceeds

The Company seeks to raise approximately \$79 million by inviting Applications for subscription for up to 28,050,000 new Shares from prospective investors. The Directors of the Company intend to use the proceeds of the subscriptions towards:

- Retirement of debts
- Design and facilitation of planned and other new product offerings
- Expenses of the Invitation, which the Directors believe will not exceed \$9.9 million (inclusive of brokerage fees, legal fees, accountant's fees, Registrar's fees, filing fees, initial listing fees, marketing expenses, and GCT).

The proceeds of the sale of the 10,200,000 Shares by the Selling Shareholder in the Invitation will accrue to the benefit of the Selling Shareholder.

6.4 Terms and Conditions for All Applicants

1. Status and Minimum Age of Applicants

Existing Shareholders who are Member Dealers of the Company are not eligible to subscribe for any Shares in the Invitation.

Applicants must be at least 18 years old.

2. Application Form

All Applicants (whether Reserved Share Applicants, or members of the general public) must submit the Application provided at Appendix 1 to this Prospectus. Additionally, Reserved Share Applicants must specify their status on the Application and provide reasonably verifiable proof of their identity.

3. Reserved Shares

Up to 10,837,000 Reserved Shares in the Invitation are for priority application from, and allotment to, the following persons:

- 3,825,000 Staff Reserved Shares
- 7,012,500 Reserved Shares

All Reserved Shares will be allotted on a first come first serve basis by the Directors of the Company, acting in their sole discretion. Any Reserved Shares not applied for in any category will become available for subscription by Reserved Share Applicants in the other categories and thereafter, any remaining Reserved Shares will become available for subscription by the general public. Please note that employees of the Regulatory and Markets Oversight Division are not eligible to purchase Staff Reserved Shares, or any Shares in the Invitation whatsoever.

4. Acceptance of Terms and Conditions by Applicants

All Applicants will be deemed to have accepted the terms and conditions of the Invitation and any other terms and conditions set out in this Prospectus, including any terms and conditions set out in this Section 6 and the Application in Appendix 1.

5. **Important – Shares have special provisions to prevent unacceptable control situations**

Article 46 of the Articles of Incorporation of the Company contains provisions that are designed to prevent any Shareholder (including a Member Dealer) from holding Shares in excess of the issued Shares of the Company.

The same Article also prohibits any person from having voting control (either alone or together with other persons) of Shares representing in excess of 10% of the Company.

Prospective investors who make Applications to subscribe for or purchase more than 10% of the Shares in the Company will not have such Applications filled – see paragraph 11 for further details. Prospective investors who, through more than one holding, own or control the votes of more than 10% of the Shares in the Company will be required to dispose of their holding in excess of that percentage and will not be able to vote the excess shares in the meantime.

Please note that the Selling Shareholder is inviting Applications for 10,200,000 Shares in the Invitation following its acquisition by JMMB in a successful takeover in 2012. The Selling Shareholder owns 9.091% of the Shares in the Company prior to the Invitation, and JMMB, the new group holding company of the Selling Shareholder after the takeover, also holds 9.091% of Shares in the Company in the Company prior to the Invitation. On a group basis, JMMB group holds 18.182% of the Shares in the Company prior to the Invitation. If the 10,200,000 Shares of the Selling Shareholder in the Invitation are sold to investors and/or the Underwriters, the JMMB group's holding of Shares will decrease to 7.273% following the Invitation.

6. Further Acknowledgments by Applicants

Each Applicant further acknowledges and agrees that:

- (a) he/she has been afforded a meaningful opportunity to review this Prospectus (including the terms and conditions in this Section 6.4), and to gather and review all additional information considered by him/her to be necessary to verify the accuracy of the information contained in this

Prospectus;

- (b) he/she has not relied on any person other than the Company and the Directors and the Selling Shareholder, each of whom have individual and collective responsibility for the contents of this Prospectus, in connection with his/her investigation of the accuracy of such information or his/her investment decision;
- (c) no person connected with the Company or the Selling Shareholder has made any representation concerning the Company or this Prospectus not contained herein, on which the Applicant has relied in submitting his/her Application;
- (d) he/she has made his/her own assessment of the Company, and the merits and risks of subscribing for Shares, inclusive of taking advice (or waiving the need for such advice) in relation on the financial and legal implications of subscribing for Shares and the tax implications thereof.

7. Minimum Application

Applications from the general public must request a minimum of 3,000 Shares and be made in multiples of 1,000. Applications in other denominations will not be processed or accepted.

8. Share Price Information

All Shares save for the Staff Reserved Shares are priced at the Invitation Price of J\$2.85 per Share. The Staff Reserved Shares are priced at \$2.55 per Share.

JCSD Processing Fee Applies

A processing fee of J\$110 per Application payable to the Registrar of the Company JCSD applies and is also payable by each Applicant – Applicants should remember to include the processing fee in their calculations of amounts payable to the Company.

Voluntary Donation to the Jamaica Environment Trust (JET)

The Application also sets out an option to make a voluntary donation to the Jamaica Environment Trust. The donation may be treated as an allowable deduction under the Income Tax Act. For the avoidance of doubt, the making of a donation (or not, as the case may be) by an Applicant has no influence on the outcome of his Application.

9. How to Make Payments

All Applications must be accompanied by the appropriate payment in the form of either:

- (a) a manager's cheque made payable to “**Stocks and Securities Limited**”, or
- (b) authorisation from the Applicant on the Application, instructing SSL to make payment from cleared funds held in an investment account in the Applicant's name at SSL, or
- (c) transfer in the Real Time Gross Settlement (“RTGS”) system to SSL’s designated account for the purposes of payments of \$3 million or more. Please contact SSL for details.

All completed Applications must be delivered to SSL, 33½ Hope Road, Kingston 10, Saint Andrew, or to any of the following First Caribbean branches:

FIRST CARIBBEAN - APPLICATION RECEIVING POINTS	
Branch	Address
Half Way Tree	78 Half Way Tree Road, Kingston 10
King Street	1 King Street, Kingston, Kingston 10
Manor Park	Manor Park Plaza, Kingston 8

Twin Gates	Twin Gates Shopping Centre, Kingston 10
Mandeville	Park Crescent, Mandeville, Manchester
May Pen	50 Main Street, May Pen, Clarendon
Montego Bay	59 St. James Street, Montego Bay, St. James
Ocho Rios	29 Main Street, Ocho Rios, St. Ann
Port Antonio	4 West Street, Port Antonio, Portland
New Kingston	23-27 Knutsford Boulevard, Kingston 5
Savanna-la-mar	33-35 Beckford Street, Savanna-la-mar, Westmoreland
Liguanea	129 1/2 Old Hope Road, Kingston 6
Portmore	Corner Old Port Henderson Road & Braeton Parkway, St. Catherine

10. Early Applications and Order of Processing of Applications

Applications submitted to SSL in advance of the Opening Date will be received and checked for completeness, but not processed. All such advance Applications will be treated as having been received at 9:00 a.m. on the Opening Date, Friday 5 July 2013. All Applications received from 9:00 a.m. onwards on the Opening Date will be time stamped for processing in the order in which they were received and dealt with in that same order (e.g. on a first come first served basis).

11. Discretions as to Acceptance of Applications and Allotment of Shares

The Company, on behalf of itself and the Selling Shareholders, shall not accept Applications for more than 10% of the Shares in the Company. In addition, the Company may:

- (a) accept or reject any Application in whole or part without giving reasons, and neither the Company nor its Directors or agents shall be required to provide reasons for decisions or be liable to any Applicant or any other person for doing so;
- (b) allot Shares to Applicants on a basis to be determined by it in its sole discretion, including on a *pro rata* basis in the event the Invitation is oversubscribed; and
- (c) treat multiple Applications by any person (whether in individual, joint or names of companies controlled by that person) as a single Application.

12. When Binding Contract is Formed

Neither the submission of an Application by an Applicant nor its receipt will result in a binding contract. Only the allotment of Shares by the Company to an Applicant, or the transfer of Shares by the Selling Shareholder to an Applicant (whether such Shares represent all or part of those specified by the Applicant in his/her Application) will result in a binding contract under which the Applicant will be deemed to have agreed to subscribe for the number of allotted Shares, or accept the number of transferred Shares, subject to the Articles of Incorporation of the Company and the terms and conditions set out in this Section 6.4 and the Prospectus generally.

13. When Invitation is Successful

If all of the 28,050,000 Shares for which Applications are invited by the Company in the Invitation are taken up by Applicants and the Shares are admitted to listing on the Main Market, Applicants will be allotted Shares for credit to their account in the Jamaica Central Securities Depository specified in their Applications. Applicants may refer to the notice that will be posted on the website of the JSE (www.jamstockex.com) after the Closing Date (or the shortened or extended Closing Date, as the case may be). Applicants who wish to receive share certificates must make a specific request to the Registrar. If the Shares in the Invitation are not fully subscribed as aforesaid, or if the Shares are not listed on the

Main Market of, all payments received from Applicants will be refunded. Please note that the Company does not guarantee admission of the Shares to the Main Market.

14. Refunds

The Company and the Selling Shareholders will endeavour to return cheques or make refunds to Applicants whose Applications are not accepted, or whose Applications are only accepted in part, to SSL within 7 working days after the Closing Date (or the shortened or extended Closing Date, as the case may be) or as soon as practicable thereafter. Each Applicant's returned cheque or refund cheque will be sent to SSL for collection by the Applicant (or the first-named joint Applicant) stated in the Application. Any other persons purporting to collect a cheque on behalf of an Applicant must be authorised in writing to do so.

Please note that:

- (a) interest does not accrue on balances that are to be refunded to Applicants; and
- (b) neither the \$110 processing fee nor the voluntary donation will be refunded to an Applicant in the event that the Company refunds payments received for Shares.

7. Information About the Company

7.1 Overview of Operations

The Company was incorporated as a private limited company for the mutual benefit of its members. Its stock market operations commenced in February 1969 with the introduction of the Main Market trading platform which now includes 34 companies offering 41 securities. A Junior Market trading platform was introduced 40 years later in April 2009, which currently includes the ordinary shares of 17 companies. Recently, the Company also introduced a US Dollar Securities trading platform, which has listed the shares of one company.

The Company maintains 7 indices of its listed companies and securities:

- The JSE Market Index: a market-weighted index measuring performance of listed ordinary shares on the Main Market
- The JSE All Jamaican Composite Index: measures performance of Jamaican securities listed on the Main Market
- The JSE Select Index: measures performance of 15 most liquid securities listed on the Main Market
- The JSE Cross Listed Index: measures performance of securities listed on the Main Market that are also traded on stock exchanges outside of Jamaica
- The JSE Junior Market Index: measures performance of securities listed on the Junior Market
- The JSE Combined Index: measures the performance of companies listed on the Main Market and Junior Market
- The JSE US Dollar Equities Index: measures the performance of the securities listed on the US Dollar Securities Market

The Company derives its revenue from a range of sources including the JSE cess, a percentage levy (currently 0.4 of 1%) calculated on the value of each market transaction¹, fee income generated from annual, initial, and supplementary listing fees, membership fees, transaction fees, the registrar and trustee fees paid to its subsidiary company JCSD and the subsidiary of JCSD, JCSD Trustee Services, amongst others, as well as income generated from the provision of conferences, seminars and the e-Campus, which was launched in 2010.

The Company is seeking to further diversify its product range. To this end, it has recently entered into a Memorandum of Understanding with the Bank of Jamaica to work towards the development of a fixed income trading platform for Government of Jamaica debt securities and corporate debt securities. It is also conducting research into the development of exchange-traded products and other exchange-related products.

Recently, the Company was designated as a partner organization of Association of National Numbering Agencies, which permits the JSE to be the numbering agent that designates an International Securities Identification Number (ISIN) for securities issued in Jamaica including but not limited to debt instruments, commercial paper, equities and warrants. ISINs are globally recognized, unique identifiers that are used to describe standardized data attributes for a range of securities issued worldwide in conformity with the ISO 6166 standard and the Classification of Financial Instruments code as described by the ISO 10962 standard. ISINs are used to support the clearance and settlement of securities, as well as processing associated with income payments made during the life cycle of an issue. They also enable custodians and sub-custodians easy communication of securities transactions and support the management of transactions and analyses of historical data by Depositories. All ISINs issued by the Company will be generated and maintained by the Market Operations and Trade (MOT) department of the Company.

7.2 Group

The group of the Company includes the JSE's wholly-owned subsidiary JCSD and its wholly-owned subsidiary, JCSD Trustee Services Limited, which provide depository, registrar and transfer agent services and

¹ The JSE is entitled to 0.2 of 1% of the market value of each side of a market transaction (the buy side and the sell side) for an aggregate fee of 0.4 of 1% per transaction. The FSC receives 5% of the income earned by the JSE and JCSD.

trustee and custody services, respectively. Both the Company and the JCSD are licensed to operate by the FSC. See further details in paragraph 7.7 of this section, under “Ongoing FSC supervision”.

7.3 Corporate objectives

The Company has the following corporate objectives:

- 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 Member Dealers operate at the highest standards possible
- 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

7.4 Member Dealers

The Articles of Incorporation of the Company state that only Member Dealers are permitted to trade on the exchange. Under the Articles, the number of Member Dealers is fixed by the Directors from time to time. The Board has recently resolved to allow new Member Dealers to join the exchange as part of its medium - and long - term strategy to assist with the creation of new products and the sustainability of the market. New Member Dealers will hold trading licences and any of their clients who have suffered losses in accordance with the provisions of Part IV of the Securities Act will be entitled to access the Compensation Fund. The most recently admitted Member Dealer of the Exchange is Proven Wealth Limited, which was granted a trading licence in October 2012 and began its trading activities at the end of March 2013. The JSE also approved the transfer of trading licences from CCSL to BCW Holdings Limited in February 2013.

New Member Dealers will not be required to hold Shares in the Company. Currently, there are 12 Member Dealers in total, 10 of whom are Shareholders prior to the Invitation and 10 of whom will remain Shareholders following a successful Invitation: see section 7.12 below for details of the Member Dealers who are Shareholders and their Shareholdings before and after the Invitation.

7.5 Market Infrastructure

Information technology (IT) for the purposes of market infrastructure and business continuity are critical to the on-going business of the Group. It has adopted Cobit 5, an internationally recognised framework for the governance and management of enterprise IT. The Group’s processes are subject to internal audit by PricewaterhouseCoopers for the purposes of risk management and compliance with policies and applicable standards of best practice. Controls are reviewed quarterly to ensure they provide effective governance and compliance.

Business continuity is an essential element of the risk management strategy of the Group. The group has both on and off site support for the purposes of disaster recovery and continuity of its systems. It is currently in discussions with vendors with a view to contracting for business continuity services.

Until recently, both the JSE and JCSD operated electronic trading and settlement platforms, respectively, through a service licensing agreement with NASDAQ / OMX. In December 2011, the group migrated to a new trading and settlement system, which the Directors consider will allow for a greater range of product offerings in future, and the maintenance of competitive pricing. The 2 main applications currently used by the Group are Global Vision, a trading platform provided by Trayport Limited, and Depend, a clearing and settlement platform provided by Percival Software Limited. The applications are closely coupled and run in a virtual environment on separate servers (IBM Blade). Both applications are used by other exchanges including the Barbados and Trinidad and Tobago stock exchanges, who are partnering with the Company towards the Caribbean Exchange Network (“CXN”), which enables access to trading and settlement across the participant platforms. The technical work that is necessary to establish the CXN is substantially complete.

7.6 Corporate Governance and Self - Regulation

Commencing in 2005, the Company took steps to become a de-mutualised public company for the purposes of promoting good corporate governance principles and practices. The separation of its commercial and regulatory functions was completed in 2008

Corporate Governance

The Board of the Company considers corporate governance to be important and as such, it has affirmed a Statement of Corporate Governance Principles and Practices. Pursuant to the Statement, which is published in the annual report of the Company, the Board has also established a number of committees for the purposes of better serving its stakeholders. Such committees include, but are not limited to, the Regulatory and Markets Oversight Committee and the JSE Membership Committee, each of which is comprised entirely of independent members, as well as a Corporate Governance Committee that is responsible to develop, recommend and review corporate governance principles applicable to the Company, and its Member Dealers. The Committee also has oversight of the other committees of the Board and the ability to make recommendations as to their structure and effectiveness. See details of the various committees of the Board in section 8.3 of this Prospectus.

Self - Regulation

The Regulatory and Markets Oversight Committee of the Board (“RMOC”) was established in November 2007. The Committee comprises only independent members who are precluded from having any significant interest in the Company. The Committee is responsible for adopting measures and rules to maintain and strengthen market integrity and transparency, and monitoring conflicts of interest between the Company, its listed issuers, and Member Dealers, and their conduct on the exchange generally. Decisions of the Committee are final and binding on the Company.

The Committee established the Regulatory and Markets Oversight Division (“RMOD”) responsible for day - to - day market surveillance, investigation, and enforcement of the JSE rules. RMOD executives are required to be independent of the Company and free from conflicts of interest.

Any disciplinary action taken by the RMOD against a Member Dealer must be notified to the FSC under the provisions of the Securities Act. The Member Dealer has a right to request that the FSC review any such disciplinary action, and use its statutory power to either affirm or set aside any decision made.

Rule – Making Powers

The rules concerning eligibility of companies to list securities on each of the trading platforms are made by Board of the Company in accordance with enabling provisions set out in the Articles of Incorporation, and such rules are then notified to the FSC under the provisions of the Securities Act. See further details in paragraph 7.7 under “Ongoing FSC supervision”.

Recently, the Company reviewed its powers to impose fines and/penalties on listed companies. In order to ensure the highest level of compliance with its rules the Exchange has reviewed international standards and has implemented rule amendments that will enable it to assess and levy fines for breaches..

7.7 External Regulation

Licensing regime

The Company is licensed as a recognized stock exchange by virtue of the provisions of section 18 of the Securities Act.

Ongoing FSC supervision

The business of the Company is regulated by the Securities Act and regulations and guidelines made thereunder. The FSC is responsible for the supervision of the Company and has wide supervisory powers including, but not limited to, the following:

- **The power to approve Directors of the Board of the Company.** For this purpose, the FSC must consider the person to be appointed to be “fit and proper” having regard to the criteria set out in the Securities Act for that purpose.
- **The power to disallow any rules made by the Company.** The Company must notify the FSC and the Minister of Finance of any new rule or any rule amendment made by it within 14 days, or such rule or rule amendment shall cease to have effect. Further, the FSC has the power to disallow in whole or part any such rule or rule amendment by notice to the Company.
- **The power to conduct or cause to be conducted such investigation as the FSC thinks expedient for the purposes of its due administration of the Securities Act.** Such investigations may be conducted either on the request of the Board of the Company, or by the FSC on its own initiative, where it has reason to suspect that a person has committed an offence under the Securities Act or regulations or rules made under it, or has been guilty of fraud or dishonesty in relation to a dealing in securities.
- **The power to revoke the licence granted to the Company to operate as a recognized stock exchange if the Company does not comply with the conditions of the Schedule to the Securities Act.** Such conditions include, but are not limited to, requirements for the Company to have: (1) sufficient financial resources for the performance of its functions; (2) satisfactory provision for the carrying on of business with due regard to the interests of the public, for clearing house facilities or arrangements for performance and settlement and recording of transactions, and for effective monitoring and enforcement of compliance with rules and the provisions of the Securities Act and regulations made thereunder.
- **The power to issue directions to the Company where it appears to be in the public interest to do so.** Such directions may be issued with respect to: (1) trading on or through any facility of the Company or with respect to any listed security; (2) the manner in which the Company carries on business; and (3) any other matters that the FSC considers necessary for the administration of the Securities Act. The Company has a right to appeal to a judge in chambers of the Supreme Court in respect of such directions. Non-compliance with any directions is an offence under the Securities Act that, on conviction, carries a penalty of \$100,000 per day for continued non-compliance.
- **The power to prohibit trading in any particular securities by notice to the Company.** Such power is exercisable in circumstances where the FSC is of the opinion that it is necessary to do so.
- **The power to enforce the business or listing rules of the Company.** Such power is exercisable by application of the FSC to a judge of the Supreme Court.

JCSD

The business of the subsidiary of the Company, the JCSD, is also subject to licensing by the FSC under the provisions of the Securities Act and the Securities (Central Securities Depository) Regulations 1999. The licence granted to the JCSD may be revoked if the FSC considers that it is in breach of the aforementioned Act or Regulations or any rules made for the purposes of governing its operation. Any proposed action by the FSC in respect of the licence issued to the JCSD must be notified to the JCSD, who shall have an opportunity to show cause as to why the licence should not be revoked. The jurisdiction of the FSC over rule making also extends to the JCSD.

The JCSD has a subsidiary, JCSD Trustee Services.

Regulation of industry generally

The FSC registers issuers of securities, and has powers in respect of the registration and supervision of securities dealers and investment advisers generally. The Securities Act also provides for offences relating to certain transactions in securities, including but not limited to stock market manipulation, the creation of a false market in securities, and others.

7.8 Compensation Fund

Part IV of the Securities Act requires the Company to establish and maintain the Compensation Fund. The Compensation Fund was established in 1970. It consists of monies held by the Company on trust for the benefit of persons who suffer financial loss attributable to the defalcation or fraudulent misuse of securities or documents of title to securities or other property, by a Member Dealer or any of its directors or employees. The Act provides for a maximum award of \$1 million for the purposes of any claim, though if the assets of the Compensation Fund so permit the Company has the power to make a higher award in accordance with a procedure laid out in the Act.

