THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARIES

YEAR ENDED DECEMBER 31, 2010

CONTENTS

Deloitte.

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
Fax: (876) 979 0246

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 consolidated financial statements of the Company and its subsidiaries (the Group), set out on pages 2 to 57, which comprise the Group's and the Company's statements of financial position as at December 31, 2010, 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 and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Companies Act, 2004 of Jamaica. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

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, 2010 and of the Group's and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on additional requirements of the Companies Act, 2004 of Jamaica

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

In our opinion, proper accounting records have been maintained and the financial statements are in agreement therewith and give the information required by the Companies Act, 2004 of Jamaica in the manner so required.

Deloitte & Touche

Chartered Accountants

Kingston, Jamaica,
February 23, 2011

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2010

	Notes	2010 $'000	2009 $'000
ASSETS			
Non-current assets			
Property and equipment	5	87,555	92,704
Intangible assets	6	12,977	11,356
Financial assets:			
Compensation Fund	8.1	395,122	350,801
Other	8.2	286,435	298,999
Long-term receivables	9	6,935	5,818
Post employment benefits	10	76,163	41,694
Total non-current assets		865,187	801,372
Current assets			
Income tax recoverable		37,787	17,145
Trade and other receivables	11	26,963	25,188
Investment in securities:			
Compensation Fund	8.1	169,053	193,480
Other	8.2	-	152,099
Cash and bank deposits	12	36,723	20,359
Total current assets		270,526	408,271
Total assets		1,135,713	1,209,643
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	13	168,590	168,590
Fair value reserve	14	1,943	-
Revenue reserve	15	264,076	255,341
		434,609	423,931
Contingency reserve	16	559,818	530,196
Total equity		994,427	954,127
Non-current liabilities			
Long-term liabilities	17	69,487	66,000
Deferred tax liabilities	18	29,789	31,974
Total non-current liabilities		99,276	97,974
Current liabilities			
Accounts payable and accruals	19	40,460	65,553
Current portion of long-term liabilities	17	1,550	-
Borrowings	20	-	91,989
Total current liabilities		42,010	157,542
Total equity and liabilities		1,135,713	1,209,643

The notes on Pages 10 to 57 form an integral part of the financial statements.

The financial statements on Pages 2 to 57 were approved and authorized for issue by the Board of Directors on February 23, 2011, and are signed on its behalf by:

Director

Director

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2010

	Notes	2010 $'000	2009 $'000
Income			
Cess		82,624	50,240
Fee income		74,476	75,266
E-campus		1,464	-
Other operating income	21	40,814	33,465
		199,378	158,971
Expenses			
Staff costs	22	84,863	120,122
Property expenses		49,013	47,015
Depreciation and amortisation		13,883	13,564
Advertising and promotion		21,845	26,879
Professional fees		16,068	18,469
Securities commission fees		17,129	10,219
Allowances for doubtful debts		444	(256)
E-campus		1,911	-
Other operating expenses		11,283	7,701
		216,439	243,713
DEFICIT FROM OPERATIONS		(17,061)	(84,742)
Investment income	23	33,159	104,416
Compensation Fund income (net)	24	32,276	84,669
Finance cost	25	(13,800)	(39,535)
SURPLUS BEFORE TAXATION	26	34,574	64,808
Taxation	27	2,828	(21,790)
NET SURPLUS	28	37,402	43,018
OTHER COMPREHENSIVE INCOME			
Net gain arising on revaluation of available-for-sale financial assets - contingency reserve	16(b)	955	1,134
Net re-classification adjustments related to available-for-sale financial assets disposed		-	(4,242)
Net gain arising on held-to-maturity financial assets reclassified to available-for-sale during the year	14	1,943	-
Other comprehensive income for the year, net of taxes		2,898	(3,108)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		40,300	39,910
Net surplus (deficit) derived from operations - distributable		8,735	(17,033)
Net surplus of Compensation Fund - transferred to contingency reserve	16(a)	28,667	60,051
		37,402	43,018
Earnings per share	29	$0.31	($0.61)

The notes on Pages 10 to 57 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2010