The Compensation Fund consists of contributions from the Member Dealers and interest thereon. Under the provisions of the Securities Act, the Company has the power to implement a levy on Member Dealers if at any time the amount in the Compensation Fund is insufficient to satisfy its liabilities. Presently, the Compensation Fund is in surplus, with total assets of \$585 million, of which \$178 million are total current assets as against total current liabilities of \$1.46 million. As a result, the Company has determined that at present no contributions or levies are required to be paid to the Compensation Fund by Member Dealers. Clients of new Member Dealers of the Company will have access to the Compensation Fund in accordance with Part IV of the Securities Act, as from the date of joining the Company. Administration fees are charged to the Compensation Fund by the Company.

The Board considers that it is likely that in normal circumstances, the Member Dealer will compensate its customer for any misappropriated securities and that a claim on the Compensation Fund is only triggered when it is only when it is able to do so due to insolvency.² The Member Dealers generally carry liability insurance for the benefit of customers and third parties that provides coverage against their negligent or fraudulent acts that are triggered regardless of the solvency position of the dealer, however there is currently no statutory requirement for a Member Dealer to have such coverage.³ The Securities Act does not require securities dealers who are not Member Dealers to contribute to the Compensation Fund, or any other compensation fund.

The Act does not set out detailed provisions as to the administration of the Compensation Fund, or what may be done with surpluses. The Board presently intends to propose specific new rules to the FSC for that purpose.

The FSC has indicated that it is appropriate for it to consider the feasibility of establishing separate compensation fund plans for customers of insurance companies, securities dealers, and private pension plans, either alone or in conjunction with compulsory private sector insurance coverage of Member Dealers and other securities dealers, and other regulated persons.⁴ If that were so, it is unclear how the surplus and other assets of the current Compensation Fund would be treated and whether it would be possible for them to revert to the Company and/or the Shareholder Member Dealers who originally funded the Compensation Fund.

Applicants for Shares should note that the valuation of the Company for the purposes of the Invitation excludes the Compensation Fund. The Financial Information of the Company set out in section 11 of this Prospectus is presented without the inclusion of the Compensation Fund. Applicants are also reminded that the Compensation Fund is not an asset of the Company in which they will have a beneficial interest either while the Company is a going concern, or on its winding up (or on the winding up of the Compensation Fund itself).

7.9 Competition

The Company is the only licensed stock exchange in Jamaica. Any other entity that proposes to operate as a stock exchange in Jamaica must successfully apply to the FSC for a licence in accordance with Part III of the Securities Act. The Company (or any other recognised stock exchange that is licensed by the FSC) may have its licence revoked for non-compliance with the conditions of the Schedule to the Securities Act. See further details in paragraph 7.7 under “Ongoing FSC supervision”.

7.10 Taxation of Listed Shares

² FSC Discussion Paper: “*Compensation Fund Plans for the Jamaican Financial Sector: Options for Consideration November 2, 2005*” GEN – CONSUL – 05/11-0004

³ As above

⁴ As above

Transfers of any Shares on the JSE are exempt from transfer tax and stamp duty.

The Government has recently announced that dividends received by Jamaican resident Shareholders will be subject to a 15% rate of income tax as of 1st April 2013. The tax on dividends is to be withheld at source by the Company as a final tax.

Foreign resident Shareholders may be subject to lower or higher rates of income tax. The rate of such withholding will vary and may be lower or higher than that applicable to residents of Jamaica. Foreign resident Shareholders will also have income tax on dividends withheld at source.

Each prospective Shareholder should consult with an independent adviser as to the rate of withholding and other taxes that is applicable to them.

7.11 Details of the Authorised and Issued Share Capital and the Shares in the Invitation

Capital Structure of the Company

As at Tuesday 25 June 2013, the latest practicable date prior to publication of this Prospectus, the authorised and issued share capital of the Company was as follows:

Share Capital	Ordinary Shares	Redeemable Cumulative Variable Rate Preference Shares
Authorised	600,000,000	100,000,000
Issued	112,200,000	33,000,000 redeemed 31 May 2013

Preference Shares

The preference shares of the Company which were formerly listed on the Main Market were redeemed on 31 May 2013. The Company gave notice on 17 May 2013 that principal and interest payments would be made on 31 May 2013, the maturity date, to shareholders on record as at 24 May 2013. The ex-dividend date was 21 May 2013. Trading in the shares was suspended on 24 May 2013 to facilitate the process of redemption.

Ordinary Shares – Special Provisions to Prevent Unacceptable Control Situations

Article 48 of the Articles of Incorporation of the Company contains provisions that are designed to prevent any Shareholder (including a Member Dealer) from holding Shares above the “Prescribed Percentage”, being over 10% of the issued share capital of the Company.

Also, if the voting power of any person (either alone or together with others) is more than the Prescribed Percentage, the Articles deem that an unacceptable control situation exists.

In those circumstances, the same Article also deems that any Shares above the Prescribed Percentage are default shares that no longer carry rights to vote at general meetings of the Company. The Company has a power to give notice to the holder to dispose of any default shares, failing which the Company may dispose of them.

Prospective investors in the Shares of the Company should note the provisions above. Any prospective investor who submits an Application to subscribe for more than 10% of the Shares in the Company will not be allotted any surplus above 10%. Any prospective investor who subscribes for Shares and controls, either alone or together with other persons, the votes attaching to more than 10% of the Shares in the Company will be required to dispose of their holding in excess of that percentage, and will not be able to vote the excess Shares in the meantime.

Dividend History

See section 14.1 for the dividend history of each class of shares in the Company.

Recent Capital Reorganisation

At an extraordinary general meeting of the Company held on 19 September 2012 the shareholders of the Company at the time, approved the following actions in respect of the capital structure of the Company to be effected on a date to be nominated by the Board for that purpose (such date was Tuesday 25 June 2013 being the latest practicable date prior to the publication of this Prospectus):

- The subdivision of each issued Share into 4 new Shares
- The disapplication of any applicable pre-emption rights for the purposes of the Invitation
- The conversion of all fully paid Shares to Stock on issue

7.12 Shareholdings in the Company Before and After the Invitation

As at Tuesday 25 June 2013 being the latest practicable date prior to publication of this Prospectus, the holdings of Shares in the capital of the Company (including legal and, where known to the Company, beneficial holdings) were as follows:

Name of Shareholder	Number of Shares prior to the Invitation	% of Issued Shares prior to the Invitation (rounded)
Barita Investments Limited	10,200,000	9.091%
Capital & Credit Securities Limited	10,200,000	9.091%
First Global Financial Services Limited	10,200,000	9.091%
Jamaica Money Market Brokers Limited	10,200,000	9.091%
M/VL Stockbrokers Limited	10,200,000	9.091%
Mayberry Investments Limited	10,200,000	9.091%
NCB Capital Markets Limited	10,200,000	9.091%
Sagicor Investments (Ja.) Limited	10,200,000	9.091%
Scotia Investments Jamaica Limited	10,200,000	9.091%
Stocks and Securities Limited	10,200,000	9.091%
VM Wealth Management Limited	10,200,000	9.091%
Total	112,200,000	100%

The Shareholders prior to the Invitation are Member Dealers of the Company who gained their shareholdings on de-mutualisation.

The Member Dealers have confirmed that they do not intend to subscribe for or purchase Shares in the Invitation for their own account..

After the Invitation is closed, and assuming that all of the Shares in the Invitation are taken up by the public and also, by the Reserved Share Applicants, the percentage shareholdings in the Company will be as follows:

Name of Shareholder	Number of Shares after the Closing Date of the Invitation	% of Issued Shares after the Closing Date of the Invitation (rounded)
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Barita Investments Limited	10,200,000	7.273%
Capital & Credit Securities Limited	0	0%
First Global Financial Services Limited	10,200,000	7.273%
Jamaica Money Market Brokers Limited	10,200,000	7.273%
M/VL Stockbrokers Limited	10,200,000	7.273%
Mayberry Investments Limited	10,200,000	7.273%
NCB Capital Markets Limited	10,200,000	7.273%
Sagicor Investments (Ja.) Limited	10,200,000	7.273%
Scotia Investments Jamaica Limited	10,200,000	7.273%
Stocks and Securities Limited	10,200,000	7.273%
VM Wealth Management Limited	10,200,000	7.273%
General public	27,412,500	19.545%
Staff Reserved Shares	3,825,000	2.727%
Lead Broker Reserved Shares	7,012,500	5.000 %
Total	140,250,000	100%

Please also note that the Articles of the Company set out provisions that have the effect of preventing any one person from holding and voting Shares that represent more than 10% of the issued Shares of the Company: see section 7.11 above.

7.13 Applicable Certifications

As at Tuesday 25 June 2013, the latest practicable date prior to publication of this Prospectus, the Company has the following applicable certifications:

Type of Certificate	Brief Details
Tax Compliance Certificate	Valid up to and including November 3, 2013. Certifies that the Company has satisfied applicable statutory requirements in respect of Income Tax (including P.A.Y.E.), General Consumption Tax, Special Consumption Tax, Education Tax, and also in respect of N.I.S., N.H.T. and H.E.A.R.T. Trust contributions.

7.14 Real and Intellectual Property

As at Tuesday 25 June 2013 the latest practicable date prior to publication of this Prospectus, the Company has the following interests in real and intellectual property:

Freehold title to real property located at 40 Harbour Street, Kingston, St. Andrew that is used for offices of the Company and JCSD that is registered under Volume 935 Folio 25 of the Register Book of Titles of the National Land Agency.

The Company recently disposed of its interest in freehold property at 38A Harbour Street registered under Volume 1400 Folio 801 of the Register Book of Titles of the National Land Agency. See further details under 'Material Contracts', below.

CARIBBEAN SECURITIES COURSE – trademark registered in in classes 36 and 41.

7.15 Material Contracts

The following material contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group with the following persons (“Counterparties” and each of them a “Counterparty”) in the 2 years preceding Tuesday 25 June 2013 being the latest practicable date prior to the publication of this Prospectus:

Date	Counterparty	Amount	Brief Details
11 th June 2012	Syncon Technologies Limited	Service level support provided at the following hourly charges exclusive of GCT: <ul style="list-style-type: none"> • Critical support US\$156 • High importance support US\$138 • Low importance support US\$120 	Contract entered into by JSE for remote technical support services for routers, wireless LAN controllers and other hardware and associated software at the JSE primary and external site via VPN (Critical, High, Low), onsite technical support services, hardware and software upgrades and other support services as required. Additionally, problem reporting and hardware replacement.
26 th February 2012	Powertech Group Incorporated	J\$197,994 inclusive of GCT for a 12 month period.	Contract entered into by JSE for the provision of Powerware uninterruptible power supply equipment and ancillary services. Valid for initial period of one year. Terminable on notice by JSE. If not terminated the contract will roll over for a further year.
11 th October 2011	Supreme Ventures Limited	\$45 million.	Transfer tax borne by the vendor, stamp duty and registration costs to be shared equally. Agreement is now completed.
18 th May 2011	National Commercial Bank Jamaica Limited (“NCB”) / Development Bank of Jamaica	US\$300,000 (principal)	Purpose of loan was to purchase software in relation to the upgrade of the electronic trading platform of the Company. Loan is repayable in 60 equal monthly installments of US\$5000 plus interest, calculated at the rate of 8.25% per annum on the reducing balance for the life of the loan. Late payments attract additional interest of 2.5% per annum. Loan sourced from Development Bank of Jamaica funds made available via NCB. Secured by credit balance left unstamped.
28 th February 2011	Trayport Limited	US\$75,000 for each 12 month period. Additional one – off installation charge of US\$131,150. Exclusive of GCT.	Contract entered into by JSE for GlobalVision Exchange Trading version 8 packaged software inclusive of core application for exchange and trading functions inclusive of user licences for Member Dealers, and ongoing services. Valid for initial period of 5 years unless terminated earlier in accordance with its terms. Terminable on notice of one party to the other and in other circumstances set

Date	Counterparty	Amount	Brief Details
			out in the contract.
28 th February 2011	Percival Software Limited	US\$85,000 for initial installation plus US\$75,000 for annual support services, exclusive of GCT.	Contract entered into by JCSD for Depend 7.28 packaged software installation relating to central securities depository, clearing and settlement, registry functions, and corporate events. Valid for initial period of 5 years. Indefinite rollover unless terminated by 6 months' notice of either party to the other. Supported by an escrow agreement dated 4 th March 2011 between Percival, JCSD and NCC Escrow International Limited.
30 th March 2012	SSL	J\$4.0 million exclusive of GCT	Financial advisory and brokerage services in the Invitation.

The material contracts (together with certain other documents) will be available for inspection as described in Section 15.

7.16 Recent Related Party Arrangements

The following material contracts, not being contracts entered into in the ordinary course of business, have been entered into by Group with related parties of the Company or JCSD or the Directors in the 2 years preceding Tuesday 25 June 2013 the latest practicable date prior to the publication of this Prospectus: see items in respect of SSL, a Member Dealer in the table under "Other" in section 7.15 above.

7.17 Litigation

As at Tuesday 25 June 2013, the latest practicable date prior to publication of this Prospectus, there were no material litigation, arbitration, or similar proceedings pending or threatened against the Group as defendant, nor do the Directors believe that there are circumstances which may give rise to such proceedings.

7.18 Charges Registered Against the Assets of the Company

As at Tuesday 25 June 2013 the latest practicable date prior to publication of this Prospectus, there were no charges (within the meaning of section 93 of the Companies Act registered against the public file of the Company maintained by the Companies Office of Jamaica

7.19 Dividend Policy

If the Invitation made by the Company to Applicants, to subscribe for 28,050,000 Shares is successful, and the Shares are admitted to listing on the Main Market of the JSE, the Board expects to pay relatively attractive dividends of not less than 20% of net profits available for distribution, subject to the need to re-invest earnings for growth from time to time. The Board also expects to pay special dividends based on extraordinary income of the Company from time to time.

8. Board of Directors and Management Team

8.1 Biographical details of the Directors and Managers of the Company

Brief biographical details of the Directors and Managers of the Company appear below. The Directors' addresses are set out in Section 13.1.

Board of Directors

Donovan Perkins, Chairman

Donovan Perkins is the President and CEO of Sagicor Investments Jamaica Limited. He was appointed as Chairman of the Board of the Company in 2011. In addition to serving on boards within the Sagicor group, Mr. Perkins currently serves on the boards of Pan – Jamaican Investment Trust Limited and Jamaica Producers Group Limited. In the past he has served as Vice President of the Jamaica Bankers Association and the Private Sector Organization of Jamaica, Deputy Chairman of the National Water Commission and director of the National Insurance Fund and the Jamaica Social Investment Fund.

Allan Lewis, Deputy Chairman

Allan Lewis is the Senior Vice President of Group Strategy of the Victoria Mutual Group Limited. He is also the Deputy Chairman of the Board of the Company, having been appointed at the recent Annual General Meeting. Mr. Lewis is also a director of Prime Asset Management Limited, where he formerly served as Managing Director. He is also an Associate of the Society of Actuaries and a member of the board of the Mona Preparatory School Foundation.

Christopher Berry, Director

Christopher Berry is the Executive Chairman of the Board of Mayberry Investments Limited. He is a former Deputy Chairman of the Company and still serves on the board of the JCSD. In addition, Mr. Berry is a member of the Board of Access Financial Services Limited, Apex Health Care Associates Limited, Apex Pharmacy Limited, Air Jamaica Limited, Rose Town Foundation for the Built Environment and St. Edmund Trust.

Gary Peart, alternate for Christopher Berry

Gary Peart is the Chief Executive Officer of Mayberry Investments Limited and the President of the Jamaica Securities Dealers Association (JSDA). He is a director of Mayberry Investments Limited, Access Financial Services Limited, Lasco Financial Services Limited, and has recently been appointed to the boards of the Jamaica Bauxite Institute, The Port Authority, and the Betting Gaming and Lotteries Commission.

Dennis Cohen, Director

Dennis Cohen is the Deputy Group Managing Director for National Commercial Bank Jamaica Limited and CEO of NCB Capital Markets Limited. He is also a director of NCB (Cayman) Limited, National Commercial Bank Jamaica Limited, NCB Capital Markets Limited, West Indies Trust Company Limited, and Chairman of Mutual Security Insurance Brokers Limited. Mr. Cohen is also a member of the Institute of Chartered Accountants of Jamaica.

Dylan Coke, alternate for Dennis Cohen

Dylan Coke is the Assistant Vice President of NCB Capital Markets Limited. He is a director of New Transport Group Limited and Belas Gate Boy Project Ltd. Mr. Coke is also an attorney – at – law.

Mark Croskery, Director

Mark Croskery is President and CEO of SSL, the lead broker and underwriter to the Invitation. Mr. Croskery is also a director of Island Ice & Beverage Company Limited and the Second Vice President of the Jamaica Securities Dealers Association. He is a former Chairman of the Fisheries Management and Development Fund

and a former director of the boards of the Land Administration and Management Program, the Sugar Company of Jamaica, and the Jamaica Racing Commission.

Rita Humphries - Lewin, Director

Rita Humphries – Lewin is a past Chairman of the JSE. She is also the founder and Chairman of the Barita companies, including Barita Investments Limited and Barita Unit Trust Management Company Limited.

Ian McNaughton, alternate for Rita Humphries – Lewin

Ian McNaughton is the General Manager and Company Secretary of Barita Investments Limited. He is a director of the Jamaica Cooperative Credit Union League, the St. Thomas Cooperative Credit Union. A noted football enthusiast, he is also involved with the Harbour View Football Club and President of the Kingston & St. Andrew Master's League Football Association.

Julian Mair, Director

Julian Mair is the Chief Investment Strategist of Jamaica Money Market Brokers Limited. He is the past Managing Director of Lets Investment Limited and a current director of JMMB Securities Limited, JMMB International Limited, and JMMB BDI America Limited. He is also a founding member and executive of the Jamaica Securities Dealers Association (JSDA).

Edwin McKie, C.D., Director

Edwin McKie is the Chairman and Managing Director of M/VL Stockbrokers Limited. He was awarded the Order of Distinction, Commander Class, for his services to the banking industry. Mr. McKie is a former Chairman of the Trade Board Limited, the Agricultural Credit Bank, the Agricultural Credit Board and the College of Agriculture. He has also served on the boards of the National Investment Bank of Jamaica, the Bank of Jamaica, the National Water Commission, and the Development Bank of Jamaica. Mr. McKie was awarded the Order of Distinction, Commander Class, in the field of Banking.

Dr. Derrick McKoy, alternate for Edwin McKie, C.D.

Dr. Derrick McKoy is a director of M/VL Stockbrokers Limited and an Attorney-at-Law. He is a former Contractor-General for Jamaica and a former Chairman of the Jamaica Antidumping and Subsidies Commission and the Fair Trading Commission. He is currently Chairman of Universal Media Limited (operators of local radio station News Talk 93FM) and sits as a member of the Electricity Appeals Tribunal. Dr. McKoy is a Justice of the Peace and Dean of the Faculty of Law, at the University of the West Indies.

Lissant Mitchell, Director

Lissant Mitchell is the Senior Vice President for Wealth Management of Scotia Group Jamaica, and the Chief Executive Officer of Scotia Investments Jamaica Limited. He is a director of the latter company and also, Scotia Asset Management Jamaica Limited and the Scotia Caribbean Income Fund. Mr. Mitchell is currently the Secretary of the Jamaica Securities Dealers Association and a past President of the Primary Dealers Association.

Steven Whittingham, Director

Steven Whittingham was recently appointed as the President of First Global Financial Services Limited and he is the most recently appointed member of the Board of the Company. He is a former Managing Director of TAG Petroleum Limited, which operated 53 Shell branded gas stations in Jamaica. He is also the former Chief Executive Officer of Island Ice and Beverage Company Limited.

Independent Directors of the Board

Dian Black, Independent Director

Dian Black is the Director, Portfolio Management (Debt Management Branch) in the Ministry of Finance & Planning. In this capacity she has responsibility for activities related to the raising of adequate levels of funding for satisfying the financing of the Government's borrowing requirements and provides the necessary interface between the JSE and the Government. She is also the nominee of the Ministry of Finance to the Board of the Company.

Jane George, Independent Director

Jane George is the Corporate Attorney-at-law and Head of the Legal Department of the Lascelles DeMercado Group of Companies. She is admitted as a solicitor in England and as an Attorney – at – law in Jamaica and is a member of both the Law Society of England and Wales and the Jamaica Bar Association. She is also the nominee of the Private Sector Organisation of Jamaica to the Board of the Company.

Livingstone Morrison, Independent Director

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 and the nominee of the Bank of Jamaica to the Board of the Company. Mr. Morrison joined the staff of the Bank of Jamaica in 1982. In 2011, he assumed responsibility for the aforementioned divisions of the Bank. Mr. Morrison is also a director of the board of the JCSD.