	Note	Share Capital $'000	Fair Value Reserve $'000	Revenue Reserve $'000	Contingency Reserve $'000	Total $'000
Balance at January 1, 2009		168,590	(4,008)	272,374	477,261	914,217
Surplus for the year		-	-	43,018	-	43,018
Other comprehensive income for the year		-	4,008	-	(7,116)	(3,108)
Total comprehensive income for the year		-	4,008	43,018	(7,116)	39,910
Appropriation from revenue reserve to contingency reserve fund	16	-	-	(60,051)	60,051	-
Balance at December 31, 2009		168,590	-	255,341	530,196	954,127
Surplus for the year		-	-	37,402	-	37,402
Other comprehensive income for the year		-	1,943	-	955	2,898
Total comprehensive income for the year		-	1,943	37,402	955	40,300
Appropriation from revenue reserve to contingency reserve fund	16	-	-	(28,667)	28,667	-
Balance at December 31, 2010		168,590	1,943	264,076	559,818	994,427

The notes on Pages 10 to 57 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

	Note	2010 $'000	2009 $'000
OPERATING ACTIVITIES			
Net surplus		37,402	43,018
Adjustments for:			
Depreciation of property and equipment		11,225	10,429
Amortisation of intangible assets		2,658	3,135
Gain on disposal of available-for-sale investments		-	(6,363)
Unrealised foreign exchange losses (gains) on investments		12,184	(3,099)
Post employment benefit charge		(29,268)	5,302
Allowance for doubtful debts		444	(256)
Income tax expense		(2,828)	21,790
Interest income		(99,225)	(168,481)
Interest expense		13,800	39,535
Operating cash flows before movements in working capital		(53,608)	(54,990)
Increase in trade and other receivables		(2,219)	(2,320)
Decrease in accounts payable		(25,093)	(214,865)
Post employment benefit contributions		(5,200)	(4,348)
Cash utilized in operations		(86,120)	(276,523)
Income tax paid		(21,449)	(103,541)
Interest paid		(13,800)	(13,391)
Cash used in operating activities		(121,369)	(393,455)
INVESTING ACTIVITIES			
Investment securities (net)			
Compensation Fund		(24,954)	(69,895)
Other		154,597	55,692
Proceeds from disposal of available-for-sale investments		-	59,855
Acquisition of property and equipment		(6,076)	(12,078)
Acquisition of intangible assets		(4,279)	(2,785)
Long-term receivables		(1,117)	(1,662)
Interest received		106,589	193,274
Cash provided by investing activities		224,760	222,401
FINANCING ACTIVITIES			
Proceeds from loans		5,037	132,000
Loan repaid		(91,989)	(40,011)
Cash (used in) provided by financing activities		(86,952)	91,989
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		16,439	(79,065)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		20,359	98,860
Effect of foreign exchange rate changes		(75)	564
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	36,723	20,359

The notes on Pages 10 to 57 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED

STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2010

	Notes	2010 $'000	2009 $'000
ASSETS			
Non-current assets			
Property and equipment	5	79,582	88,484
Intangible assets	6	9,192	6,590
Investment in subsidiary	7	56,000	55,000
Investments in securities			
Compensation Fund	8.1	395,122	350,801
Other	8.2	215,643	234,835
Long-term receivable	9	5,771	4,248
Post employment benefits	10	60,131	33,355
Total non-current assets		821,441	773,313
Current assets			
Income tax recoverable		31,142	11,208
Trade and other receivables	11	16,051	14,467
Investments in securities			
Compensation Fund	8.1	169,053	193,480
Other	8.2	-	133,026
Due from related party	31	64,705	62,309
Cash and cash equivalents	12	16,610	11,973
Total current assets		297,561	426,463
Total assets		1,119,002	1,199,776
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	13	168,590	168,590
Fair value reserve	14	2,345	-
Revenue reserve	15	263,998	261,368
		434,933	429,958
Contingency reserve	16	559,818	530,196
Total shareholders' equity		994,751	960,154
Non-current liabilities			
Long-term liabilities	17	69,487	66,000
Deferred tax liabilities	18	25,405	28,189
Total non-current liabilities		94,892	94,189
Current liabilities			
Current portion of long-term liabilities	17	1,550	-
Accounts payable and accruals	19	27,809	53,444
Borrowings	20	-	91,989
Total current liabilities		29,359	145,433
Total equity and liabilities		1,119,002	1,199,776

The notes on Pages 10 to 57 form an integral part of the financial statements.

The financial statements on Pages 2 to 57 were approved and authorized for issue by the Board of Directors on February 23, 2011, and are signed on its behalf by:

....
Director

....
Director

THE JAMAICA STOCK EXCHANGE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2010

	Notes	2010 $'000	2009 $'000
INCOME			
Cess		61,968	37,614
Fee income		38,993	41,531
E-campus		1,464	-
Other operating income	21	42,833	121,397
		145,258	200,542
EXPENSES			
Staff costs	22	63,936	91,066
Property expenses		30,784	28,122
Depreciation and amortization		9,787	10,501
Advertising and promotion		21,601	26,551
Professional fees		12,181	14,113
Securities commission fee		16,817	9,409
Allowance for irrecoverable debts		-	(278)
Other operating expenses		7,533	4,632
E-campus expenses		1,911	-
		164,550	184,116
(DEFICIT) SURPLUS FROM OPERATIONS		(19,292)	16,426
Investment income	23	27,679	87,962
Compensation fund income (net)	24	32,276	84,669
Finance cost	25	(13,800)	(39,535)
SURPLUS BEFORE TAXATION	26	26,863	149,522
Taxation	27	4,434	(24,311)
NET SURPLUS		31,297	125,211
OTHER COMPREHENSIVE INCOME			
Net gains arising on revaluation of available-for-sale financial assets - contingency reserve	16(b)	955	1,134
Net reclassification adjustments related to available-for-sale financial assets		-	(5,597)
Net gain arising on held-to-maturity financial assets reclassified to available-for-sale during the year	14	2,345	-
Other comprehensive income for the year, net of taxes		3,300	(4,463)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		34,597	120,748

The notes on Pages 10 to 57 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2010

	Note	Share Capital $'000	Fair Value Reserve $'000	Revenue Reserve $'000	Contingency Reserve $'000	Total $'000
Balance at January 1, 2009		168,590	(2,653)	196,208	477,261	839,406
Surplus for the year		-	-	125,211	-	125,211
Other comprehensive income for the year		-	2,653	-	(7,116)	(4,463)
Total comprehensive income for the year		-	2,653	125,211	(7,116)	120,748
Appropriation from revenue reserve to contingency reserve fund	16	-	-	(60,051)	60,051	-
Balance at December 31, 2009		168,590	-	261,368	530,196	960,154
Surplus for the year		-	-	31,297	-	31,297
Other comprehensive income for the year		-	2,345	-	955	3,300
Total comprehensive income for the year		-	2,345	31,297	955	34,597
Appropriation from revenue reserve to contingency reserve fund	16	-	-	(28,667)	28,667	-
Balance at December 31, 2010		168,590	2,345	263,998	559,818	994,751

The notes on Pages 10 to 57 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

	Note	2010 $'000	2009 $'000
OPERATING ACTIVITIES			
Net surplus		31,297	125,211
Adjustments for:			
Depreciation of property and equipment		8,209	8,220
Amortisation of intangible assets		1,578	2,281
Foreign exchange loss (gains) on investments		9,891	(2,160)
Post employment benefit (credit) charge		(23,039)	4,760
Allowance for doubtful debts		-	(278)
Gain on sale of investments in available-for-sale financial assets		-	(8,395)
Income tax (credit) expense		(4,434)	24,311
Interest income		(91,430)	(155,090)
Interest expense		13,800	39,535
Operating cash flows before movements in working capital		(54,128)	38,395
Increase in trade and other receivables		(1,584)	(53)
Decrease in accounts payable		(25,635)	(212,286)
Post employment benefit contributions		(3,736)	(3,997)
Cash used in operations		(85,083)	(177,941)
Income tax paid		(19,934)	(79,344)
Interest paid		(13,800)	(13,391)
Cash used in operating activities		(118,817)	(270,676)
INVESTING ACTIVITIES			
Investment securities (net)			
Compensation fund		(24,954)	(69,895)
Other		152,751	42,070
Proceeds from sale of investments in available-for-sale financial assets		-	49,478
Investment in subsidiary		(1,000)	-
Advances to/payments from subsidiary		(2,396)	(106,930)
Acquisition of property and equipment		(4,414)	(12,078)
Acquisition of intangible assets		(4,180)	(2,785)
Long-term receivable		(1,523)	(1,405)
Interest received		96,197	150,861
Cash provided by investing activities		210,481	(49,316)
FINANCING ACTIVITIES			
Proceeds from loans		5,037	132,000
Loan repaid		(91,989)	(40,011)
Dividends received		-	77,000
Cash (used in) provided by financing activities		(86,952)	168,989
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		4,712	(52,371)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		11,973	63,926
Effect of foreign exchange rate change		(75)	418
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	16,610	11,973