Garth Kiddoe, Independent Director

Garth Kiddoe is the nominee of the Institute of Chartered Accountants of Jamaica on the Board of the Company. He is a member of the Project Management Unit for the UTech Enhancement Project. Mr. Kiddoe is also the former Dean of the Faculty (now College) of Business and Management at the University of Technology Jamaica and a past President of several professional organisations including the Institute of Chartered Accountants of the Caribbean and the Institute of Chartered Accountants of Jamaica, as well as the Jamaica Institution of Engineers. Mr. Kiddoe is also Chairman of the boards of the JCSD and JCSD Trustee Services, and he has also served as a Deputy Chairman of the Board of the Company.

Janet E. Morrison, Independent Director

Janet Morrison is a partner of DunnCox, attorneys-at-law, and is the nominee of the Jamaican Bar Association to the Board of Directors. She is an associate tutor of the Norman Manley Law School, Mona Campus, and a Fellow of the Chartered Institute of Arbitrators.

Management Team

Mrs. Marlene Street Forrest

Marlene Street Forrest is the General Manager of the Company. Her mandate is to continue the process of developing the business of the Exchange. Mrs. Street Forrest has a Bachelor's degree in Management Studies (B.Sc.) and a Master of Business Administration (M.B.A.) degree. Mrs. Street Forrest, who is a Justice of the Peace, also serves as Secretary of Company and as a Director of the JCSD and JCSD Trustee Service.

Mr. Robin Levy

Robin Levy is the Deputy General Manager of the Company. Mr. Levy is also the General Manager Company Secretary of the subsidiaries of the Company, the JCSD and JCSD Trustee Service with responsibility for overseeing and expanding the services provided by it to the capital markets. He holds a Bachelor's degree in Accounting (B.Sc.), and a Master of Business Administration degree (M.B.A. – Finance) and is also a Certified Fraud Examiner.

Mr. Wentworth Graham

Wentworth Graham is the Chief Regulatory Officer with responsibility ensuring that the Member Dealers of the Company and companies comply with the rules made by the Board.

A Fellow of the Jamaica Institute of Management with a Bachelor’s degree in Economics and History, Mr. Graham also has a Master of Business Administration degree (M.B.A.) in Banking and Finance. Mr. Graham is also a Professional Member of the International Compliance Association, and holds an International Diploma in Compliance. Mr. Graham does not hold any Shares in the Company and he is not eligible to subscribe for the Staff Reserved Shares, owing to his position.

Ms. Suzette McNaught

Suzette McNaught is the Manager of the Information Technology and Systems department. Miss McNaught has the direct responsibility of managing and maintaining the Company’s information systems, which are integral to its operations. She is a Certified Information Systems Auditor and Project Manager, with a degree in Computer Science (B.Sc) and a Master of Business Administration degree (M.B.A).

Ms. Suzette Whyte

Suzette Whyte is the Financial Controller of the Jamaica Stock Exchange. Mrs. Whyte holds a Bachelor’s degree in Business Administration (B.B.A. - Accounts) and a Master of Business Administration degree (M.B.A. - Business & Finance). She has the responsibility of managing the Finance and Accounting activities of the JSE and has been instrumental in transforming the accounting processes of the division to be compliant with the regulatory standards under IFRS.

Miss Michelle Sirdar

Michelle Sirdar is the Manager of the Registrar Services Unit of the Jamaica Central Securities Depository (JCSD), a position she has held since the Unit’s launch in 2006. Ms. Sirdar leads a team of 5 in providing registrar services for a variety of securities in both certificated and immobilized environments. Prior to taking up this position, Ms. Sirdar served as an Internal Auditor of the Group for several years and she is presently pursuing further qualifications with the Institute of Chartered Secretaries and Administrators.

8.2 Directors’ interests in Ordinary Shares

None of the Directors are directly interested in the Shares of the Company, however certain of the Directors are directly or indirectly interested in the shares of a Member Dealer who is a Shareholder of the Company.

No Director or senior manager receives Ordinary Shares, or options in respect of Ordinary Shares, in consideration of the services rendered by him or her to the Company. Please note however that the Directors and the senior managers are eligible to apply for Company Reserved Shares in the Invitation.

8.3 Corporate Governance and Accountability

The Board has 8 committees. The members of each committee of the Board and are as follows:

Audit Committee	Executive Committee
Dian Black (Chairman and Independent Member)	Donovan Perkins (Chairman and Member)
Mark Croskery (Member)	Christopher Berry (or alternate Gary Peart) (Member)
Jane George	Allan Lewis

(Independent Member)	(Member)
Garth Kiddoe (Independent Member)	Robin Levy (Co –opted Member)
Livingstone Morrison (Independent Member)	Edwin McKie (Member)
Allan Lewis (Member)	Julian Mair (Member)
Edwin McKie (<i>alternate: Derrick McKoy</i>) (Member)	Janet Morrison (Independent Member)
	Marlene Street Forrest (Co-opted Member)

Corporate Governance and Nomination Committee	Regulatory and Markets Oversight Committee
Janet Morrison (Chairman and Independent Member)	Livingstone Morrison (Chairman and Independent Member)
Jane George (Independent Member)	Dian Black (Independent Member)
Garth Kiddoe (Independent Member)	Jane George (Independent Member)
Edwin McKie (<i>alternate: Derrick McKoy</i>) (Member)	Garth Kiddoe (Independent Member)
Marlene Street Forrest (Member)	Janet Morrison (Independent Member)

JSE Membership Committee	Listing Committee
Livingstone Morrison (Chairman and Independent Member)	Donovan Perkins (Chairman and Member)
Dian Black (Independent Member)	Dian Black (Independent Member)
Jane George (Independent Member)	Dennis Cohen (<i>alternate Dylan Coke</i>) (Member)
Garth Kiddoe (Independent Member)	Rita Humphries – Lewin (<i>alternate Ian McNaughton</i>) (Member)
Janet Morrison (Independent Member)	Allan Lewis (Member)
	Livingstone Morrison (Independent Member)

Compensation Committee	Rules Committee
Donovan Perkins (Chairman and Member)	Allan Lewis (Chairman and Member)
Dian Black (Independent Member)	Dian Black (Independent Member)

Dennis Cohen (<i>alternate Dylan Coke</i>) (Member)	Christopher Berry (<i>alternate Gary Peart</i>) (Member)
Mark Croskery (Member)	Dennis Cohen (<i>alternate Dylan Coke</i>) (Member)
Garth Kiddoe (Independent Member)	Garth Kiddoe (Independent Member)

8.4 Directors' Fees and Executive Emoluments

In financial year 2012, each Director of the Company received the following fees:

Name of Director	2012 (J\$)
Dian Black	595,000
Dylan Coke	300,000
Mark Croskery	405,000
Robert Drummond	250,000
Jane George	655,000
Garth Kiddoe	675,000
Allan Lewis	415,000
Julian Mair	280,000
Curtis Martin	210,000
Ed. McKie	560,000
Ian McNaughton	300,000
Lissant Mitchell	375,000
Janet Morrison	545,000
Livingstone Morrison	635,000
Gary Peart	270,000
Donovan Perkins	330,000

9. Management Discussion and Analysis

9.1 Historical Financial Information

The Group referred to in this section 9 comprises the Company and its subsidiary JCSD and the subsidiary of JCSD, JCSD Trustee Services. It is currently organized into 3 main business segments, namely (1) exchange operations (2) depository services (3) other services, including registrar and trustee services, custodianship and other services.

The Company serves primarily as a vehicle for raising capital and for facilitating efficient secondary market transactions in listed securities, while its subsidiaries largely provide depository, registrar and trustee services. The Company has successfully listed more equity securities on its trading platforms than any other stock exchange in the English speaking Caribbean.

The effects of the global economic crisis that started in 2008 challenged many of the world's stock exchanges, including the Company, and affected investors' confidence in capital markets. The subsequent Jamaica Debt Exchange (JDX), which took place during financial year 2010 also caused the Board of the Company to review its reliance on incomes from the group's existing products and investments. Since then, the Board has carried out a strategy to diversify the revenue streams of the Group and as such, the effect of the more recent National Debt Exchange (NDX) on it has been less pronounced. The Directors consider that, following the NDX an increased number of investors may seek out alternative investments inclusive of Exchange - listed products.

The Company grew the core business of the Exchange over the 5 - year period under review in the Financial Information, and the Directors consider that this growth has resulted largely as a result of product innovation. It launched the Junior Market in 2009, which has attracted 17 new listed companies to the Exchange. Over the last 3 years the Junior Market Index has increased from 150.01 in 2009 to 759.93 as at the end of May 2013 ; the Board anticipates that the index's positive trajectory will continue as more companies list on that platform⁵ and market confidence increases. The more recently introduced US\$ denominated Equity platform has also listed one security.

The Company also expanded its range of academic products in the period under review. It now holds conferences (including an Annual Conference) and seminars, and provides modular, internet based professional development courses via its e-Campus that was launched in 2010. The courses feature lecturers drawn from the securities industry both locally and internationally, and the e-Campus recently graduated its first cohort of students. The positive response to the e-Campus has been reflected in the bottom line; income from e-Campus has increased by a Cumulative Average Growth Rate (CAGR) of 73.09% between its inception of 2010 and 2012. The full capacity of the e-Campus to contribute to the Exchange's profitability has not yet been realized and therefore in coming years there is greater opportunity for increased profitability. Other expansion initiatives include participating in fixed income securities trading, forming key regional and global partnerships, as well as local and regional expansion.

The Group continues to carry out research into the development of new product offerings. Towards that aim, the Company recently signed a Memorandum of Understanding with the Bank of Jamaica for the development of a Government fixed – income security trading platform. In addition, it has already begun to execute its objective of opening the Exchange to new Member Dealers. Proven Wealth Limited and

⁵ In its Budget announcements earlier this year the Government stated that the tax concession afforded to companies joining the Junior Market will be left in place for a further period of 5 years. The Directors understand that this will allow companies who join the Junior Market in the next 5 years to benefit from a concessionary tax regime that lasts 10 years, as set out in the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remission) Notice, 2009 published in the Jamaica Gazette Extraordinary Vol. CXXXIII on 13th August 2009.

BCW Holdings Limited were approved as Member Dealers in October 2012 and February 2013 respectively; the Directors consider that increased license revenue from such activities as well as new product offerings will have a positive effect on revenue, as well as the long - term viability of the Exchange. Group companies JCSD and JCSD Trustee Services Limited have also introduced new services to the market.

Group revenue continues to be boosted by Fee Income, which increased from \$119.7m in 2011 to \$189.2 million in 2012, a 58% increase. Cess revenue continues to recover after it plummeted in 2009 due to the effects of the global economic crisis. Since then, cess revenue has increased by 427.79% from \$50.2 million, to \$265.1 million in 2012. Cess rebounded from its 2009 low to surpass its previous high in 2008 of \$260.2 million, which the Directors note was due in part to extraordinary activity at the level of the Company, resulting from Angostura Limited's on - market purchase of Lascelles deMercado & Company Limited (LdM)). The Company occasionally benefits from increased cess income as a result of such exceptional trading events, including the more recent takeover of Lascelles de Mercado by Campari Espana S.L. (Campari), and JMMB's acquisition of Capital & Credit Financial Group. In the years in which there are no extraordinary events, Cess Income has been ranging between \$82- \$87 million, and trending upwards. Total income has taken a similar upward trajectory during years without extraordinary events; ranging from \$158- \$256 million That notwithstanding, the Board recognizes that the level of trading on the Exchange continues to pose challenges and it is committed to address this issue through various measures including investor education and new product offerings.

All income streams reflected an increase including investment income, which was previously affected by JDX and introduction of lower yielding and longer term Government instruments. The Board took steps to reduce the Group's reliance on interest earnings from such instruments, and as a result the impact of the more recent NDX did not hit its bottom line as hard. The Directors also believe that market activity will increase if investors are encouraged to turn to the products offered by the Company in order to compensate for the decrease in their expected yields of Government instruments.

The revenue and profitability of the Group was affected by the global financial crisis in financial years 2008 and 2009, before the implementation of new strategies including the launch of the Junior Market resulted in improvements in financial years 2010 through to 2012. There has been a steady increase in the Fee Income of the Group, from \$75.2 million in 2009 to \$189.2 million in 2012, an increase of 151.4%. Further, the Group earned some income from the e-Campus and other new product offerings.

Overall gains in financial year 2012 led to a Net Surplus before Taxation excluding Compensation Fund income of \$185 million, most of which was attributable to extraordinary activity.⁶ In the same year the Exchange's profit was \$128 million, which the Directors attribute to improving market conditions, the impact of the Group's diversification strategies and exceptional gains from the Campari transaction. In the 5 - year period under review, Net Surplus was the highest in financial year 2012 with the exception of financial year 2008, when the Angostura transaction occurred.

A major component of the Group's financial strategy is cost containment. Management scrutiny of expenses has led to a reduction in finance cost of over 83.86% between financial years 2009 and 2012. Total Income increased 96.77% in financial year 2012 to \$504.3 million from \$256.2 million in 2011. Expenses also rose for the comparative period by 34.28% in 2012 to \$356.3 million from \$265.3

⁶ As per Rule 122 of The Jamaica Stock Exchange all member dealers have made quarterly contributions which are held under a statutory trust and governed by the Securities Act. The funds held in this trust are therefore not attributable to the Exchange's performance nor does it hold any proprietary interest in the trust.

million in 2011. The Group remains committed to consistent examination of each line item to eliminate waste and identify efficiency enhancement opportunities. Expenses rose by \$90.9 million in financial year 2012 over financial year 2011; however, much of the expenditure resulted from key new initiatives which are expected to yield relatively greater gains in the coming years, such as the e-Campus and the switch to a new electronic trading platform. It is also important to note that a portion of the expenses incurred over the 5 year period under review comprises of fees which the Group has to pay to other entities such as the FSC, whose fee is calculated as 0.08 percent of the Company's trading income. This expenditure reflected the largest increase, which rose 185.83% from \$19 million in 2011 to \$54 million in 2012. Further, the Exchange is subject to an asset tax of 0.14% imposed by the Government; this also negatively impacted the bottom-line.⁷

The 290.32% increase in Earnings Per Share (EPS) reflects the success of the areas in which the Group has chosen to invest. EPS for 2012 registered at \$1.21 from \$0.31 in the previous year.

Gains associated with the Compensation Fund have been excluded from this analysis as those monies are held in trust and are therefore not available to Shareholders. This Fund is held on behalf of Member Dealers to compensate clients who may suffer loss resulting from defalcation of documents of title to securities.

9.2 Unaudited Financial Information

During the 3 month period ended March 2013 both Cess Income and monies earned from the e-Campus reduced (by 13.13% and 37.47%, respectively) when compared to the same period in 2012. On the other hand, Fee Income grew by 7.89% over the same period last year, from \$28.5 million in March 2012 to \$30.7 million in March 2013. Further, Other Operating Income grew by 32.24% in March 2013 to \$22.6million from \$17 million in the previous period. Overall Revenue also increased in the first quarter of this year by 7.87% to \$69.5 million, up from \$64.4 million in the same period in 2012,

Investment Income was responsible for driving profits for the period under review; increasing by 181.38% from \$7.8 million in March 2012 to \$21.9 million in 2013. Overall, Profit-Before-Taxes rose by 166.20% over the previous period. The increases in growth resulted in a Net Profit of \$5.8 million, a 195.09% gain over 2012's recorded Net profit of -\$6.1 million. This positive trajectory has led to EPS growth of 195.45% from -\$0.22 to \$ 0.21 for 2012 and 2013 respectively.

Other notable gains include the 11.20% increase in Total Assets (from \$648 million at the end of the first quarter of last year to \$720 million in the same period this year). Total Equity also grew by 8.56%, from \$465 million in the first quarter of last year to \$505 million in the same period this year. There has also been a 121.35% increase in Total Current Liabilities for the period; however, the opposite occurred for Total Non-current Liabilities, which decreased by 53.70% (from \$108 million at the end of March 2012 to \$50 million at the end of March 2013⁸).

9.3 Outlook

The Directors believe that the Exchange continues to provide companies with the opportunity to raise capital, restructure, and grow, as is demonstrated by the success of the Junior Market product offering and the market takeovers of LdM by Angostura and later, Campari. They are also aware that a decline in confidence tends to lead to reduced market activity. However, in addition to one - off transactions which tend to have a positive impact on earnings, albeit not necessarily annually, the diversification of income

⁷ The Assets Tax (Specified Bodies) Act (January 2, 2003)

⁸ Q1 Unaudited Financial analysis is based on restated financial statements, excluding the Compensation Fund.

and increasing product offerings will offset earnings on the years that no extraordinary activity takes place.

10. Financial Highlights

This Section provides an analysis of the financial position and performance of the Company and its Group, inclusive of JCSD and its subsidiary JCSD Trustee Services, using charts, ratios and trend analysis.

The analysis set out below excludes the effect of Compensation Fund income earned by the group, as it is held in trust.

10.1 Historical Ratio Analysis

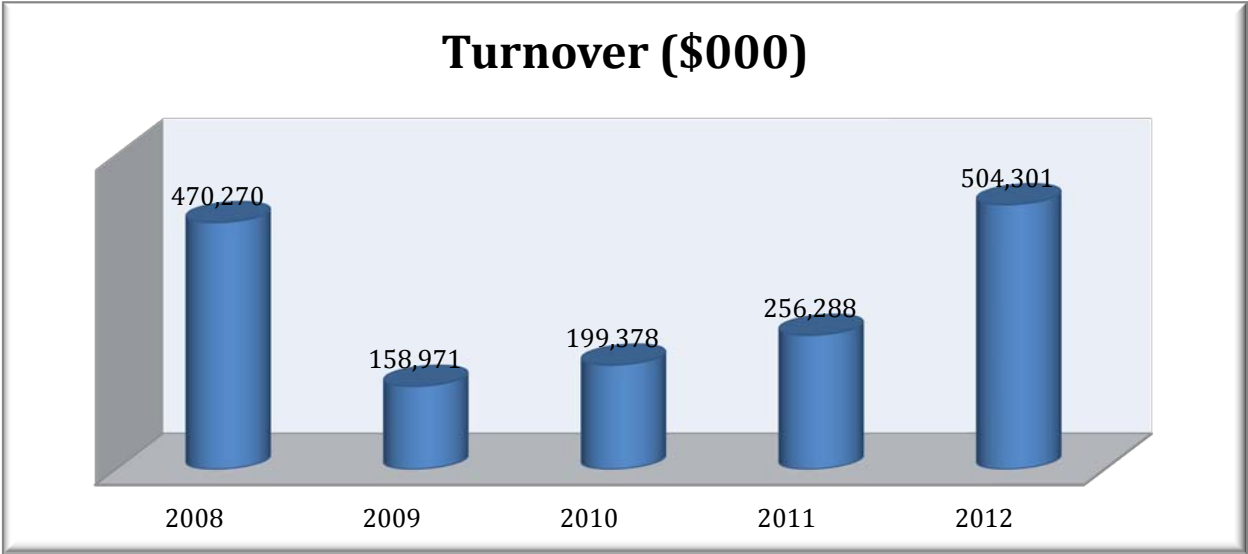
The table below shows financial ratios derived from the Audited Income Statement and Balance Sheet for the Group over the 5 financial years ended 31st December 2008 to 31st December 2012 inclusive set out in the Financial Information. For convenience such financial years are simply referred to as ‘years’ in this section.

The ratios reflect the return to profitability for the Group, after the impact of the world economic crisis that reduce confidence in the local market and capital markets worldwide generally, as well as the impact of the Government’s changes to fiscal policy and the impact of both the Jamaica Debt Exchange (JDX) in 2010 and the National Debt Exchange in 2013 which caused the Directors to reassess the group’s investment strategy.

All of the ratios have improved since the overall decline experienced by the Group in financial year 2009. In particular, Return on Equity (ROE) increased in financial year 2012, to 22% from -4% in financial year 2009. Similarly, Return on Assets increased to 17.94% in financial year 2012, from 5.57% in financial year 2011.