The notes on Pages 10 to 57 form an integral part of the financial statements.

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 registered office of the company is 40 Harbour Street, Kingston, Jamaica.

Effective April 1, 2008, the Company was fully demutualized with the formal separation of its regulatory arm from its commercial arm. The new organizational structure of the company, inclusive of the Regulatory and Market Oversight Committee, illustrates a clear line of demarcation between the Company's twin role of regulating participants in a fair and transparent stock market, and operating an efficient platform on which that market trades, which is the commercial arm of the company.

As part of the demutualization, the Company issued preference shares to the public and these preference shares were listed on the Jamaica Stock Exchange effective May 2008. (See also Note 13).

These financial statements are expressed in Jamaican dollars.

1.2 ***Principal Activities***

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

Subsidiary	Principal Activity
Jamaica Central Securities Depository Limited (JCSD) and its wholly-owned Subsidiary JCSD Trustee Services Limited (Incorporated July 21, 2008)	To establish and maintain a Central Securities Depository (CSD) in Jamaica to transfer ownership of securities "by book entry", including shares, stocks, bonds or debentures of companies and other eligible securities. Its subsidiary JCSD Trustee Services Limited provides trustee company management custodianship and related services.

Both the JCSD and its subsidiary are incorporated in Jamaica.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) ***Standards and Disclosures affecting amounts reported in the current period (and/or prior periods)***

There were no standards or interpretations that were applied in the year that affected the presentation and disclosures or the reporting results in these financial statements.

(b) ***Standards and Interpretations applied with no effect on financial statements***

Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of *Improvements to IFRS* issued in 2009)	The amendments to IFRS 5 clarify that the disclosure requirements in IFRS other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRS require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements. This change has no impact on the Group's financial statements as it has no non-current assets held for sale or any discontinued operation.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

(b) *Standards and Interpretations applied with no effect on financial statements (Cont'd)*

Amendments to IAS 1 *Presentation of Financial Statements* (as part of *Improvements to IFRS* issued in 2009)	The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. This amendment has no impact on the Group's financial statements as the Group had no such transaction.
Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRS issued in 2009)	The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. This amendment has no impact on the financial statements as it was always the Group's policy to classify such expenditures as investing activities.
IAS 17 (Revised), Leases	Amendments resulting from April 1, 2009 annual Improvements to IFRS issued (effective for annual periods beginning on or after January 1, 2010) reflected the deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17.
IAS 27 (revised in 2008) *Consolidated and Separate Financial Statements*	The adoption of IAS 27 (2008) results in changes in accounting for changes in ownership interests in subsidiaries. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the company to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss. The adoption of these amendments has no impact on the financial statements as the Group has no subsidiary that was disposed of during the year.
IAS 28 (revised in 2008) *Investments in Associates*	The principle adopted under IAS 27 (2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss. This change in policy has not affected the financial statements as the Group has no investments in associates.

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

(b) ***Standards and Interpretations applied with no effect on financial statements (Cont'd)***

IAS 36 (Revised), Impairment of Assets	Amendments resulting from April 1, 2009 annual Improvements to IFRS (effective for annual periods beginning on or after January 1, 2010) clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8 Operating Segments (i.e. before the aggregation of segments with similar economic characteristics permitted by IFRS 8.12).
IAS 38 (Revised), Intangible Assets	Amendments resulting from April 2009 Annual Improvements to IFRS (effective for annual periods beginning on or after July 1, 2009). Consequential amendments arising from IFRS 3 (2008) to clarify the requirements under IFRS 3 (2008) regarding accounting for intangible assets acquired in a business combination.
Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*	The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease. This amendment has no impact on the financial statements as the Group is not a first-time adopter of IFRS.
Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*	The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award. The Group does not conduct such transactions and as such this amendment does not affect these financial statements.
IFRS 2 and IFRS 8	Amendments arising from April 2009 annual improvements to IFRS.
IFRS 3 (Revised), Business Combinations	The revised standard provides a comprehensive revision on applying the acquisition method.
IAS 31 (Revised) Interest in Joint Ventures	IAS 31 was consequentially amended arising from amendments to IFRS 3.
Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of *Improvements to IFRS* issued in 2008)	The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale. This amendment has no impact on the financial statements as the Group does not have any asset held-for-sale classified under IFRS 5 or as discontinued operations.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options. This amendment has no impact on the financial statements as the Group has not been involved in any hedged accounting.

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

(b) *Standards and Interpretations applied with no effect on financial statements (Cont'd)*

IFRIC 9 (Revised), Reassessment of Embedded Derivatives	Amendments arising from April 2009 Annual Improvements to IFRS (effective for annual periods beginning on or after July 1, 2009) to confirm that, in addition to business combinations as defined by IFRS 3 (2008), derivatives acquired in the formation of a joint venture and in common control transactions are outside the scope of IFRIC 9.
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	Amendments effective July 1, 2009, to clarify that hedging instruments may be held by any entity or entities within the group. This includes a foreign operation that itself is being hedged.
IFRIC 17 *Distributions of Non-cash Assets to Owners*	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. This interpretation's adoption does not have any impact on the financial statements as the Group has not been involved in any distribution of non-cash assets to business.

(c) *Standards and interpretations in issue not yet effective*

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective for the financial period being reported on:

		Effective for annual periods <u>beginning on or after</u>
<u>New Standards</u>		
IFRS 9	Financial Instruments - Classification and Measurement	January 1, 2013
<u>Revised Standards</u>		
IAS 1, 34 and IFRS 7	Amendments arising from May 2010 Annual Improvements to IFRS	January 1, 2011
IAS 24 (Revised)	Related Party Disclosures – Revised definition of related parties	January 1, 2011
IAS 27 and IFRS 3 (Revised)	Amendments arising from May 2010 Annual Improvements to IFRS	July 1, 2010
IAS 32 (Revised)	Financial Instruments: - Amendment relating to classification of rights issue	February 1, 2010
Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets	July 1, 2011
IFRS 9 (as amended in 2010)	Financial Instruments	January 1, 2013
Amendments to IAS 32	Classification of Rights Issues	February 1, 2010

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

(c) ***Standards and interpretations in issue not yet effective (Cont'd)***

		Effective for annual periods beginning on or after
New and Revised Interpretations		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
IFRIC 13 (Revised)	Amendments arising from May 2010 Annual Improvements to IFRS	January 1, 2011
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement	January 1, 2011

The Board of Directors and management have assessed the impact of all the new and revised Standards and Interpretations in issue not yet effective and have concluded that the following are relevant to the operations of the Group:

New and Revised Standards and Interpretations in issue not yet effective that are relevant

- Amendment specifically to *IAS 1 and IFRS 7* resulting from the May 2010 Annual Improvements to IFRS is not expected to have any significant impact on the Group's financial statements on adoption at their respective effective dates.

- *IAS 24 (Revised 2009) Related Party Disclosures* – Amendment to IAS 24 allows for a partial exemption from the disclosures requirements for transactions between a government – controlled reporting entity and that government or entities controlled by that government. The revision also resulted in an amendment to the definition of related party. On adoption at its effective date, the revised standard is not expected to have a significant impact on the Group's financial statements.