	2012	2011	2010	2009	2008	5 -year average
INCOME STATEMENT RATIOS						
Net Profit Margin	26%	13%	4%	-11%	37%	13.8%
Return on Equity	22.13%	7.16%	2.01%	-4.02%	39.73%	13.40%
BALANCE SHEET RATIOS						
Debt Ratio	35.75%	38.11%	31.53%	55.44%	88.23%	49.81%
Return on Assets	16.30%	5.18%	1.53%	-2.58%	21.11%	8.30%
Current Ratio	1.98	3.06	2.42	1.32	0.84	1.92

10.2 Turnover Growth Analysis



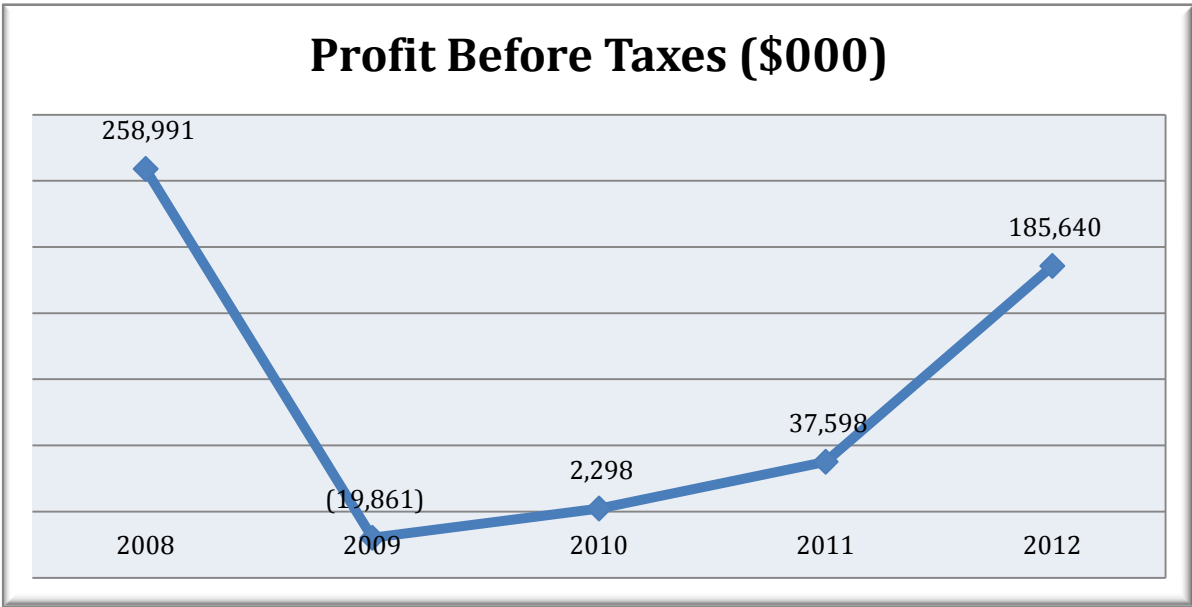
The last 4 financial years ended 31 December 2009 to 2012 inclusive reflect growth in the turnover of the Exchange in the face of the global and regional economic crisis, which began to impact in financial year 2009. Considerable investment was made by the Group, to realign income streams. Product diversification is a part of the Board’s strategy and the Directors consider that it has begun to manifest results. Revenue grew to \$504.3 million in financial year 2012, surpassing its previous high in financial year 2008 (\$470.2 million). Both of the previously stated years were also heavily impacted by increased activity due to the takeover of Lascelles deMercado & Company Limited (LdM) by Trinidad - based Angostura Limited (Angostura) in financial year 2008, and the recent takeover of LdM by Campari Espana S.L. (Campari).

The continued impact of the global recession on market confidence resulted in comparatively low revenues for the Group in financial year 2009 (\$158.97 million), followed by a recovery attributable to increased activity and the implementation of a strategy to diversify the product offerings of the Group. Since financial year 2009 the Directors consider that the market has regained investors’ confidence after the financial crisis of 2008. Financial year 2011 saw increased activity in the market, as revenue increased by \$56 million year over year to \$256.29 million. This 28.54% increase in revenue is attributable to a 60.8% rise in Fee Income, an absolute rise of \$45 million from the \$74.4 million earned by the Company in 2010. Additionally, income earned from the e-Campus increased in financial year 2011 by 271% to \$5.4 million from a level of \$1.4 million in financial year 2010; however, it has fallen by 19% in financial year 2012 to \$4.3 million.

In financial year 2011 the Group disposed of property located at 38A Harbour Street. The gains from this sale amount to \$28.5 million and are reflected in the Total Revenue figure of \$256.29 million for that year. In financial year 2012 revenue of \$504.3 million represented a 96.77% increase over financial year 2011’s \$256.8 million figure.

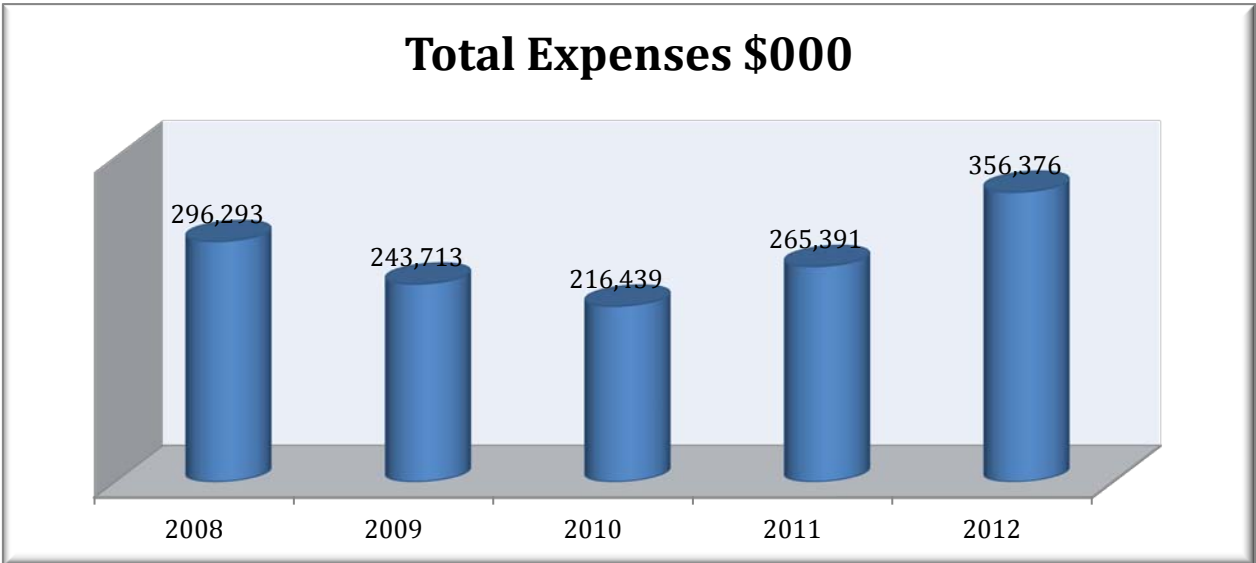
This last fiscal year saw a lot of market activity beyond the Campari transaction. JMMB purchased Capital & Credit Financial Group and the increase in trading activity resulting from both takeovers has had a positive impact on Revenue. Further, the exchange saw activity from 4 new listings on the Junior Market, also adding to Revenue.

10.3 Profits Before Taxes



Profit Before Taxes (PBT) increased by \$148 million in financial year 2012 over the prior year, to \$185.6 million. This increase is due to the increased trading activity described above. PBT previously peaked in financial year 2008 at \$258.9 million, due to the acquisition of LdM by Angostura. In 2009, the Group felt the effect of the financial crisis, which negatively impacted profits. It also incurred high finance costs which have since been reduced by some \$33.1 million, standing at \$6.3 million in financial year 2012 from \$39.5 million in financial year 2009. By financial year 2010 the Group also saw a return to profitability.

10.4 Expense Analysis



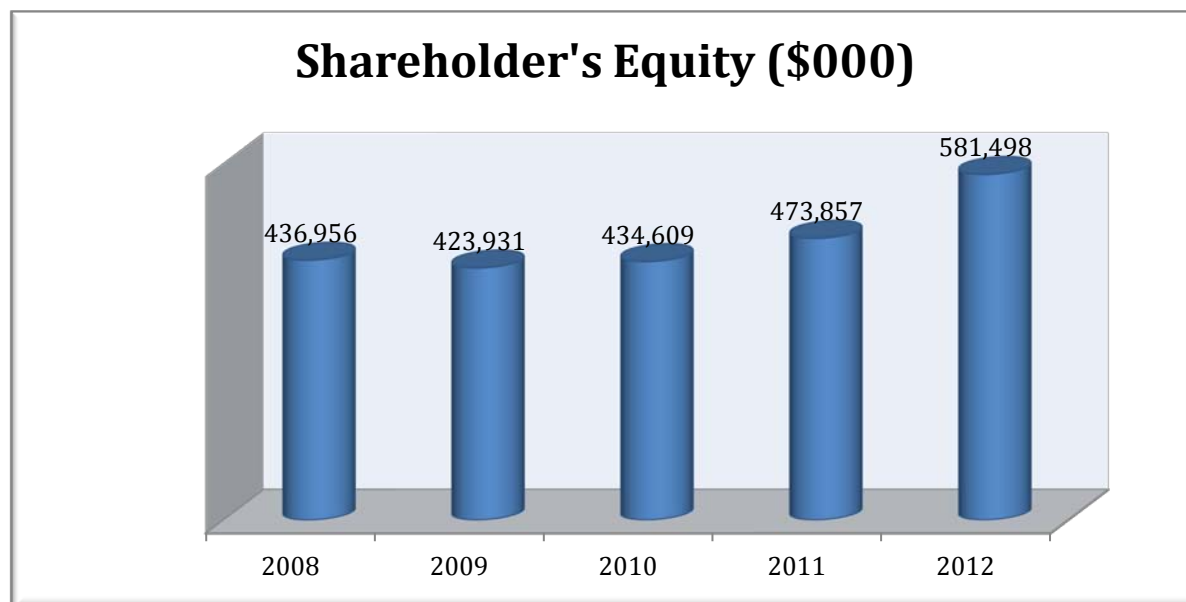
The Group has tried to curtail expenditure while making strategic investments in the 5 financial years under review. Increases in staff costs during the period reflect payment of some consultancy fees in order to facilitate the rolling out of new products and services, such as the e-Campus. The e-Campus expenditures account for \$12.5 million and \$5.58 million in financial years 2010 and 2011, respectively. Staff costs also increased as new product training was required. Expenses resulting from professional fees

paid to consultants also increased by 43.25% in financial year 2012, from a level of \$19 million in financial year 2011 to a level of \$28 million in financial year 2012.

In financial years 2010 and 2011 the Group also made investments in its trading platforms, including the launch of the US Equity trading platform and the implementation of a new trading system, as well as the necessary employee training, which continued in financial year 2012.

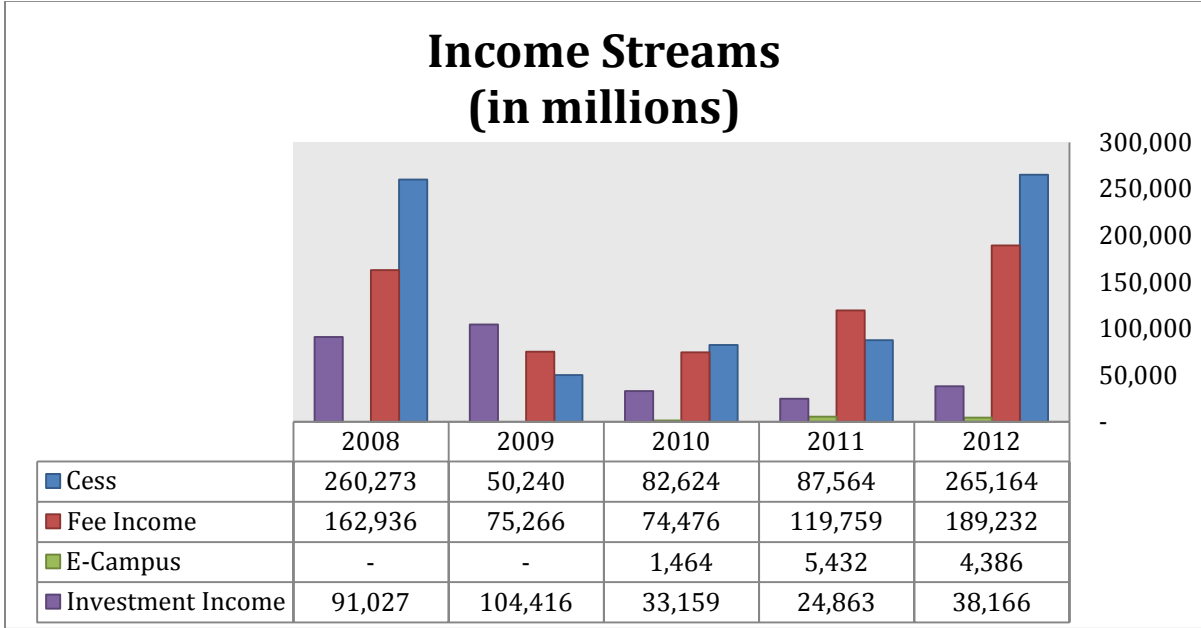
There has been a significant increase in securities commission fees, coinciding with the increase in trading. These fees increased by 185.82% in financial years 2011 - 2012 (from \$19.04 million to \$54.4 million).

10.5 Shareholder's Equity Analysis



Shareholder's equity exclusive of Compensation Fund income continued to increase in the last 4 financial years under review; excluding 2008 in spite of the volatility in the marketplace commencing in financial year 2008, impacting 2009 onwards. The Directors consider that the increase was driven by the Board's focus on continued reinvestment into the Group and its product offerings. The 'group continued to manage its debt while focusing on product research and development in order to create value. Shareholder's equity increased at a 33.07% over the 5 year period, moving from \$436.9 million in 2008 to \$581.4 million in 2012.

10.6 Income Stream Comparison



During the 5 – year period under review Cess income peaked at the close of financial year 2012 due to extraordinary levels of trading resulting from the takeovers of LdM and Capital & Credit Financial Group Limited. Outside of extraordinary events, Cess revenue has shown steady recovery from the effects of the financial crisis that began in 2008 and heavily impacted subsequent years. Cess income increased by 74% from financial years 2009 (\$50.2 million) to 2011 (\$87.5 million). Investment income was impacted by economic factors such as reduction in interest rates and market volatility. Such revenue peaked in 2009 at \$104 million, but has since ranged between \$33.1 million in financial year 2010 to \$38.1 million in financial year 2012. The financial year 2011 decline saw recorded investment income at a level of \$24.8 million, and the Board of the Company considers that this is attributable to decreased investment yields resulting from the JDJ. The impact of the JDJ has caused the Group to realign its investment strategies as it continues to seek to boost its income from alternate sources. Hence, the more recent NDX is not expected to impact as heavily.

Fee income has increased by \$113.96 million since financial year 2009, from \$75.26 million in that year, to \$189.2 million in financial year 2012. This 151.41% increase is attributable to fees earned from the Junior Market and US Equity product offerings, takeover activity, as well as, income derived from the expanded range of academic product offerings. All 4 income streams are expected to continue to positively impact the bottom-line.

11. Auditors' Report and Financial Information

3001127-C/JD

June 28, 2013

The Board of Directors
Jamaica Stock Exchange Limited
40 Harbour Street
KINGSTON

Dear Sirs:

Auditors Report

We have examined the extracts from the audited financial Statements for the years ended December 31, 2008 to December 31, 2012 included in the prospectus of The Jamaica Stock Exchange Limited issued on or about June 28, 2013.

As indicated in the extract, the information for the years ended December 31, 2008 to December 31, 2010 have been adjusted to exclude the compensation fund balances to conform with the presentation of the financial statement for the year ended December 31, 2012 for which we issued our report dated February 27, 2013.

The information included corresponds with the information in the financial statements from which they were extracted in all material respect except for the adjustment indicated in the preceding paragraph.

Yours faithfully,


Chartered Accountants

ALG:

Deloitte & Touche
Chartered Accountants
7 West Avenue
Kingston Gardens
P.O. Box 13, Kingston 4
Jamaica, W.I.

Tel: (876) 922 6825-7
Fax: (876) 922 7673
<http://www.deloitte.com/jm>

42B & 42C Union Street
Montego Bay
Jamaica, W.I.

Tel: (876) 952 4713-4
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Extract from Audited Financial Statements

JAMAICA STOCK EXCHANGE LIMITED & ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at December 31,

	2012	2011	2010	2009	2008
ASSETS	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property and equipment	76,620	93,087	87,555	92,704	91,055
Intangible assets	31,828	24,610	12,977	11,356	11,706
Post-employment benefits	85,208	79,601	76,163	41,694	42,648
Investment in securities	279,557	262,102	286,435	298,999	425,596
Long-term receivable	8,777	7,524	6,935	5,818	4,156
Total non-current assets	481,990	466,924	470,065	450,571	575,161
Current assets					
Income tax recoverable	12,771	44,978	37,898	10,751	-
Trade and other receivables	64,449	68,544	26,963	25,188	23,276
Investment in securities	49,396	19,164	-	152,099	125,197
Cash and cash equivalents	180,766	54,829	36,723	20,359	98,860
Total current assets	307,382	187,515	101,584	208,397	247,333
Total assets	789,372	654,439	571,649	658,968	822,494
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	168,590	168,590	168,590	168,590	168,590
Fair value reserve	446	7,272	1,943	-	(4,008)
Revenue reserve	412,462	297,995	264,076	255,341	272,374
Total Equity	581,498	473,857	434,609	423,931	436,956

Non-current liabilities

Long-term liabilities	14,334	86,124	69,487	66,000	66,000
Deferred tax liabilities	37,938	33,213	25,543	11,495	24,180
Total non-current liabilities	52,272	119,337	95,030	77,495	90,180

Current liabilities

Payable and accruals	82,473	54,499	40,460	65,553	254,276
Current portion of long-term liabilities	73,129	6,746	1,550	-	-
Borrowings	-	-	-	91,989	-
Income Tax Payable	-	-	-	-	41,082
Total current liabilities	155,602	61,245	42,010	157,542	295,358
Total equity and liabilities	789,372	654,439	571,649	658,968	822,494

*Figures for 2008, 2009 and 2010 have been adjusted to exclude the Compensation Fund balances to conform with the presentation for 2012.

Extract from Audited Financial Statements (continued)

JAMAICA STOCK EXCHANGE LIMITED & ITS SUBSIDIARIES CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year Ended December 31,
--

	2012	2011	2010	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME					
Cess	265,164	87,564	82,624	50,240	260,273
Fee Income	189,232	119,759	74,476	75,266	162,936
E-campus	4,386	5,432	1,464	-	-
Other operating income	45,519	43,533	40,814	33,465	47,061
	504,301	256,288	199,378	158,971	470,270
Expenses					
Staff cost	146,929	127,467	84,863	120,122	115,230
Property expenses	57,948	47,949	49,013	47,015	43,764
Depreciation and amortization	19,626	11,188	13,883	13,564	16,977
Advertising and promotion	20,782	20,692	21,845	26,879	26,493
Professional fees	28,119	19,629	16,068	18,469	18,221
Securities commission fee	54,436	19,045	17,129	10,219	59,178
Allowance for irrecoverable debts	3,390	1,324	444	(256)	2,170
Demutualization cost	-	-	-	-	3,437
E-campus expenses	12,532	5,580	1,911	-	-
Other operating expenses	12,714	12,517	11,283	7,701	10,823
	356,376	265,391	216,439	243,713	296,293
Investment income	38,166	24,863	33,159	104,416	91,027
Other gains	5,931	28,477	-	-	-

Finance cost	(6,382)	(6,639)	(13,800)	(39,535)	(6,013)
PROFIT BEFORE TAXATION	185,640	37,598	2,298	(19,861)	258,991
Taxation	(56,935)	(3,679)	6,437	2,828	(85,402)
NET PROFIT	128,705	33,919	8,735	(17,033)	173,589
Other comprehensive income					
Net gain on revaluation of available-for-sale financial assets during the year	(6,826)	5,329	878	-	(2,906)
Net gain arising from disposal of available-					
For sale financial assets	-	-	-	4,008	-
Net gains on available-for-sale financial					
Assets reclassified to available-for-sale	-	-	1,065	-	-
Other comprehensive income for the year, net of taxes.	(6,826)	5,392	1,943	4,008	(2,906)
TOTAL COMPREHENSIVE INCOME FOR					
THE YEAR	121,879	39,248	10,678	(13,025)	170,683
Earnings per share (2008 to 2010 restated) \$4.59	\$ 1.21	\$.31	(\$.61)		\$6.19

Figures for 2008, 2009 and 2010 have been adjusted to exclude the Compensation Fund balances to conform with the presentation for 2012.

THE JAMAICA STOCK EXCHANGE LIMITED

YEAR ENDED DECEMBER 31, 2012

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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 2 to 74, 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.

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.


Chartered Accountants

Kingston, Jamaica,
February 27, 2013

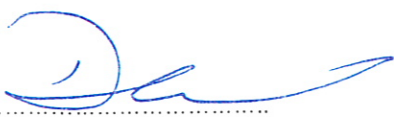
THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2012

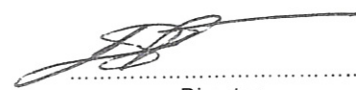
	Notes	December 31, 2012 \$'000	December 31, 2011 \$'000	January 1, 2011 \$'000
ASSETS				
Non-current assets				
Property and equipment	5	76,620	93,087	87,555
Intangible assets	6	31,828	24,610	12,977
Post employment benefits	8	85,208	79,601	76,163
Investment in securities	9	279,557	262,102	286,435
Long-term receivables	10	<u>8,777</u>	<u>7,524</u>	<u>6,935</u>
Total non-current assets		<u>481,990</u>	<u>466,924</u>	<u>470,065</u>
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	<u>180,766</u>	<u>54,829</u>	<u>36,723</u>
Total current assets		<u>307,382</u>	<u>178,483</u>	<u>101,584</u>
Total assets		<u>789,372</u>	<u>645,407</u>	<u>571,649</u>
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	<u>412,462</u>	<u>297,995</u>	<u>264,076</u>
Total equity		<u>581,498</u>	<u>473,857</u>	<u>434,609</u>
Non-current liabilities				
Long-term liabilities	16	14,334	86,124	69,487
Deferred tax liabilities	17,34	<u>37,938</u>	<u>24,181</u>	<u>25,543</u>
Total non-current liabilities		<u>52,272</u>	<u>110,305</u>	<u>95,030</u>
Current liabilities				
Payables and accruals	18	82,473	54,499	40,460
Current portion of long-term liabilities	16	<u>73,129</u>	<u>6,746</u>	<u>1,550</u>
Total current liabilities		<u>155,602</u>	<u>61,245</u>	<u>42,010</u>
Total equity and liabilities		<u>789,372</u>	<u>645,407</u>	<u>571,649</u>

The notes on Pages 10 to 74 form an integral part of the financial statements.

The financial statements on Pages 2 to 74 were approved and authorised for issue by the Board of Directors on February 27, 2013, and are signed on its behalf by:



Director



Director

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2012

	<u>Notes</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
Income			
Cess		265,164	87,564
Fee income		189,232	119,759
E-campus		4,386	5,432
Other operating income	19	<u>45,519</u>	<u>43,533</u>
		<u>504,301</u>	<u>256,288</u>
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		<u>12,714</u>	<u>12,517</u>
		<u>356,376</u>	<u>265,391</u>
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	<u>128,705</u>	<u>33,919</u>
OTHER COMPREHENSIVE INCOME			
Net fair value (loss) gain on available-for-sale financial assets during the year	14	(6,826)	<u>5,329</u>
Other comprehensive income for the year, net of taxes		(6,826)	<u>5,329</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>121,879</u>	<u>39,248</u>
Earnings per share	27	<u>\$4.59</u>	<u>\$1.21</u>

The notes on Pages 10 to 74 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2012

	<u>Note</u>	<u>Share Capital \$'000</u>	<u>Fair Value Reserve \$'000</u>	<u>Revenue Reserve \$'000</u>	<u>Contingency Reserve \$'000</u>	<u>Total \$'000</u>
Balance at January 1, 2011 as previously stated		<u>168,590</u>	<u>1,943</u>	<u>264,076</u>	<u>559,818</u>	<u>994,427</u>
Prior year restatement	34	-	-	-	(559,818)	(559,818)
Balance at January 1, 2011 restated		<u>168,590</u>	<u>1,943</u>	<u>264,076</u>	-	<u>434,609</u>
Profit for the year as restated	34	-	-	33,919	-	33,919
Other comprehensive income for the year	14	-	<u>5,329</u>	-	-	<u>5,329</u>
Total comprehensive income for the year as restated		-	<u>5,329</u>	<u>33,919</u>	-	<u>39,248</u>
Balance at December 31, 2011 as restated		<u>168,590</u>	<u>7,272</u>	<u>297,995</u>	-	<u>473,857</u>
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)	<u>128,705</u>	-	<u>121,879</u>
Payment of dividend	32	-	-	(14,238)	-	(14,238)
Balance at December 31, 2012		<u>168,590</u>	<u>446</u>	<u>412,462</u>	-	<u>581,498</u>

The notes on Pages 10 to 74 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

	<u>Note</u>	<u>2012</u> \$'000	<u>2011</u> \$'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		<u>6,632</u>	<u>6,639</u>
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		<u>(5,504)</u>	<u>(5,084)</u>
Cash utilised in operations		200,202	(37,208)
Income tax paid		(16,590)	(5,752)
Interest paid		<u>(6,382)</u>	<u>(6,639)</u>
Cash provided by (used in) operating activities		<u>177,230</u>	<u>(49,599)</u>
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		<u>25,863</u>	<u>31,918</u>
Cash (used in) provided by investing activities		<u>(31,903)</u>	<u>46,105</u>
FINANCING ACTIVITIES			
Dividend paid		(14,238)	-
Proceeds from loans		-	25,663
Loan repaid		<u>(5,407)</u>	<u>(4,128)</u>
Cash (used in) provided by financing activities		<u>(19,645)</u>	<u>21,535</u>
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		<u>255</u>	<u>65</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	<u>180,766</u>	<u>54,829</u>

The notes on Pages 10 to 74 form an integral part of the financial statements.


THE JAMAICA STOCK EXCHANGE LIMITED

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	<u>8,220</u>	<u>7,111</u>	<u>5,771</u>
Total non-current assets		<u>452,488</u>	<u>429,185</u>	<u>426,319</u>
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	12	29,174	36,805	64,705
Cash and cash equivalents	13	<u>157,741</u>	<u>40,652</u>	<u>16,610</u>
Total current assets		<u>255,046</u>	<u>160,793</u>	<u>128,619</u>
Total assets		<u>707,534</u>	<u>589,978</u>	<u>554,938</u>
EQUITY AND LIABILITIES				
Shareholders' Equity				
Share capital	14	168,590	168,590	168,590
Fair value reserve	15	272	6,456	2,345
Revenue reserve		<u>355,305</u>	<u>276,653</u>	<u>263,998</u>
Total shareholders' equity		<u>524,167</u>	<u>451,699</u>	<u>434,933</u>
Non-current liabilities				
Long-term liabilities	16	14,334	86,124	69,487
Deferred tax liabilities	17,31	<u>28,688</u>	<u>15,764</u>	<u>21,159</u>
Total non-current liabilities		<u>43,022</u>	<u>101,888</u>	<u>90,646</u>
Current liabilities				
Payables and accruals	18	67,216	29,645	27,809
Current portion of long-term liabilities	16	<u>73,129</u>	<u>6,746</u>	<u>1,550</u>
Total current liabilities		<u>140,345</u>	<u>36,391</u>	<u>29,359</u>
Total equity and liabilities		<u>707,534</u>	<u>589,978</u>	<u>554,938</u>

The notes on Pages 10 to 74 form an integral part of the financial statements.

The financial statements on Pages 2 to 74 were approved and authorised for issue by the Board of Directors on February 27, 2013, and are signed on its behalf by:


.....
Director


.....
Director

THE JAMAICA STOCK EXCHANGE LIMITED

COMPANY STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2012

	<u>Notes</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
INCOME			
Cess		229,860	65,690
Fee income		101,052	43,839
E-campus		4,386	5,432
Other operating income	19	<u>44,431</u>	<u>44,551</u>
		<u>379,729</u>	<u>159,512</u>
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		<u>12,532</u>	<u>5,580</u>
		<u>266,317</u>	<u>194,596</u>
Investment income	21	29,720	18,292
Other gains	22	-	28,477
Finance costs	23	<u>(6,345)</u>	<u>(6,480)</u>
PROFIT BEFORE TAXATION	24	136,787	5,205
Taxation	25	<u>(43,897)</u>	<u>7,450</u>
NET PROFIT		<u>92,890</u>	<u>12,655</u>
OTHER COMPREHENSIVE INCOME			
Net fair value(loss) gains on available-for-sale financial assets during the year	14	<u>(6,184)</u>	<u>4,111</u>
Other comprehensive income for the year, net of taxes		<u>(6,184)</u>	<u>4,111</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>86,706</u>	<u>16,766</u>

The notes on Pages 10 to 74 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2012

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

The notes on Pages 10 to 74 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED

COMPANY STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

	<u>Note</u>	<u>2012</u> \$'000	<u>2011</u> \$'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		<u>6,345</u>	<u>6,480</u>
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		<u>(3,862)</u>	<u>(3,608)</u>
Cash used in operations		162,615	(57,540)
Income tax paid		(3,636)	(3,232)
Interest paid		<u>(6,345)</u>	<u>(6,480)</u>
Cash provided by (used in) operating activities		<u>152,634</u>	<u>(67,252)</u>
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		<u>18,279</u>	<u>26,030</u>
Cash (used in) provided by investing activities		<u>(16,156)</u>	<u>69,755</u>
FINANCING ACTIVITIES			
Dividend paid		(14,238)	-
Proceeds from loans		-	25,663
Loan repaid		<u>(5,407)</u>	<u>(4,128)</u>
Cash (used in) provided by financing activities		<u>(19,645)</u>	<u>21,535</u>
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		<u>256</u>	<u>4</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	<u>157,741</u>	<u>40,652</u>

The notes on Pages 10 to 74 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED

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:

<u>Subsidiary</u>	<u>Principal Activity</u>
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.

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.

THE JAMAICA STOCK EXCHANGE LIMITED

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 (Cont'd)

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 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted.

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:

<u>New Standards</u>		<u>Effective for annual periods beginning on or after</u>
IFRS 9	Financial Instruments - Classification and Measurement of financial assets - Accounting for financial liabilities and derecognition	January 1, 2015 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
<u>Revised Standards</u>		
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
IFRS 7	Financial Instruments: Disclosures - Amendments requiring disclosures about the initial application of IFRS 9 - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	(i) (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	January 1, 2013

THE JAMAICA STOCK EXCHANGE LIMITED

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)*

<u>Revised Standards</u> (Cont'd)		Effective for annual periods <u>beginning on or after</u>
IFRS 10 (Cont'd)	- 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 <i>Financial instruments of IAS 39 Financial Instruments: Recognition and Measurement</i>	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
IAS 27	Consolidated and Separate Financial Statements	
	- Reissued as IAS 27 <i>Separate Financial Statements</i>	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 <i>Investments in Associates and Joint Ventures</i>	January 1, 2013

THE JAMAICA STOCK EXCHANGE LIMITED

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)*

<u>Revised Standards</u> (Cont'd)		Effective for annual periods <u>beginning on or after</u>
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
<u>New and Revised Interpretations</u>		
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

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.

THE JAMAICA STOCK EXCHANGE LIMITED

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)*

- (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.

The directors anticipate that on adoption, the standard may have a significant impact on the amounts reported. However, a detailed assessment has not yet been done.

- 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.

THE JAMAICA STOCK EXCHANGE LIMITED

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)*

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.

- 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.

THE JAMAICA STOCK EXCHANGE LIMITED

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.

THE JAMAICA STOCK EXCHANGE LIMITED

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.

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.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 surplus or deficit.

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.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.9 Financial assets (Cont'd)

3.9.4 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.

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.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.9 Financial assets (Cont'd)

3.9.5 Impairment of financial assets (Cont'd)

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.

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.

THE JAMAICA STOCK EXCHANGE LIMITED

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.

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 JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.11 *Employee benefit costs (Cont'd)*

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 deductible 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.

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.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.12 Taxation (Cont'd)

3.12.3 Current and deferred tax for the year

Current and deferred tax are recognised in surplus or deficit, 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.

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.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.14 Revenue recognition (Cont'd)

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.

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 and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

THE JAMAICA STOCK EXCHANGE LIMITED

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 *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.

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).

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

5 PROPERTY AND EQUIPMENT

	The Group								
	Freehold <u>Land</u> \$'000	Land <u>Improvement</u> \$'000	Freehold <u>Buildings</u> \$'000	Furniture & <u>Fixtures</u> \$'000	Office <u>Equipment</u> \$'000	Computer <u>Hardware</u> \$'000	Motor <u>Vehicles</u> \$'000	Work-in- <u>Progress</u> \$'000	<u>TOTAL</u> \$'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	<u>304</u>	<u>-</u>	<u>-</u>	<u>709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,013)</u>	<u>-</u>
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)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,112</u>	<u>4,319</u>	<u>-</u>	<u>(24,732)</u>	<u>(15,301)</u>
December 31, 2012	<u>5,406</u>	<u>-</u>	<u>63,770</u>	<u>11,255</u>	<u>23,662</u>	<u>81,766</u>	<u>670</u>	<u>193</u>	<u>186,722</u>
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	<u>-</u>	<u>-</u>	<u>(268)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(268)</u>
December 31, 2011	-	-	18,381	7,350	14,605	59,477	670	-	100,483
Charge for year	<u>-</u>	<u>-</u>	<u>1,608</u>	<u>760</u>	<u>2,005</u>	<u>5,246</u>	<u>-</u>	<u>-</u>	<u>9,619</u>
December 31, 2012	<u>-</u>	<u>-</u>	<u>19,989</u>	<u>8,110</u>	<u>16,610</u>	<u>64,723</u>	<u>670</u>	<u>-</u>	<u>110,102</u>
Carrying amount									
December 31, 2012	<u>5,406</u>	<u>-</u>	<u>43,781</u>	<u>3,145</u>	<u>7,052</u>	<u>17,043</u>	<u>-</u>	<u>193</u>	<u>76,620</u>
December 31, 2011	<u>5,406</u>	<u>-</u>	<u>45,389</u>	<u>3,544</u>	<u>1,091</u>	<u>12,925</u>	<u>-</u>	<u>24,732</u>	<u>93,087</u>
December 31, 2010	<u>16,682</u>	<u>70</u>	<u>48,421</u>	<u>3,292</u>	<u>1,927</u>	<u>16,150</u>	<u>-</u>	<u>1,013</u>	<u>87,555</u>

THE JAMAICA STOCK EXCHANGE LIMITED

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	<u>(11,685)</u>	<u>(70)</u>	<u>(1,862)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,617)</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>243</u>	<u>904</u>	<u>2,532</u>	<u>-</u>	<u>193</u>	<u>3,872</u>
December 31, 2012	<u>4,997</u>	<u>-</u>	<u>63,770</u>	<u>8,608</u>	<u>19,659</u>	<u>58,329</u>	<u>670</u>	<u>193</u>	<u>156,226</u>
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	<u>-</u>	<u>-</u>	<u>(268)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(268)</u>
December 31, 2011	-	-	18,381	5,917	12,600	44,281	670	-	81,849
Charge for year	<u>-</u>	<u>-</u>	<u>1,608</u>	<u>473</u>	<u>1,670</u>	<u>3,472</u>	<u>-</u>	<u>-</u>	<u>7,223</u>
December 31, 2012	<u>-</u>	<u>-</u>	<u>19,989</u>	<u>6,390</u>	<u>14,270</u>	<u>47,753</u>	<u>670</u>	<u>-</u>	<u>89,072</u>
Carrying amount									
December 31, 2012	<u>4,997</u>	<u>-</u>	<u>43,781</u>	<u>2,218</u>	<u>5,389</u>	<u>10,576</u>	<u>-</u>	<u>193</u>	<u>67,154</u>
December 31, 2011	<u>4,997</u>	<u>-</u>	<u>45,389</u>	<u>2,448</u>	<u>1,043</u>	<u>7,197</u>	<u>-</u>	<u>24,732</u>	<u>85,806</u>
December 31, 2010	<u>16,682</u>	<u>70</u>	<u>48,421</u>	<u>1,915</u>	<u>1,713</u>	<u>10,072</u>	<u>-</u>	<u>709</u>	<u>79,582</u>

THE JAMAICA STOCK EXCHANGE LIMITED

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

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.

7 INVESTMENT IN SUBSIDIARY

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

	December 31, 2012	December 31, 2011	January 1, 2011
	\$'000	\$'000	\$'000
Shares - at cost	<u>61,000</u>	<u>61,000</u>	<u>56,000</u>

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

THE JAMAICA STOCK EXCHANGE LIMITED

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YEAR ENDED DECEMBER 31, 2012

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:

	<u>The Group and the Company</u>		
	December 31, <u>2012</u>	December 31, <u>2011</u>	January 1, <u>2011</u>
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%

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

8 POST EMPLOYMENT BENEFITS (Cont'd)

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

	The Group			The Company		
	December 31, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'000	December 31, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'000
Present value of defined benefit obligations	(101,295)	(84,316)	(71,921)	(70,649)	(56,952)	(50,046)
Fair value of plan assets	<u>171,448</u>	<u>154,733</u>	<u>125,525</u>	<u>119,578</u>	<u>104,516</u>	<u>87,346</u>
	70,153	70,417	53,604	48,929	47,564	37,300
Unrecognised actuarial gains	<u>15,055</u>	<u>9,184</u>	<u>22,559</u>	<u>17,633</u>	<u>14,875</u>	<u>22,831</u>
Net asset in the statement of financial position	<u>85,208</u>	<u>79,601</u>	<u>76,163</u>	<u>66,562</u>	<u>62,439</u>	<u>60,131</u>

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

	The Group			The Company		
	December 31, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'000	December 31, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'000
Current service cost	4,734	4,896	1,224	2,903	3,308	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	(56)	-	272	-	-	218
Recognised loss	276	881	-	276	881	-
Increase in unrecognised assets	-	-	(21,189)	-	-	(16,951)
Total included in employee benefit costs	(103)	1,646	(29,268)	(261)	1,300	(23,039)
Actual return on plan assets	<u>18,676</u>	<u>21,360</u>	<u>15,403</u>	<u>9,540</u>	<u>12,224</u>	(1,035)

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

8 POST EMPLOYMENT BENEFITS (Cont'd)

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

	The Group			The Company		
	December 31, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'000	December 31, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'000
Opening balance	79,601	76,163	41,695	62,439	60,131	33,356
Amount credited (charged) to income	103	(1,646)	29,268	261	(1,300)	23,039
Contributions paid	<u>5,504</u>	<u>5,084</u>	<u>5,200</u>	<u>3,862</u>	<u>3,608</u>	<u>3,736</u>
Closing balance	<u>85,208</u>	<u>79,601</u>	<u>76,163</u>	<u>66,562</u>	<u>62,439</u>	<u>60,131</u>

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

	The Group			The Company		
	December 31, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'000	December 31, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'000
Opening defined benefit obligations	84,316	71,921	36,362	56,952	50,046	29,090
Service cost	4,734	4,896	1,224	2,903	3,308	1,301
Interest cost	9,140	8,814	6,605	6,215	6,093	5,234
Members' contributions	6,081	5,528	5,804	3,925	3,571	3,866
Benefits paid	(5,562)	(2,766)	(2,344)	(2,265)	(2,233)	(2,047)
Actuarial (loss)/gain	<u>2,586</u>	<u>(4,077)</u>	<u>24,270</u>	<u>2,919</u>	<u>(3,833)</u>	<u>12,602</u>
Closing defined benefit obligations	<u>101,295</u>	<u>84,316</u>	<u>71,921</u>	<u>70,649</u>	<u>56,952</u>	<u>50,046</u>

THE JAMAICA STOCK EXCHANGE LIMITED

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8 POST EMPLOYMENT BENEFITS (Cont'd)

(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	6,081	5,528	5,804	3,925	3,571	3,866
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	<u>171,448</u>	<u>154,733</u>	<u>125,525</u>	<u>119,578</u>	<u>104,516</u>	<u>87,346</u>

(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	29,760	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	<u>70,980</u>	<u>62,976</u>	<u>24,228</u>	<u>49,506</u>	<u>42,538</u>	<u>16,438</u>
Fair value of plan asset	<u>171,448</u>	<u>154,733</u>	<u>125,525</u>	<u>119,578</u>	<u>104,516</u>	<u>87,346</u>

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

8 POST EMPLOYMENT BENEFITS (Cont'd)

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	2011	2010	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	(101,295)	(84,316)	(71,921)	(36,362)	(30,963)
Fair value of plan assets	<u>171,448</u>	<u>154,733</u>	<u>125,525</u>	<u>103,532</u>	<u>74,869</u>
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	2011	2010	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	(70,649)	(56,952)	(50,046)	(29,090)	(24,770)
Fair value of plan assets	<u>119,578</u>	<u>104,516</u>	<u>87,346</u>	<u>82,826</u>	<u>59,895</u>
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.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

9 INVESTMENTS IN SECURITIES

	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
<u>Available-for-sale - At fair value</u>						
NWC Variable Rate Note 2016, 8.375% (2011: 8.34%)	1,628	2,042	1,893	1,628	2,042	1,893
<u>Benchmark Investment Notes</u>						
Fixed Rate Notes 2013 to 2016 12% - 12.54% (2011: 12% - 12.54%)	99,548	38,837	35,431	77,274	36,570	35,431
Variable Rate Notes 2015 to 2018, 7.6% - 9.1% (2011: 7.6% - 9.1%)	36,763	61,314	91,102	36,763	47,317	66,988
<u>Foreign Currency Investments</u>						
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\$49,201: 4.25%)	2,958	3,433	1,909	2,958	3,433	1,909
GOJ FR 6.75% and 7% US\$ Benchmark Investment Notes, 2013/2014 (nominal value US\$518,000)	49,456	46,583	44,691	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)	18,095	17,122	16,276	-	-	-
GOJ Fixed rate US\$ indexed Bond AIC 9%	-	4,416	-	-	-	-
AIC Barbados Fixed rate US\$ Indexed Bond 13.25% (nominal value US\$50,000)	-	-	4,495	-	-	-
	308,204	266,518	286,435	239,191	201,734	215,643
<u>Loans and receivables - At amortised cost</u>						
Repurchase agreements: 5.75% - 5.98% (2011: 5.6% - 6.3%)	20,006	14,490	-	11,090	10,567	-
Repurchase agreement: 2.25% (2011: 4% - 6.1%)	743	258	-	-	258	-
	328,953	281,266	286,435	250,281	212,559	215,643
Less: Current portion	(49,396)	(19,164)	-	(21,375)	(10,825)	-
	<u>279,557</u>	<u>262,102</u>	<u>286,435</u>	<u>228,906</u>	<u>201,734</u>	<u>215,643</u>

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

9 INVESTMENTS IN SECURITIES

	The Group			The Company		
	December 31,	December 31,	January 1,	December 31,	December 31,	January 1,
	<u>2012</u>	<u>2011</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
	\$'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	286,435	-	201,734	215,643	-
Additions	70,521	4,416	-	49,974	-	-
Foreign exchange gain (loss)	9,834	-	-	6,776	-	-
Reclassification of investments from held-to-maturity at fair value	-	-	284,586	-	-	211,859
Movement in fair value of available-for-sale financial assets	(10,239)	8,001	1,849	(9,276)	6,178	3,784
Disposal of investments	(28,430)	(32,334)	-	(10,017)	(20,087)	-
Balance at December 31	<u>308,204</u>	<u>266,518</u>	<u>286,435</u>	<u>239,191</u>	<u>201,734</u>	<u>215,643</u>

10 LONG-TERM RECEIVABLES

These represent loans granted to employees. The loans are repayable by monthly installments and are for a period of 5 years. These loans carry an interest rate of 10% per annum. The current portion of these loans, due within twelve months from the 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.