- The amendments to IFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

  The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

- *IFRS 9 – Financial Instruments: Classification and Measurement* – IFRS 9 introduces new requirements for classifying and measuring financial assets. On adoption at its effective date, the standard requires that all financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are to be subsequently measured at amortised cost or fair value. Specifically, debt investments held within a business model principally to collect the contractual principal and interest cash flows are generally measured at amortised cost while all other debt and equity investments are measured at their fair values at the end of subsequent accounting periods

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 certain financial instruments that are measured at fair values as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The principal accounting policies are set out below.

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 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 into 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*

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

Properties in the course of construction for supply or administrative purposes, or for purposes not yet determined are carried at cost, less any recognized impairment loss. Cost includes professional fees, and for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policies. Such properties are classified to the appropriate categories of property, plant 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.

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

Freehold land is not depreciated.

An item of property and equipment is de-recognised 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 recognized in the statement of comprehensive income.

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 amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization 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 Intangible assets in the course of development

Intangible assets in the course of development are carried at cost less any impairment losses. Costs include professional fees capitalized in accordance with the group's accounting policies. Amortisation of these assets, on the same basis as other intangible assets, commences when the assets are ready for their intended use.

3.5.3 Derecognition of intangible assets

An intangible asset is derecognized 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 recognized in profit or loss when the asset is derecognized.

3.6 ***Impairment of tangible and intangible assets***

At the end of each reporting year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

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

3.7 ***Investment in subsidiary***

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

3.8 ***Financial Instruments***

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

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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

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 de-recognised on a trade date basis. Regular was purchases or sale are 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 on 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

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

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. Fair value is determined in the manner described in Note 33.11. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in fair value reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in the statement of comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is included in surplus or deficit for the period.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting year. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in statement of comprehensive income, and other changes are recognised in equity.

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 balances which are short-term in nature 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 indication of impairment at the end of each reporting period. Financial assets are 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, and 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 recognizes in the statement of comprehensive income.

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 recognized 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 recognized, the previously recognized impairment loss is reversed through the statement of comprehensive income 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 recognized.

3.9.6 De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire; or 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 recognizes 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 recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On de-recognition 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 recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

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

3.10.1 Classification as debt or equity

Debt and equity instruments 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.

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

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.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

3.10 ***Financial liabilities and equity instruments issued by the Group (Cont'd)***

3.10.3 Financial liabilities

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

Other financial liabilities that include borrowings and accounts payable are initially measured at fair values net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

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 on 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.

3.10.3.2 *De-recognition of financial liabilities*

The Group de-recognises financial liability when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in surplus or deficit for the period.

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 year. 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 recognizes immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The post employment benefit asset recognizes in the statement of financial position represents the fair value of the plan assets, as adjusted for unrecognized□d actuarial gains and losses and unrecognized 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 unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 surplus for the year. Taxable surplus differs from the net surplus 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 at the end of the reporting period.

3.12.2 Deferred tax

Deferred tax is recognizes on 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 surpluses. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductable temporary differences to the extent that it is probable that taxable surpluses will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from 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 surplus nor the accounting surplus.

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 surplus will be available to allow all or part of the asset to be recovered.

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

3.12.3 Current and deferred tax for the period

Current and deferred tax for the period is recognized in net surplus or deficit, except when it relates to items that are recognized in other comprehensive income or directly in equity respectively.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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*

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

3.14.1 <u>Income from operations</u>

Cess income

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

3.14.2 <u>Fee income</u>

Fee income of the company, derived from annual listing fees charged to listed companies is accounted for on the accruals basis. Fee income of the company also includes initial listing fees paid by entities wishing to be listed on the Stock Exchange. These are accounted for as received.

Fee income of the subsidiaries includes:

- <u>Membership fees</u>

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.14 *Revenue recognition (Cont'd)*

3.14.2 Fee income (Cont'd)

- 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, company management, custodianship and related services and are accounted for on the accrual basis.

3.14.3 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.

3.14.4 Investment income

Interest income

Interest income from a financial asset is recognized 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, 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.

3.15 *Compensation fund*

3.15.1 Compensation fund receipts

These are contributions by members of the Stock Exchange, based on a percentage of the volume of business done by them through the Exchange, for maintaining the Contingency Reserve Fund. However, during the year there were no contributions by the member dealers as the Board was of the view that the reserve was adequate for the specific purpose. (See 3.15.2 below).

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.15 *Compensation fund (Cont'd)*

3.15.2 <u>Contingency reserve</u>

This fund is created out of surpluses for the purpose of providing some protection to the investing public who have suffered 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 Board has decided to transfer each year from income to the fund an amount equivalent to the total of compensation fund receipts (Note 3.15.1 above) and compensation fund investment income net of the charge for income tax related to such receipts and investment income. The amount of the fund is invested as detailed in Note 8.1.

3.16 Segment reporting

The Group has adopted IFRS 8 Operating Segments with effect from January 1, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's `system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segment.

The activities of the Group are organized into the following primary segments:

(a) Exchange operations
(b) Depository
(c) Investments – Compensation Fund
(d) Investments – Other
(e) Trustees Services

The adoption of IFRS 8, has not resulted in any changes to how segment are identified within the Group.

3.17 *Foreign currencies*

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the Group operates (its functional currency).

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items are included in the statement of comprehensive income.

3.18 *Dividends*

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.19 *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 are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognized 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, management is 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 recognizes 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*

The following is a critical judgment, apart from those involving estimations (see 4.2 below) that the management has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognizes in the financial statements.

4.1.1 Held-to-maturity investments

The directors have reviewed the Group's held-to-maturity financial assets of the compensation fund in light of its liquidity requirements and have confirmed the Group's positive intention and ability to hold these assets to maturity. The carrying amount of these held-to-maturity financial assets is $395 million. Details of these assets are set out in Note 8.

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 Post employment benefit

As disclosed in Note 10, the Group operates a defined benefit pension plan. The asset amounts shown in the statement of financial position of approximately $76.163 million (2009: $41.694 million) for the Group and $ 60.131 million (2009: $33.355 million) for the Company, in respect of the defined benefits plan 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 rate in respect of the pension plan.

The estimated return on pension assets assumption is determined by considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group estimates the appropriate discount rate annually which rate is used to determine the present value of estimated cash outflows expected to be required to settle post employment benefit obligations. Actuaries are contracted in this regard.

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

4.2 ***Key sources of estimation uncertainty***

4.2.1 Post employment benefit (Cont'd)

The effect of experience adjustments on the plan assets and liabilities are disclose in Note 10.

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

4.2.2 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 recognizes 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 18 and 27).

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

5 PROPERTY AND EQUIPMENT

	The Group								
	Freehold Land $'000	Land Improvement $'000	Freehold Buildings $'000	Furniture & Fixtures $'000	Office Equipment $'000	Computer Hardware $'000	Motor Vehicles $'000	Work-in-Progress $'000	TOTAL $'000
Cost									
January 1, 2009	16,682	70	64,655	9,199	14,919	54,742	670	578	161,515
Additions	-	-	183	40	107	3,063	-	8,685	12,078
Transfer	-	-	578	-	-	-	-	(578)	-
December 31, 2009	16,682	70	65,416	9,239	15,026	57,805	670	8,685	173,593
Additions	-	-	-	671	469	2,393	-	2,543	6,076
Transfer	-	-	-	-	-	10,215	-	(10,215)	-
December 31, 2010	16,682	70	65,416	9,910	15,495	70,413	670	1,013	179,669
Depreciation									
January 1, 2009	-	-	13,690	5,477	9,062	41,829	402	-	70,460
Charge for year	-	-	1,651	566	2,352	5,726	134	-	10,429
December 31, 2009	-	-	15,341	6,043	11,414	47,555	536	-	80,889
Charge for year	-	-	1,654	575	2,154	6,708	134	-	11,225
December 31, 2010	-	-	16,995	6,618	13,568	54,263	670	-	92,114
Carrying amount									
December 31, 2010	16,682	70	48,421	3,292	1,927	16,150	-	1,013	87,555
December 31, 2009	16,682	70	50,075	3,196	3,612	10,250	134	8,685	92,704