THE JAMAICA STOCK EXCHANGE LIMITED

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	<u>49,816</u>	<u>31,364</u>	<u>17,911</u>	<u>29,886</u>	<u>20,052</u>	<u>12,349</u>
	73,045	67,892	28,780	41,546	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	<u>2,861</u>	<u>8,719</u>	<u>4,926</u>	<u>1,407</u>	<u>1,763</u>	<u>2,880</u>
	<u>64,449</u>	<u>68,544</u>	<u>26,963</u>	<u>36,516</u>	<u>38,026</u>	<u>16,051</u>

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	<u>1,853</u>	-	<u>194</u>	-	-	<u>194</u>
	<u>5,524</u>	<u>3,332</u>	<u>967</u>	<u>612</u>	<u>1,179</u>	<u>570</u>

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

11 TRADE AND OTHER RECEIVABLES (Cont'd)

Movement in allowance for doubtful
debts on other receivables

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

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, less 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 \$7.6 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.

Ageing of impaired other receivables

	The Group			The Company		
	December 31, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'000	December 31, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'000
180 + days	<u>11,457</u>	<u>8,067</u>	<u>6,743</u>	<u>6,437</u>	<u>5,918</u>	<u>4,963</u>

THE JAMAICA STOCK EXCHANGE LIMITED

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YEAR ENDED DECEMBER 31, 2012

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, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'000	December 31, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'000
Cash on hand and in banks	12,271	15,231	13,490	6,120	5,607	4,136
Money market investments denominated in Jamaican dollars at interest rate of 6% (2011: 6.3%)	22,240	39,598	15,938	20,237	35,045	12,226
Money market investment denominated in foreign currency Group US\$1,585,259 - 2.8%; Company US\$1,423,975 - 3.8% (2011: Group US\$85,476 - 4.25%; Company US\$2,898 - 3.7%)	<u>146,255</u>	<u>-</u>	<u>7,295</u>	<u>131,384</u>	<u>-</u>	<u>248</u>
	<u>180,766</u>	<u>54,829</u>	<u>36,723</u>	<u>157,741</u>	<u>40,652</u>	<u>16,610</u>

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

THE JAMAICA STOCK EXCHANGE LIMITED

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13 **SHARE CAPITAL**

	December 31, <u>2012</u>	December 31, <u>2012</u>	January 1, <u>2011</u>	December 31, <u>2012</u>	December 31, <u>2011</u>	January 1, <u>2011</u>
	No. of shares	No. of shares	No. of shares	\$'000	\$'000	\$'000
Authorised at January 1 and December 31:						
Ordinary shares - no par value	<u>600,000,000</u>	<u>600,000,000</u>	<u>600,000,000</u>			
Preference shares - no par value	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>			
Issued capital at January 1 and December 31:						
Ordinary shares - no par value	<u>28,050,000</u>	<u>28,050,000</u>	<u>28,050,000</u>			
Preference shares - no par value	<u>33,000,000</u>	<u>33,000,000</u>	<u>33,000,000</u>			
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)				<u>66,000</u>	<u>66,000</u>	<u>66,000</u>
				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)
				<u>168,590</u>	<u>168,590</u>	<u>168,590</u>

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.

THE JAMAICA STOCK EXCHANGE LIMITED

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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	<u>7,272</u>	<u>1,943</u>	<u>-</u>	<u>6,456</u>	<u>2,345</u>	<u>-</u>
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)	<u>3,413</u>	<u>(2,663)</u>	<u>(971)</u>	<u>3,092</u>	<u>(2,055)</u>	<u>(1,172)</u>
	<u>(6,826)</u>	<u>5,329</u>	<u>1,943</u>	<u>(6,184)</u>	<u>4,111</u>	<u>2,345</u>
Balance at December 31	<u>446</u>	<u>7,272</u>	<u>1,943</u>	<u>272</u>	<u>6,456</u>	<u>2,345</u>

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.

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	263,998
Subsidiaries	<u>57,157</u>	<u>21,342</u>	<u>78</u>
	<u>412,462</u>	<u>297,995</u>	<u>264,076</u>

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16 LONG-TERM LIABILITIES

These include loans from the National Commercial Bank Jamaica Limited:

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

(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.

THE JAMAICA STOCK EXCHANGE LIMITED

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17 DEFERRED TAX

This comprises:

	The Group			The Company		
	December 31, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'000	December 31, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'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, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	December 31, <u>2012</u> \$'000	December 31, <u>2011</u> \$'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)	<u>3,413</u>	(<u>2,663</u>)	<u>3,092</u>	(<u>2,055</u>)
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:

THE JAMAICA STOCK EXCHANGE LIMITED

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17 DEFERRED TAX (Cont'd)

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	<u>367</u>	<u>7,754</u>	<u>8,121</u>	<u>72</u>	<u>1,014</u>	<u>1,086</u>
At December 31, 2011	1,114	13,410	14,524	680	4,378	5,058
Credited (Charged) to income for the year	<u>7</u>	<u>(13,410)</u>	<u>(13,403)</u>	<u>85</u>	<u>(4,378)</u>	<u>(4,293)</u>
At December 31, 2012	<u>1,121</u>	<u>-</u>	<u>1,121</u>	<u>765</u>	<u>-</u>	<u>765</u>

THE JAMAICA STOCK EXCHANGE LIMITED

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)	(1,922)	(1,039)	(25,388)	(31,946)	(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)	(1,940)	(3,702)	(26,534)	(38,705)	(4,093)	(1,653)	(3,295)	(20,813)	(29,854)
(Charged) Credited to income for the year	(318)	(1,580)	-	(1,869)	(3,767)	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	54,499	40,460	67,216	29,645	27,809

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.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

19 OTHER OPERATING INCOME

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

20 STAFF COSTS

	The Group		The Company	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'000	\$'000	\$'000	\$'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
	<u>146,929</u>	<u>127,467</u>	<u>106,978</u>	<u>94,087</u>

21 INVESTMENT INCOME

	The Group		The Company	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'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	<u>2</u>	<u>9</u>	<u>2</u>	<u>12</u>
	<u>38,166</u>	<u>24,863</u>	<u>29,720</u>	<u>18,292</u>

	The Group		The Company	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'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	<u>36,220</u>	<u>23,233</u>	<u>28,092</u>	<u>17,031</u>
	<u>38,166</u>	<u>24,863</u>	<u>29,720</u>	<u>18,292</u>

22 OTHER GAINS

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

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23 FINANCE COST

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

24 PROFIT BEFORE TAXATION

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

	The Group		The Company	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$'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	2,164	1,639

25 TAXATION

25.1 Recognised in statement of comprehensive income

(i) The charge for the year represents:

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

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25 TAXATION (Cont'd)

25.1 Recognised in statement of comprehensive income (Cont'd)

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

	The Group		The Company	
	<u>2012</u> \$'000	<u>2011</u> \$'000	<u>2012</u> \$'000	<u>2011</u> \$'000
Profit before taxation	<u>185,640</u>	<u>37,598</u>	<u>136,787</u>	<u>5,205</u>
Tax at the domestic income tax rate of 33½%	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	<u>387</u>	<u>1,171</u>	<u>385</u>	<u>721</u>
	<u>56,935</u>	<u>3,679</u>	<u>43,897</u>	<u>(7,450)</u>

25.2 Recognised in other comprehensive income

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

26 NET PROFIT OF THE GROUP FOR THE YEAR

Reflected in the financial statements of the:

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

27 EARNINGS PER SHARE

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

	<u>2012</u>	<u>2011</u>
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

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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.

The Group's operations are located solely in Jamaica.

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

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

THE JAMAICA STOCK EXCHANGE LIMITED

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28 SEGMENT REPORTING (Cont'd)

	2011					
	Exchange Operations	Depository Services	Investments Other	Trustees Services	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	<u>159,512</u>	<u>78,753</u>	<u>53,340</u>	<u>19,157</u>	(1,134)	<u>309,628</u>
Total revenue	<u>159,512</u>	<u>78,753</u>	<u>53,340</u>	<u>19,157</u>	(1,134)	<u>309,628</u>
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						<u>33,919</u>
Other information						
Depreciation and amortisation	7,757	3,431	-	-	-	11,188
Assets						
Segment assets	599,010	141,396	-	13,469	(99,436)	<u>654,439</u>
Liabilities						
Segment liabilities	147,311	66,123	-	3,953	(36,805)	<u>180,582</u>

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

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	
	<u>2012</u> \$'000	<u>2011</u> \$'000	<u>2012</u> \$'000	<u>2011</u> \$'000
Subsidiary Jamaica Central Securities Depository Limited				
Rental income	-	-	1,225	1,134

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29 RELATED PARTY TRANSACTIONS/BALANCES (Cont'd)

29.2 Amount owed by related party at reporting date

	<u>The Company</u>	
	<u>2012</u> \$'000	<u>2011</u> \$'000
Jamaica Central Securities Depository Limited	26,392	35,692
JCSD Trustee Services Limited	<u>2,782</u>	<u>1,069</u>
	<u>29,174</u>	<u>36,761</u>

29.3 Compensation of key management personnel

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

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

29.4 Loans to related parties

	<u>The Group</u>		<u>The Company</u>	
	<u>2012</u> \$'000	<u>2011</u> \$'000	<u>2012</u> \$'000	<u>2011</u> \$'000
Loans to key management personnel	<u>2,217</u>	<u>2,588</u>	<u>2,117</u>	<u>2,588</u>

30 COMMITMENTS

Capital commitments

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

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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 <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'000	December 31 <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'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.

THE JAMAICA STOCK EXCHANGE LIMITED

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	215,643
Loans and receivables (including cash and cash equivalents)	<u>271,880</u>	<u>136,926</u>	<u>65,695</u>	<u>241,334</u>	<u>131,656</u>	<u>100,257</u>
	<u>580,084</u>	<u>403,444</u>	<u>352,130</u>	<u>480,525</u>	<u>333,390</u>	<u>315,900</u>
Financial liabilities						
Other financial liabilities at amortised cost	<u>165,984</u>	<u>130,284</u>	<u>71,037</u>	<u>152,129</u>	<u>108,562</u>	<u>97,762</u>

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.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

31 FINANCIAL INSTRUMENTS (Cont'd)

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	171,008	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	<u>298,675</u>	<u>226,801</u>	<u>293,016</u>	<u>236,322</u>	<u>226,366</u>	<u>238,681</u>

31.6.1 Foreign currency sensitivity analysis

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 \$J\$23.6 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.

THE JAMAICA STOCK EXCHANGE LIMITED

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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 \$'000	2011 \$'000	2012 \$'000	2011 \$'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.

THE JAMAICA STOCK EXCHANGE LIMITED

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						Total \$'000
	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	
<u>2012</u>							
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	<u>17,339</u>	<u>36,178</u>	<u>21,892</u>	<u>200,735</u>	<u>82,599</u>	<u>358,743</u>
		<u>226,034</u>	<u>37,209</u>	<u>35,999</u>	<u>228,977</u>	<u>122,799</u>	<u>651,018</u>
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	-	<u>1,058</u>	<u>68,116</u>	-	-	<u>69,174</u>
		<u>101,802</u>	<u>2,644</u>	<u>81,595</u>	<u>17,412</u>	-	<u>203,453</u>
<u>2011</u>							
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	<u>1,645</u>	<u>7,794</u>	<u>15,899</u>	<u>168,878</u>	<u>78,608</u>	<u>272,824</u>
		<u>99,628</u>	<u>8,958</u>	<u>27,067</u>	<u>208,929</u>	<u>119,739</u>	<u>464,321</u>
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	-	<u>1,155</u>	<u>3,466</u>	<u>68,324</u>	-	<u>72,945</u>
		<u>75,405</u>	<u>2,835</u>	<u>12,246</u>	<u>87,790</u>	-	<u>178,276</u>

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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						Total \$'000
	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	
<u>2012</u>							
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
		<u>205,165</u>	<u>13,155</u>	<u>17,957</u>	<u>194,662</u>	<u>98,506</u>	<u>529,445</u>
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
		<u>65,510</u>	<u>2,644</u>	<u>74,470</u>	<u>17,412</u>	<u>-</u>	<u>160,036</u>
<u>2011</u>							
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
		<u>91,401</u>	<u>2,169</u>	<u>14,542</u>	<u>158,039</u>	<u>94,133</u>	<u>360,284</u>
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
		<u>20,617</u>	<u>2,835</u>	<u>8,505</u>	<u>87,790</u>	<u>-</u>	<u>119,747</u>

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.

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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
	<u>-</u>	<u>308,204</u>	<u>-</u>	<u>308,204</u>

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
	<u>-</u>	<u>266,518</u>	<u>-</u>	<u>266,518</u>

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
	<u>-</u>	<u>239,191</u>	<u>-</u>	<u>239,191</u>

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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			
	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000
Available-for-sale financial instruments				
Other				
Debt securities	-	<u>201,734</u>	-	<u>201,734</u>
	<u>-</u>	<u>201,734</u>	<u>-</u>	<u>201,734</u>

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 cents 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.

THE JAMAICA STOCK EXCHANGE LIMITED

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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
<u>ASSETS</u>				
Non-current assets				
Investment in securities	33.3	<u>502,866</u>	<u>406,978</u>	<u>395,122</u>
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	<u>10,572</u>	<u>15,459</u>	<u>95,468</u>
		<u>113,853</u>	<u>182,274</u>	<u>175,998</u>
Total assets		<u>616,719</u>	<u>589,252</u>	<u>571,120</u>
<u>EQUITY AND LIABILITIES</u>				
Contingency reserve	33.5	<u>604,296</u>	<u>578,617</u>	<u>559,818</u>
Non-current liabilities				
Deferred tax liabilities	33.6	<u>6,356</u>	<u>4,916</u>	<u>4,246</u>
Current liabilities				
Payable and accruals		<u>6,067</u>	<u>5,719</u>	<u>7,056</u>
Total equity and liabilities		<u>616,719</u>	<u>589,252</u>	<u>571,120</u>

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		<u>9,706</u>	<u>(901)</u>	<u>(5,029)</u>
		61,027	47,225	53,843
EXPENSES				
Administrative expenses	33.7	<u>(25,722)</u>	<u>(22,336)</u>	<u>(21,567)</u>
Net income		<u>35,305</u>	<u>24,889</u>	<u>32,276</u>
Taxation	33.8	<u>(8,517)</u>	<u>(8,498)</u>	<u>(3,609)</u>
NET PROFIT		<u>26,788</u>	<u>16,391</u>	<u>28,667</u>
OTHER COMPREHENSIVE INCOME				
Net fair value (loss) gain on revaluation of available-for-sale financial assets during the year		<u>(1,109)</u>	<u>2,408</u>	<u>955</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>25,679</u>	<u>18,799</u>	<u>29,622</u>

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YEAR ENDED DECEMBER 31, 2012

33 COMPENSATION FUND (Cont'd)

33.3 Investments in securities

	December 31, <u>2012</u> \$'000	December 31, <u>2011</u> \$'000	January 1, <u>2011</u> \$'000
<u>Held-to-maturity - at amortised cost</u>			
<i>Government of Jamaica Securities</i>			
NWC Variable rate bond 8.375% (2011: 8.31%)	24,363	30,451	30,528
<i>GOJ Benchmark Investment Notes</i>			
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
<i>Foreign Currency Investments</i>			
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	13,018	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)	<u>42,376</u>	<u>-</u>	<u>-</u>
	<u>516,576</u>	<u>406,981</u>	<u>395,122</u>
<u>Available-for-sale - At fair value</u>			
Investment in Unit Trusts (see below)	<u>15,548</u>	<u>17,211</u>	<u>13,599</u>
<u>Loans and receivables - At amortised cost</u>			
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%))	<u>51,964</u>	<u>68,862</u>	<u>51,416</u>
	<u>58,391</u>	<u>144,529</u>	<u>62,940</u>
	590,515	568,721	471,661
Less: Current portion	<u>(87,649)</u>	<u>(161,742)</u>	<u>(76,539)</u>
	<u>502,866</u>	<u>406,979</u>	<u>395,122</u>
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	<u>(1,663)</u>	<u>3,612</u>	<u>1,433</u>
Balance at December 31 (see above)	<u>15,548</u>	<u>17,211</u>	<u>13,599</u>

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33 COMPENSATION FUND (Cont'd)

33.4 Cash and cash equivalents

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

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	<u>26,788</u>	<u>16,391</u>	<u>28,667</u>
Closing contingency reserve	<u>604,296</u>	<u>578,617</u>	<u>559,818</u>

33.6 Deferred tax liabilities

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

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

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

33 COMPENSATION FUND (Cont'd)

33.8 Income tax

This comprises:

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Income tax	6,523	9,032
Deferred tax	<u>1,994</u>	<u>(534)</u>
	<u>8,517</u>	<u>8,498</u>

The charge for the year is reconciled to the net income as follows:

Net profit before taxation	<u>35,305</u>	<u>24,889</u>
Tax at 33 $\frac{1}{3}$ %	11,768	8,296
Tax effect of items not (chargable) deductible in determining taxable profits	<u>(3,251)</u>	<u>202</u>
	<u>8,517</u>	<u>8,498</u>

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.

THE JAMAICA STOCK EXCHANGE LIMITED
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 \$
<u>Consolidated statement of financial position</u>			
<u>ASSETS</u>			
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	<u>7,524</u>	<u>-</u>	<u>7,524</u>
Total non-current assets	<u>873,902</u>	<u>(406,978)</u>	<u>466,924</u>
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	<u>54,829</u>	<u>-</u>	<u>54,829</u>
Total current assets	<u>364,070</u>	<u>(185,587)</u>	<u>178,483</u>
Total assets	<u>1,237,972</u>	<u>(592,565)</u>	<u>645,407</u>
<u>EQUITY AND LIABILITIES</u>			
Capital and Reserves			
Share capital	168,590	-	168,590
Fair value reserve	7,272	-	7,272
Revenue reserve	<u>297,995</u>	<u>-</u>	<u>297,995</u>
	473,857	-	473,857
Contingency reserve	<u>578,617</u>	<u>(578,617)</u>	<u>-</u>
Total equity	<u>1,052,474</u>	<u>(578,617)</u>	<u>473,857</u>
Non-current liabilities			
Long-term liabilities	86,124	-	86,124
Deferred tax liabilities	<u>38,129</u>	<u>(13,948)</u>	<u>24,181</u>
Total non-current liabilities	<u>124,253</u>	<u>(13,948)</u>	<u>110,305</u>
Current liabilities			
Payables and accruals	54,499	-	54,499
Current portion of long-term liabilities	<u>6,746</u>	<u>-</u>	<u>6,746</u>
Total current liabilities	<u>61,245</u>	<u>-</u>	<u>61,245</u>
Total equity and liabilities	<u>1,237,972</u>	<u>(592,565)</u>	<u>645,407</u>

THE JAMAICA STOCK EXCHANGE LIMITED
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 \$
<u>Consolidated statement of comprehensive income</u>			
Income	256,288	-	256,288
Expenses	<u>265,391</u>	<u>-</u>	<u>265,391</u>
	(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	<u>(6,639)</u>	<u>-</u>	<u>(6,639)</u>
PROFIT BEFORE TAXATION	62,487	(24,889)	37,598
Taxation	<u>(12,177)</u>	<u>8,498</u>	<u>(3,679)</u>
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	<u>5,329</u>	<u>-</u>	<u>5,329</u>
OTHER COMPREHENSIVE INCOME	<u>7,737</u>	<u>(2,408)</u>	<u>5,329</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>58,047</u>	<u>(18,799)</u>	<u>39,248</u>

THE JAMAICA STOCK EXCHANGE LIMITED
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 \$
<u>Consolidated statement of financial position</u>			
<u>ASSETS</u>			
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	<u>6,935</u>	<u>-</u>	<u>6,935</u>
Total non-current assets	<u>865,187</u>	<u>(395,122)</u>	<u>470,065</u>
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	<u>36,723</u>	<u>-</u>	<u>36,723</u>
Total current assets	<u>270,526</u>	<u>(168,942)</u>	<u>101,584</u>
Total assets	<u>1,135,713</u>	<u>(564,064)</u>	<u>571,649</u>
<u>EQUITY AND LIABILITIES</u>			
Capital and Reserves			
Share capital	168,590	-	168,590
Fair value reserve	1,943	-	1,943
Revenue reserve	<u>264,076</u>	<u>-</u>	<u>264,076</u>
	434,609	-	434,609
Contingency reserve	<u>559,818</u>	<u>(559,818)</u>	<u>-</u>
Total equity	<u>994,427</u>	<u>(559,818)</u>	<u>434,609</u>
Non-current liabilities			
Long-term liabilities	69,487	-	69,487
Deferred tax liabilities	<u>29,789</u>	<u>(4,246)</u>	<u>25,543</u>
Total non-current liabilities	<u>99,276</u>	<u>(4,246)</u>	<u>95,030</u>
Current liabilities			
Payables and accruals	40,460	-	40,460
Current portion of long-term liabilities	<u>1,550</u>	<u>-</u>	<u>1,550</u>
Total current liabilities	<u>42,010</u>	<u>-</u>	<u>42,010</u>
Total equity and liabilities	<u>1,135,713</u>	<u>(564,064)</u>	<u>571,649</u>

THE JAMAICA STOCK EXCHANGE LIMITED
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 \$
<u>Consolidated statement of comprehensive income</u>			
Income	199,378	-	199,378
Expenses	<u>216,439</u>	<u>-</u>	<u>216,439</u>
	(17,061)	-	(17,061)
Investment income	33,159	-	33,159
Compensation Fund income (net)	32,276	(32,276)	-
Finance costs	<u>(13,800)</u>	<u>-</u>	<u>(13,800)</u>
PROFIT BEFORE TAXATION	34,574	(32,276)	2,298
Taxation	<u>2,828</u>	<u>(3,609)</u>	<u>(781)</u>
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	<u>1,065</u>	<u>-</u>	<u>1,065</u>
OTHER COMPREHENSIVE INCOME	<u>2,898</u>	<u>(955)</u>	<u>1,943</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>40,300</u>	<u>(36,840)</u>	<u>3,460</u>

THE JAMAICA STOCK EXCHANGE LIMITED
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 \$
<u>The company statement of financial position</u>			
<u>ASSETS</u>			
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	<u>7,111</u>	<u>-</u>	<u>7,111</u>
Total non-current assets	<u>836,163</u>	<u>(406,978)</u>	<u>429,185</u>
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	<u>40,652</u>	<u>-</u>	<u>40,652</u>
Total current assets	<u>346,380</u>	<u>(185,587)</u>	<u>160,793</u>
Total assets	<u>1,182,543</u>	<u>(592,565)</u>	<u>589,978</u>
<u>EQUITY AND LIABILITIES</u>			
Shareholders' Equity			
Share capital	168,590	-	168,590
Fair value reserve	6,456	-	6,456
Revenue reserve	<u>276,653</u>	<u>-</u>	<u>276,653</u>
	451,699	-	451,699
Contingency reserve	<u>578,617</u>	<u>(578,617)</u>	<u>-</u>
Total shareholders' equity	<u>1,030,316</u>	<u>(578,617)</u>	<u>451,699</u>
Non-current liabilities			
Long-term liabilities	86,124	-	86,124
Deferred tax liabilities	<u>29,712</u>	<u>(13,948)</u>	<u>15,764</u>
Total non-current liabilities	<u>115,836</u>	<u>(13,948)</u>	<u>101,888</u>
Current liabilities			
Payables and accruals	29,645	-	29,645
Current portion of long-term liabilities	<u>6,746</u>	<u>-</u>	<u>6,746</u>
Total current liabilities	<u>36,391</u>	<u>-</u>	<u>36,391</u>
Total equity and liabilities	<u>1,182,543</u>	<u>(592,565)</u>	<u>589,978</u>

THE JAMAICA STOCK EXCHANGE LIMITED

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 \$
<u>The Company statement of comprehensive income</u>			
Income	159,512	-	159,512
Expenses	<u>194,596</u>	<u>-</u>	<u>194,596</u>
	(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	<u>(6,480)</u>	<u>-</u>	<u>(6,480)</u>
PROFIT BEFORE TAXATION	30,094	(24,889)	5,205
Taxation	<u>(1,048)</u>	<u>(8,498)</u>	<u>7,450</u>
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	<u>4,111</u>	<u>-</u>	<u>4,111</u>
OTHER COMPREHENSIVE INCOME	<u>6,519</u>	<u>(2,408)</u>	<u>4,111</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>35,565</u>	<u>(18,799)</u>	<u>16,766</u>

THE JAMAICA STOCK EXCHANGE LIMITED
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 \$
<u>The company statement of financial position</u>			
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	<u>5,771</u>	<u>-</u>	<u>5,771</u>
Total non-current assets	<u>821,441</u>	<u>(395,122)</u>	<u>426,319</u>
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	<u>16,610</u>	<u>-</u>	<u>16,610</u>
Total current assets	<u>297,561</u>	<u>(168,942)</u>	<u>128,619</u>
Total assets	<u>1,119,002</u>	<u>(564,064)</u>	<u>554,938</u>
<u>EQUITY AND LIABILITIES</u>			
Shareholders' Equity			
Share capital	168,590	-	168,590
Fair value reserve	2,345	-	6,456
Revenue reserve	<u>263,998</u>	<u>-</u>	<u>263,998</u>
	434,933	-	434,933
Contingency reserve	<u>559,818</u>	<u>(559,818)</u>	<u>-</u>
Total shareholders' equity	<u>994,751</u>	<u>(559,818)</u>	<u>434,933</u>
Non-current liabilities			
Long-term liabilities	69,487	-	69,487
Deferred tax liabilities	<u>25,405</u>	<u>(4,246)</u>	<u>21,159</u>
Total non-current liabilities	<u>94,892</u>	<u>(4,246)</u>	<u>90,646</u>
Current liabilities			
Payables and accruals	27,809	-	27,809
Current portion of long-term liabilities	<u>1,550</u>	<u>-</u>	<u>1,550</u>
Total current liabilities	<u>29,359</u>	<u>-</u>	<u>29,359</u>
Total equity and liabilities	<u>1,119,002</u>	<u>(564,064)</u>	<u>554,938</u>

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 PRIOR YEAR RESTATEMENT (Cont'd)

34.4.2

	<u>Year Ended December 31, 2010</u>		
	<u>Previously Reported</u> \$	<u>Adjustments</u> \$	<u>Restated</u> \$
<u>The Company statement of comprehensive income</u>			
Income	145,258	-	145,258
Expenses	<u>164,550</u>	<u>-</u>	<u>164,550</u>
	(19,292)	-	(19,292)
Investment income	27,679	-	27,679
Compensation Fund income (net)	32,276	(32,276)	-
Finance costs	<u>(13,800)</u>	<u>-</u>	<u>(13,800)</u>
PROFIT (LOSS) BEFORE TAXATION	26,863	(32,276)	(5,413)
Taxation	<u>4,434</u>	<u>3,609</u>	<u>825</u>
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	<u>(267)</u>	<u>-</u>	<u>(267)</u>
OTHER COMPREHENSIVE INCOME	<u>3,300</u>	<u>(955)</u>	<u>2,345</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>34,597</u>	<u>(29,622)</u>	<u>2,243</u>

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:

	<u>Nominal Value</u> \$'000	<u>Inclusive of</u> US\$'000
The Group	153,708	259
The Company	117,983	109

THE JAMAICA STOCK EXCHANGE LIMITED**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.

Unaudited Financial Information

	Jamaica Stock Exchange	Statement II
Consolidated Statement of Comprehensive Income		
For the Three Months Ended March 31,2013		

	RESTATED		
	Unaudited	Unaudited	
	Three months ended	Three months ended	Twelve months ended
	March 2013	March 2012	December 2012
	\$'000	\$'000	\$'000
INCOME			
Cess	15,654	18,021	265,164
Fee Income	30,717	28,470	189,232
Ecampus	524	838	4,386
Other operating Income	22,568	17,066	45,519
	69,463	64,395	504,301
EXPENSES			
Staff costs	38,401	35,398	146,929
Property expenses	13,829	12,554	57,948
Depreciation and amortisation	5,183	3,981	19,526
Advertising and promotion	12,528	7,507	20,782
Professional fees	4,006	4,927	28,119
Securities commission fees	3,503	4,016	54,436
Allowances for doubtful debts			3,390
Ecampus	1,381	3,137	12,532
Other operating expenses	3,016	3,506	12,714
	81,847	75,026	356,376
Investment Income	21,872	7,773	38,166
Other Gains			5,931
Impairment of Investment	(482)		
Finance Cost	(1,477)	(1,672)	(6,382)
	7,529	(4,530)	185,640
PROFIT(LOSS) BEFORE TAXATION	7,529	(4,530)	185,640
Taxation	(1,721)	(1,578)	(56,935)
	5,808	(6,108)	128,705
NET PROFIT(LOSS)	5,808	(6,108)	128,705
OTHER COMPREHENSIVE INCOME			
Net fair value gain(loss) on available-for-sale financial assets during the period	1,412	(2,446)	(6,826)
	1,412	(2,446)	(6,826)
Other comprehensive income for the period, net of taxes	1,412	(2,446)	(6,826)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,220	(8,554)	121,879
Earnings per share	\$ 0.21	\$ (0.22)	\$ 4.59

JAMAICA STOCK EXCHANGE
Consolidated Statement Of Financial Position
At March 31,2013

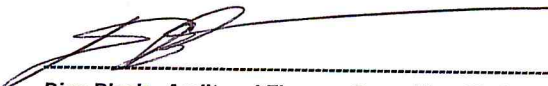
Restated

	Unaudited Three months ended March 2013 \$ '000	Unaudited Three months ended March 2012 \$ '000	Audited Twelve months ended December 2012 \$ '000
ASSETS			
Non-current assets			
Property Plant & Equipment	77,266	75,830	76,620
Intangible Assets	29,415	40,729	31,828
Financial Assets			
Post employment benefits	85,207	79,601	85,208
Investment in Securities	317,703	305,344	279,557
Long-term receivables	8,410	7,472	8,777
Total non-current assets	518,001	508,976	481,990
Current assets			
Income tax recoverable	12,302	37,973	12,771
Trade and other receivables	88,570	55,892	64,449
Investments in securities	88,950	4,607	49,396
Cash and cash equivalents	13,080	40,863	180,766
Total current assets	202,902	139,335	307,382
Total Assets	720,903	648,311	789,372
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital	168,590	168,590	168,590
Fair value reserve	1,858	4,826	446
Revenue reserve	334,670	291,887	412,462
Total equity	505,118	465,303	581,498
Non Current Liabilities			
Long Term Liabilities	12,228	85,183	14,334
Deferred Tax Liabilities	37,839	22,959	37,938
Total non-current liabilities	50,067	108,142	52,272
Current Liabilities			
Payable & Accruals	92,292	68,102	82,473
Current portion of long-term liabilities	73,426	6,764	73,129
Total current liabilities	165,718	74,866	155,602
Total Equity & Liabilities	720,903	648,311	789,372

Approved and authorized for issue by the Board of Directors on May 15,2013 and are signed on its behalf by:



 Donovan H. Perkins - Chairman



 Dian Black - Audit and Finance Committee Chairman

Jamaica Stock Exchange Consolidated Statement Of Changes In Equity 'For the Three Months Ending March 31, 2013	Statement III
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Restated	Share Capital	Fair Value Reserve	Revenue Reserve	Total
	\$'000	\$'000	\$'000	\$'000
Balance at January 1,2012	168,590	7,272	297,995	473,857
Profit for the period as restated	-		(6,108)	(6,108)
Other comprehensive income for the period		(2,446)		(2,446)
Total comprehensive income for the period as restated		(2,446)	(6,108)	(8,554)
		-		
Balance at March 31,2012	168,590	4,826	291,887	465,303
Balance at January 1,2013	168,590	446	412,462	581,498
Profit for the period	-		5,808	5,808
Other comprehensive income for the period		1,412		1,412
Total comprehensive income for the period		1,412	5,808	7,220
Payment of dividend			(83,600)	(83,600)
		-		
Balance at March 31,2013	168,590	1,858	334,670	505,118

STATEMENT IV

THE JAMAICA STOCK EXCHANGE
Consolidated Statement Of Cash Flows
Three Months Ended March 31,2013(Unaudited)

	RESTATED	
	Unaudited	Unaudited
	Three months ended	Three months ended
	March 2013	March 2012
	\$'000	\$'000
<i>Operating Activities</i>		
Net Surplus	5,808	(6,108)
Adjustments for items not affecting cash flows and changes in non- cash operating assets and liabilities (net)	(31,070)	(1,980)
Cash used in operating activities	(25,262)	(8,088)
Cash used in investing activities	(57,015)	(4,955)
Cash used in financing activities	(85,409)	(923)
<i>Net Increase In Cash and Cash Equivalents</i>	(167,686)	(13,966)
<i>Opening Cash and Cash Equivalents</i>	180,766	54,829
<i>Closing Cash and Cash Equivalents</i>	13,080	40,863

Jamaica Stock Exchange Consolidated Segment Report For the Three Months Ended March 31,2013(Unaudited)	STATEMENT V
---	--------------------

	2013					<u>Group</u> (\$ 000)
	<u>Exchange</u> <u>Operations</u> (\$ 000)	<u>Depository</u> <u>Services</u> (\$ 000)	<u>Investments</u> <u>Other</u> (\$ 000)	<u>Trustees</u> <u>Services</u> (\$ 000)	<u>Eliminations</u> (\$ 000)	
	External Revenue	45,882	13,849	21,872	9,732	
Total Revenue	45,882	13,849	21,872	9,732	(490)	90,845
Results						
Segment results	(11,285)	(4,567)	21,872	3,959	(490)	9,489
Finance Costs	(1,477)		(482)			(1,959)
Profit before Taxation						7,530
Taxation	(1,188)	(306)		(228)		(1,722)
Profit for the Period						5,808
Other information						
Depreciation & amortisation	3,684	1,490		9		5,183
Assets						
Segment assets	636,226	161,282		32,194	(108,799)	720,903
Liabilities						
Segment liabilities	192,103	57,726		12,122	(46,166)	215,785

	2012 Restated					<u>Group</u> (\$ 000)
	<u>Exchange</u> <u>Operations</u> (\$ 000)	<u>Depository</u> <u>Services</u> (\$ 000)	<u>Investments</u> <u>Other</u> (\$ 000)	<u>Trustees</u> <u>Services</u> (\$ 000)	<u>Eliminations</u> (\$ 000)	
	External Revenue	42,407	16,552	7,773	5,435	
Total Revenue	42,407	16,552	7,773	5,435	(490)	71,677
Result						
Segment result	(11,816)	(687)	7,773	2,361	(490)	(2,859)
Finance Costs						(1,672)
Profit before Taxation						(4,531)
Taxation		(849)		(728)		(1,577)
Loss for the Period						(6,108)
Other information						
Depreciation & amortisation	2,838	1,144				3,982
Assets						
Segment Assets	599,304	138,032		14,935	(103,960)	648,311
Liabilities						
Segment Liabilities	157,077	62,675		3,820	(40,564)	183,008

	COMPENSATION FUND Financial Position For the Three Months Ended March 31,2013	Statement VI
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Unaudited	Unaudited	Audited
Three months ended	Three months ended	Twelve months ended
March 2013	March 2012	December 2012
\$'000	\$'000	\$'000

ASSETS

Non-current assets

Investment in Securities	522,236	465,742	502,866
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Current assets

Income tax recoverable	4,990	1,734	4,809
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Other receivables	14,335	20,467	10,823
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Investment in securities	87,759	105,208	87,649
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Cash and cash equivalents	7,892	12,320	10,572
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	114,976	139,729	113,853
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Total Assets	637,212	605,471	616,719
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EQUITY AND LIABILITIES

Contingency reserve	620,473	583,251	604,296
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Non Current Liabilities

Deferred Tax Liabilities	6,106	13,715	6,356
--------------------------	-------	--------	-------

Current Liabilities

Payable & Accruals	10,633	8,505	6,067
--------------------	--------	-------	-------

Total Equity & Liabilities	637,212	605,471	616,719
---------------------------------------	----------------	----------------	----------------

Compensation Fund

Comprehensive Income

INCOME

Investment Income	13,587	12,263	51,321
-------------------	--------	--------	--------

Gain in value of investments	15,805	996	9,706
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	29,392	13,259	61,027
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EXPENSES

Administrative expenses	(6,548)	(5,615)	(25,722)
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Impairment of investment	(482)		
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Net Income	22,362	7,644	35,305
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Taxation	(5,685)	(2,548)	(8,517)
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NET PROFIT	16,677	5,096	26,788
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OTHER COMPREHENSIVE INCOME

Net fair value(loss) gain on revaluation of available for sale financial assets during the period	(500)	(464)	(1,109)
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TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	16,177	4,632	25,679
--	---------------	--------------	---------------

12. Risk Factors

Macro Economic Policies

Changes in fiscal and monetary policies introduced by the Government of Jamaica may affect the behavior of capital markets including the JSE and the market for listing or trading securities. Such changes may negatively affect the income and profits of the Company from exchange related operations.

New Regulatory Rules or Standards

The Company may also become subject to new regulatory rules or standards that differ from those that are presently applicable. Such new regulatory rules or standards could require the company to change its operations based on directions issued by the FSC or otherwise, and this may also affect its long - term profitability.

New Accounting Rules or Standards

The Company may become subject to new accounting rules or standards that differ from those that are presently applicable. Such new accounting rules or standards could require significant changes in the way the Company currently reports its financial position, operating results or cash flows. Such changes could be applied retrospectively. This is a risk that is common to companies that apply International Financial Reporting Standards (IFRS), as required under the Jamaican Companies Act.

Volatility in Price of Shares

Following their proposed admission to trading on the JSE the Shares may experience volatility in their market price which may extend beyond the short term and which may be dependent on the Company's financial performance, as well as on investors' confidence and other factors over which the Company has no control.

Operational Risk

The Company is subject to the risk of loss resulting from disruptions to its business, inadequate or failed internal processes, people and systems, or from external events (including severe weather, other acts of God social unrest). This definition also includes systemic risk (including the risk of accounting errors, failure to procure appropriate insurance coverage, and compliance failures), legal risk and reputation risk. This catch-all category of risks also includes employee errors, computer and manual systems failures, security failures, fire, floods or other losses to physical assets, and fraud or other criminal activity or any other risk that affects the volume of visitor arrivals to the island. The Directors consider that the Company is prudent and that it insures itself against some (but not all) of these risks. It may not be feasible for the Company to insure itself in respect of all of the risks mentioned, because no coverage maybe available or it is not economical to do so.

Risk of Catastrophic Events

Property and casualty insurers are subject to claims for property damage and business interruption arising out of natural disasters and other catastrophes, which may have a significant impact on their results of operations and financial condition. Natural disasters and other catastrophes can be caused by various events including, but not limited to, hurricanes, earthquakes, tornadoes, wind, hail, fires and explosions, and the incidence and severity of natural disasters and other catastrophes are inherently unpredictable. The extent of losses from a catastrophe is a function of 2 factors: the total amount of insured exposure in the area affected by the event and the severity of the event. Most natural disasters and other catastrophes are localised; however, hurricanes, earthquakes and floods have the potential to produce significant damage in widespread areas.

Key Partners

The Company relies on its business relationships with Member Dealers, listed companies, key service providers and stakeholders inclusive of the investing public. If the Company's relationship with any of those partners was disrupted or terminated for any reason the Company would have to identify new partners and its revenues and profits could be adversely affected in the interim.

Key Personnel

It is important that the Company attracts and retains appropriately skilled persons in order to operate its business, and to promote its growth. It is also important for the Company to replace personnel whose employment may be terminated for any reason within a reasonable time. In Jamaica, competition for qualified personnel can be intense, as there are a limited number of people with the requisite skills, knowledge and experience. The Company will need to attract and retain honest qualified personnel and failure to do so could have a material adverse impact on the Group's future prospects.

13. Professional Advisers to the Company

Stockbrokers to the Invitation

Stocks and Securities Limited
33¹/₂ Hope Road
Kingston 10

Auditors

Deloitte
7 West Avenue
Kingston 4

Attorneys to the Invitation

Patterson Mair Hamilton
Temple Court
85 Hope Road
Kingston 6

Registrars and Transfer Agents

Jamaica Central Securities Depository
40 Harbour Street
Kingston

14. Statutory and General Information

14.1 Statutory information required to be set out in this Prospectus by section 41 and the Third Schedule to the Companies Act

1. The Company has no founders or management or deferred shares.
2. The Articles of Incorporation fix no shareholding qualification for directors and none has been otherwise fixed by the Company in general meeting (Article 83 refers).
3. The Articles of Incorporation contain the following provisions with respect to the remuneration of Directors:
 - (a) The remuneration of the directors shall from time to time be determined by the Company in general meeting. Such remuneration shall be deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings or any committee of the Directors or general meetings of the Company in connection with the business of the Company. The Directors may award special remuneration out of the funds of the Company to any Director going or residing abroad in the interest of the Company, or undertaking any work additional to that usually required of Directors of a company similar to the Company. (Article 82)
 - (b) A director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs. (Article 84)
 - (c) A director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the directors may determine and no director or intending director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or management entered into by or on behalf of the Company in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relation thereby established. (Article 97(5))
 - (d) Any director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a director; provided that nothing herein contained shall authorise a director or his firm to act as auditor to the company. (Article 97(7))
 - (e) The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependents and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance. (Article 100)
 - (f) A Managing Director shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the directors may determine. (Article 123)
4. The names of the Directors of the Company appear in Section 8 of this Prospectus. The addresses of the Directors are as follows:
 - Christopher Berry, Mayberry Investments Limited, 1½ Oxford Road, Kingston 5
 - Dian Black, Ministry of Finance and Planning, 30 National Heroes Circle, Kingston 4
 - Dennis Cohen, NCB Capital Markets Limited, The Atrium: 3rd Floor, 32 Trafalgar Road, Kingston 10.
 - Mark Croskery, Stocks and Securities Limited, 33 ½ Hope Road, Kingston 5

- Jane George Lascelles DeMercado & Company Limited, 23 Dominica Drive, Kingston 5
 - Rita Humphries – Lewin, Barita Investments Limited, 15 St. Lucia Way, Kingston 5
 - Allan Lewis, Victoria Mutual Wealth Management Limited, 53 Knutsford Boulevard, Kingston 5
 - Garth Kiddoe, 1 Bougainvillea Avenue, Kingston 6
 - Edwin McKie, M/VL Stockbrokers Limited, 2 – 6 Grenada Avenue, Kingston 5
 - Julian Mair, Jamaica Money Market Brokers, 6 Haughton Terrace, Kingston 10
 - Lissant Mitchell, Scotia Investments Jamaica Limited, 7 Holborn Road, Kingston 10
 - Janet Morrison, DunnCox Attorneys-at-Law, P.O. Box 365, 48 Duke Street, Kingston
 - Livingstone Morrison, The Bank of Jamaica, Nethersole Place, P.O. Box 621, Kingston
 - Donovan Perkins Sagicor Investments (Jamaica) Limited, 60 Knutsford Boulevard, Kingston 5
 - Derick McKoy c/o M/VL Stockbrokers Limited, 2 – 6 Grenada Avenue, Kingston 5
 - Gary Peart, Mayberry Investments Limited, 1½ Oxford Road, Kingston 5
 - Dylan Coke, NCB Capital Markets Limited, The Atrium: 3rd Floor, 32 Trafalgar Road, Kingston 10.
 - Ian McNaughton, Barita Investments Limited, 15 St. Lucia Way, Kingston 5
 - Steven Whittingham First Global Financial Services, 2 St. Lucia Avenue, Kingston 5
5. The minimum amount required to be raised out of the proceeds of the Invitation (inclusive of calling on the underwriting commitment described in paragraph 18 below if necessary) to provide for the matters set out in paragraph 2 of Part 1 of the Third Schedule to the Companies Act (the “minimum subscription”) is \$79 million.
 6. The Invitation will open for subscription at 9:00 a.m. on Friday 5 July 2013 and will close at 4:00 p.m. on the Closing Date, Friday 19 July 2013 subject to the Company’s right to close the application list at any time after 9:00 a.m. on the Opening Date if Applications have been received for an amount in excess of the Shares offered under this Prospectus, or to extend the Closing Date as described in this Prospectus.
 7. All Applicants including Reserved Share Applicants will be required to pay in full the applicable price per Share as specified in the terms and conditions set out in Section 6.4 of this Prospectus. No further sum will be payable on allotment.
 8. No previous offer of ordinary shares in the Company has been made to the public. The Company previously offered its variable rate preference shares to the public in 2008.
 9. Save as set out in paragraphs 17 and 18 below no person has, or is entitled to be given, any option to subscribe for any shares in, or debentures of, the Company.
 10. As at 31st March 2013, being the date to which the Unaudited Financial Information of the Company is made up to, the Company held the following investments:

Investments in securities	\$88,950,000
Plus: cash and cash equivalents	<u>\$13,080,000</u>
Total investments	\$92,030,000
 11. There is no amount for goodwill, patent, or trademarks shown in the financial statements of the Company and there is no contract for sale and purchase, which would involve any goodwill, patent or trade marks.
 12. As at 31st March 2013, being the date to which the Unaudited Financial Information of the Company is made up to, the aggregate amount of indebtedness of the Company comprised non – current liabilities and current liabilities as follows:

<u>Non current liabilities:</u>	
Long term liabilities	\$12,228,000
Deferred tax liabilities	<u>\$37,839,000</u>
Total non current liabilities	\$50,067,000
<u>Current liabilities:</u>	
Accounts payable and accruals	\$92,292,000

Current portion of long term liabilities	<u>\$73,426,000</u>
Total current liabilities:	\$165,718,000

13. In the period represented by the Audited Financial Information the Company paid dividends on the Shares amounting to \$320,238,499 in the aggregate (\$220,000,000 paid in January 2009; a further \$14,238,499 paid in April 2012; \$88,000,000 paid in respect of the 2012 financial year in February 2013). In the same period the Company paid dividends on the listed variable rate preference shares as detailed below:

2008 -	\$ 5,497,800.00
2009 -	\$13,391,162.85
2010-	\$ 8,873,710.10
2011-	\$ 4,841,100.48
June 2012-	\$ 2,109,213.06

The variable rate preference shares were redeemed on 31 May 2013 and all principal amounts and remaining interest owing to shareholders on record as at 24 May 2013 were made on 31 May 2013.

The dividend policy of the Company is described in Section 7.19.

14. There is no property that is currently proposed to be purchased or acquired by the Company which is to be paid for wholly or partly out of the proceeds of this Invitation for the purposes of paragraphs 6 to 9 (inclusive) of Part 1 of the Third Schedule of the Companies Act.
15. Save as set out in paragraph 17 below within the 2 preceding years, no commissions have been paid, nor will any be payable to anyone for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or debentures of the Company.
16. The Company expects to pay the expenses of the Invitation out of the proceeds of its fundraising, and the Company estimates that such expenses will not exceed \$9.9 million (inclusive of brokerage and financial advisory fees, legal fees, underwriting fees, auditors' fees, Companies Registrar's fees, initial listing and other JSE and JCSD fees and GCT). Of those fees, the most material fees are those of the financial adviser and lead broker as set out in paragraph 17 below, and the legal fees of Patterson Mair Hamilton which amount to \$3.5 million exclusive of GCT and disbursements.
17. Within the last 2 years preceding the date of this Prospectus, no amount or benefit has been paid or given or is intended to be paid or given to any promoter save for SSL, by virtue of a Mandate Agreement dated as of 30th March 2012. Under the Agreement SSL is entitled to receive fees of \$4m for financial advisory and lead brokerage services in the Invitation, exclusive of GCT and disbursements.
18. The issue is not underwritten.
19. The material contracts of the Company are set out in section 7.15.
20. The external auditors of the Company are Deloitte of 7 West Avenue, Kingston 4, Jamaica.
21. Deloitte have given and have not withdrawn their consent to the issue of this Prospectus with the inclusion of their name in the context in which it is included.
22. The Company was incorporated on 16th August 1968 and it has carried on business since that date. As at the date of this Prospectus the Company has a subsidiary, JCSD which itself has a subsidiary, JCSD Trustee Services Limited.
23. The nature and extent of any interest of every director in the promotion of the Company is as stated in sections 8.2 and 8.4, above.

14.2 Taxation of Listed Shares

- Section 17(1)(d) of the Transfer Tax Act provides that transfers of shares made in the ordinary course of business on the Jamaica Stock Exchange will not attract transfer tax.

- The Schedule to the Stamp Duty Act provides that transfer documents in respect of share transfers made in the ordinary course of business on the Jamaica Stock Exchange will not attract Stamp Duty.
- Section 30(1)(c) of The Income Tax Act provides that the rate of income tax payable on dividend income received by holders of shares of companies listed on the Jamaica Stock Exchange is nil. Notwithstanding that, the Government announced that dividends paid to residents of Jamaica are subject to income tax at the rate of 15% as from 1st April 2013. Such tax is to be withheld at source.

Prospective investors should seek advice on the taxation of listed companies and their prospective investment in the Company from a professional adviser, and should not rely on the summary set out above.

15. Documents Available For Inspection

Copies of the following documents may be inspected **by appointment only**, at the law offices of Patterson Mair Hamilton, Temple Court, 85 Hope Road, Kingston 6, between the hours of 9:00 a.m. to 4:00 p.m. on Mondays to Fridays, up to and including the Closing Date (or the extended Closing Date as the case may be):

1. The Articles of Incorporation.
2. The JSE Rules.
3. The Material Contracts described in section 7.15.
4. The full text audited accounts of the Company for the 5 financial years ended 31st December 2008 to 2012 inclusive.
5. The consent of the auditors to the inclusion of each of their names and references thereto in the form and context in which they appear in this Prospectus.

16. Signatures

The Directors and the Selling Shareholder whose signatures appear below are individually and collectively responsible for the contents of this Prospectus:



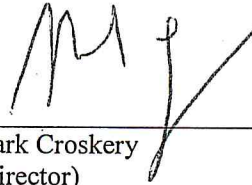
Donovan Perkins
(Chairman)



Dylan Coke
(Alternate for Dennis Cohen)



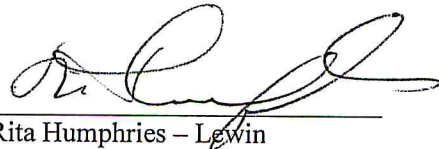
Allan Lewis
(Chairman Deputy)



Mark Croskery
(Director)



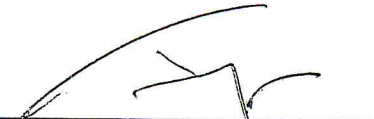
Christopher Berry
(Director)



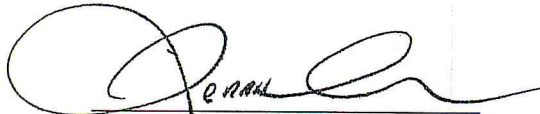
Rita Humphries - Lewin
(Director)



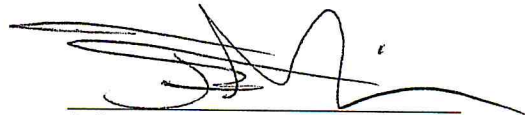
Gary Peart
(Alternate for Christopher Berry)



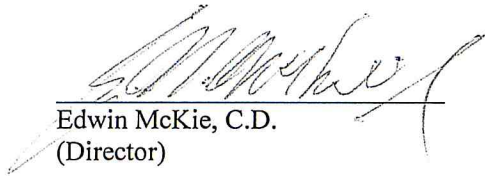
Ian McNaughton
(Alternate for Rita Humphries - Lewin)



Dennis Cohen
(Director)



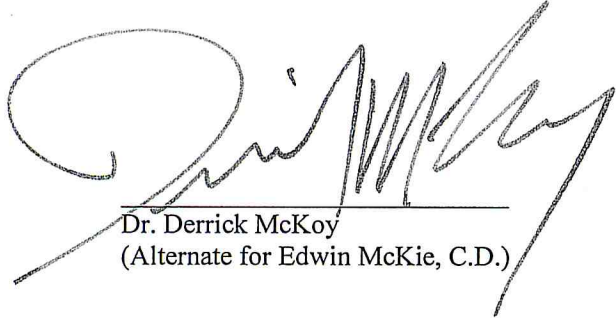
Julian Mair
(Director)



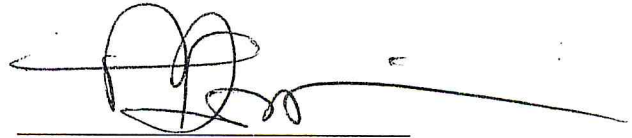
Edwin McKie, C.D.
(Director)



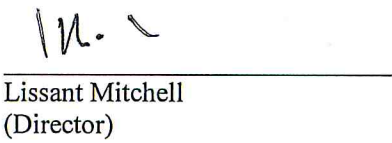
Jane George
(Independent Director)



Dr. Derrick McKoy
(Alternate for Edwin McKie, C.D.)



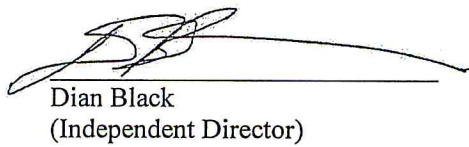
Livingstone Morrison
(Independent Director)



Lissant Mitchell
(Director)



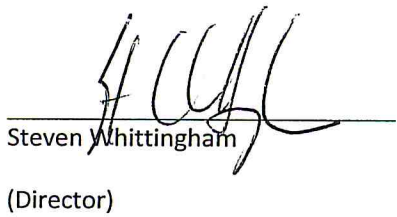
Garth Kiddoe
(Independent Director)



Dian Black
(Independent Director)



Janet E. Morrison
(Independent Director)



Steven Whittingham
(Director)

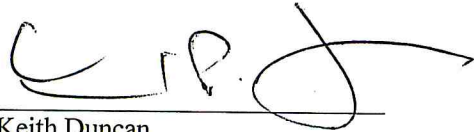
The directors of the board of the Selling Shareholder whose signatures appear below are individually and collectively responsible for the contents of this Prospectus:



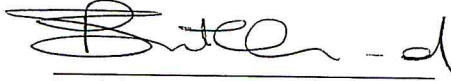
Noel Lyon
(Chairman)



Archibald Campbell
(Director)



Keith Duncan
(Director)



Patricia Sutherland
(Director)

PLEASE READ CAREFULLY BEFORE COMPLETING THIS FORM

To: ("THE JAMAICA STOCK EXCHANGE" or the "JSE")

Re: In respect of up to 38,250,000 Ordinary Shares at J\$2.85 each being offered made pursuant to the Prospectus dated and registered Wednesday, June 26, 2013. I/We confirm that I/we have read and understood and hereby agree to be bound by the terms and conditions contained in the Prospectus, all of which are incorporated in this Application Form by reference.

I/We hereby apply for ordinary shares in the Jamaica Stock Exchange on and subject to the terms and conditions of the Invitation set out in the Prospectus at the price of J\$2.85 each, and I/we attach my/our payment (*inclusive* of processing fees of J\$110.00) for or I/we request my broker to make payment on my/our behalf from cleared funds held by them in my /our names in account numbered _____, with them. I/We hereby instruct my/our broker to debit my/our account with the sum of J\$ for the purposes of my/our subscription of ordinary shares and processing fee as indicated above.

I/We agree to accept the same or any smaller number of Shares in respect of which this application may be accepted, subject to the terms and conditions in the Prospectus and the Articles of Incorporation of the JSE, by which I/we agree to be bound. I/We request you to sell and transfer to me/us the number of shares which may be allocated to me/us at the close of the said Invitation based on the terms and conditions governing applications, as set forth in the Prospectus. I/We hereby agree to accept the shares that may be allocated to me/us to be credited to an account in my/our name(s) in the Jamaica Central Securities Depository (JCSD).

INSTRUCTIONS TO COMPLETING APPLICATION FORM: All fields are relevant and must be completed.

Please indicate your JCSD account number here

BROKER CODE

PRIMARY HOLDER DETAILS

PRIMARY HOLDER (EITHER COMPANY OR INDIVIDUAL)

TITLE

TAXPAYER REGISTRATION NUMBER

CITIZENSHIP

NATIONALITY

CLIENT TYPE

ACCOUNT TYPE

OCCUPATION OR, IF EMPLOYED BY THE COMPANY PLEASE STATE YOUR POSITION, OR STATUS IF YOU ARE A PRIORITY SHARE APPLICANT

MAILING ADDRESS LINE 1

MAILING ADDRESS LINE 2

MAILING ADDRESS LINE 3

CITY (E.G. KINGSTON)

POSTAL CODE (E.G. 6)

COUNTRY CODE

TELEPHONE NUMBER (HOME)

TELEPHONE NUMBER (WORK)

TELEPHONE NUMBER (CELL)

SIGNATURES:

INDIVIDUAL: _____

DATE SIGNATURE AFFIXED: _____

COMPANIES (COMPANY SEAL OR STAMP REQUIRED):

DIRECTOR: _____

DIRECTOR/SECRETARY: _____

DATE SIGNATURES AFFIXED: _____

JOINT HOLDER INFORMATION

--

FIRST NAMED JOINT HOLDER

--

OCCUPATION

--

TAXPAYER REGISTRATION NUMBER

SIGNATURE _____

--

SECOND NAMED JOINT HOLDER

--

OCCUPATION

--

TAXPAYER REGISTRATION NUMBER

SIGNATURE _____

--

THIRD NAMED JOINT HOLDER

--

OCCUPATION

--

TAXPAYER REGISTRATION NUMBER

SIGNATURE _____



The Jamaica Environment Trust (JET) is a dynamic environmental nonprofit agency and a registered charity. Over its 20 year history, JET has educated more than 300,000 young Jamaicans and 600 teachers, through its flagship Schools' Environment Programme. JET has strived to increase environmental awareness in Jamaica through events, field trips and presentations. In 2011, JET coordinated 51 beach cleanups islandwide, with over 4,000 volunteers taking part. JET continues to be a voice for Jamaica's natural resources and for its people, like the community of Harbour View who needed a functioning sewage facility, which, due to JET's advocacy, they are now getting after more than 25 years. JET is passionate about Jamaica's natural environment, and needs your support. To make a voluntary contribution to JET, please choose from one of the options below:

J\$500.00 J\$1,000.00 J\$5,000.00 (Other Amount) J\$ _____

Your donation will be used in general support of JET's many efforts and activities in Jamaica and is fully tax deductible. Thank you for your interest in preserving Jamaica's natural environment

NOTES ON HOW TO COMPLETE THE APPLICATION FORM

1. All completed applications must be delivered to SSL, 33 1/2 Hope Road, Kingston 10, Saint Andrew or to any of the First Caribbean branches outlined in Section 6.4 of this Prospectus
2. Applications that are not from the Reserved Share pool must be for a minimum of 3,000 shares with increments in multiples of 1,000 shares. Applications in other denominations will **not** be processed or accepted.
3. All applicants must attach their payment for the specified number of Shares they have applied for, in the form of either:
 - A. A Manager's cheque made payable to Stocks and Securities Limited ("SSL")
 - B. Authorization on the Application Form from the Applicant instructing to make payment from cleared funds held in an investment account in the Applicant's name with their broker, or
 - C. Transfer in the Real Time Gross Settlement ("RTGS") system to SSL's designated account for the purposes of payments of \$3 million or more. Please contact for details
3. If you are applying jointly with any other person, you must complete the Joint Holder Information and each joint holder **must** sign the Application Form at the place indicated.
4. All Applicants must be at least 18 years old and must attach a certified copy of their T.R.N. card or Jamaican Driver's Licence displaying the T.R.N.
5. Share Certificates will not be issued unless specifically requested through your broker. Instead, the shares allotted to a successful applicant will be credited to his account at the Jamaica Central Securities Depository ("JCSD"). If the applicant does not have a JCSD account, one will be created and the allotted shares deposited to that account. Applicants may refer to the notice posted on the JSE website (www.jamstockex.com) for instructions on confirming Share Allotments
6. All Applicants are deemed to have accepted the terms and conditions set out in the Prospectus and the Articles of Incorporation of the Company generally.

THIS SECTION FOR USE BY BROKER ONLY

DATE APPLICATION RECEIVED: _____

TIME RECEIVED: _____

PAYMENT METHOD: CHEQUE / AUTHORISATION LETTER

CHEQUE NUMBER OR LETTER DATE: _____

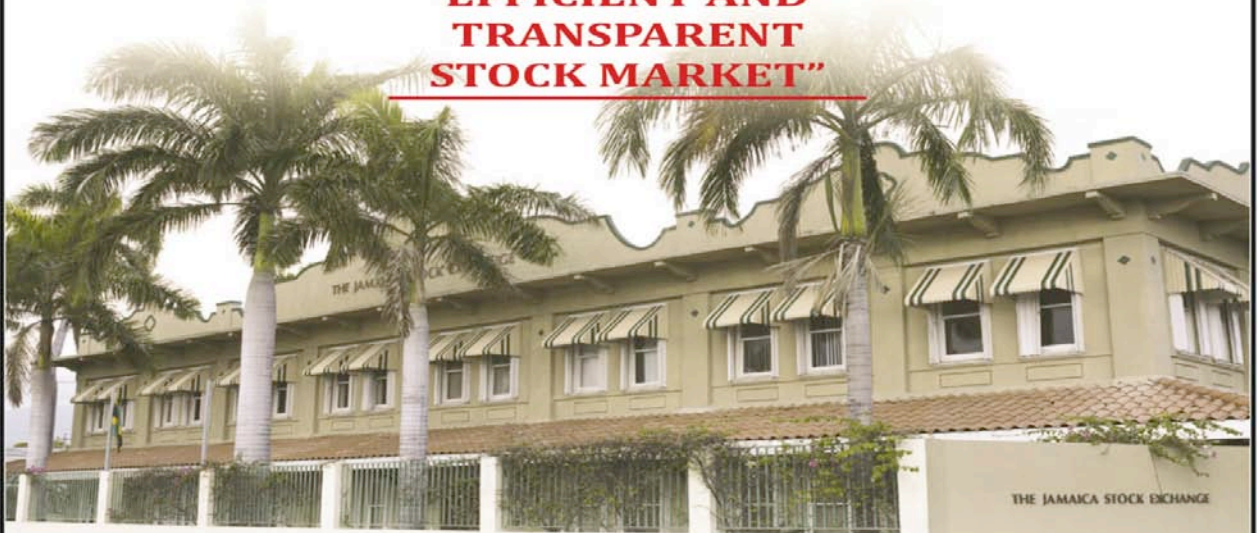
PAYMENT VALUE: _____

POOL: _____

BROKER STAMP AND SIGNATURE:



**“PROVIDING A FAIR
EFFICIENT AND
TRANSPARENT
STOCK MARKET”**



40 Harbour Street, Kingston. Tel: 967-3271-4 Fax: 924-9090
Email: info-jse@jamstockex.com Website: www.jamstockex.com