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

5 **PROPERTY AND EQUIPMENT (Cont'd)**

	The Company								
	Freehold Land	Land Improvement	Freehold Buildings	Furniture & Fixtures	Office Equipment	Computer Hardware	Motor Vehicles	Work-in-Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost									
January 1, 2009	16,682	70	64,655	6,670	12,866	41,855	670	578	144,046
Additions	-	-	183	40	107	3,063	-	8,685	12,078
Transfer	-	-	578	-	-	-	-	(578)	-
December 31, 2009	16,682	70	65,416	6,710	12,973	44,918	670	8,685	156,124
Transfer	-	-	-	-	-	5,108	-	(5,108)	-
Additions	-	-	-	671	469	1,035	-	2,239	4,414
Transfer to JCSD	-	-	-	-	-	-	-	(5,107)	(5,107)
December 31, 2010	16,682	70	65,416	7,381	13,442	51,061	670	709	155,431
Depreciation									
January 1, 2009	-	-	13,690	4,812	7,809	32,707	402	-	59,420
Charge for year	-	-	1,651	322	2,039	4,074	134	-	8,220
December 31, 2009	-	-	15,341	5,134	9,848	36,781	536	-	67,640
Charge for year	-	-	1,654	332	1,881	4,208	134	-	8,209
December 31, 2010	-	-	16,995	5,466	11,729	40,989	670	-	75,849
Carrying amount									
December 31, 2010	16,682	70	48,421	1,915	1,713	10,072	-	709	79,582
December 31, 2009	16,682	70	50,075	1,576	3,125	8,137	134	8,685	88,484

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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.

6 INTANGIBLE ASSETS

	The Group			The Company		
	Computer Software	Computer Software Development Project	Total	Computer Software	Computer Software Development Project	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
January 1, 2009	36,676	7,203	43,879	24,975	2,302	27,277
Additions	-	2,785	2,785	-	2,785	2,785
Transfer	4,901	(4,901)	-	-	-	-
December 31, 2009	41,577	5,087	46,664	24,975	5,087	30,062
Additions	4,279	-	4,279	4,180	-	4,180
December 31, 2010	45,856	5,087	50,943	29,155	5,087	34,242
Amortisation						
January 1, 2009	32,173	-	32,173	21,191	-	21,191
Charge for the year	3,135	-	3,135	2,281	-	2,281
December 31, 2009	35,308	-	35,308	23,472	-	23,472
Charge for the year	2,658	-	2,658	1,578	-	1,578
December 31, 2010	37,966	-	37,966	25,050	-	25,050
Carrying amount						
December 31, 2010	7,890	5,087	12,977	4,105	5,087	9,192
December 31, 2009	6,269	5,087	11,356	1,503	5,087	6,590

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, JCSD is as follows:

	2010	2009
	$'000	$'000
Shares - at cost	56,000	55,000

The company invested an additional $1 million in ordinary shares during the year.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

8 INVESTMENTS IN SECURITIES

8.1 Compensation Fund

	The Group and The Company	
	2010	2009
	$'000	$'000
Held-to-maturity – At amortized cost		
Government of Jamaica Securities		
Variable Rates Local Registered Stocks: (2009:12.5% - 18.975%)	-	41,915
Investment Debentures: (2009: 16% - 24.5%)	-	82,550
Investment Bonds: (2009: 17.50% - 21.63%)	-	224,395
Bank of Jamaica certificate of deposits (2009: 17.4%)	-	3,200
NWC Variable Note – 9.74% (2009: 21.17%)	30,528	31,009
GOJ Benchmark Investment Notes		
Fixed Rate Notes 12.5% - 12.75%	151,609	-
Variable Rate Notes 8.96% - 11.75%	151,498	-
Foreign Currency Investments		
GOJ Fixed rate US$ Global bonds; 10.625%, 2017 (nominal value US$350,000)	30,935	30,621
Government of Belize guaranteed mortgage notes, 2029 (nominal value US$49,201 – 4.25%)	4,350	4,459
GOJ US$ 8% Global Bond 2019 (nominal value US$195,000)	13,583	13,460
GOJ Fixed Rate US$ Benchmark Note 6.75%, 2013 (nominal value US$144,000)	12,619	13,065
	395,122	444,674
Available-for-sale – At fair value		
Investment in Unit Trusts	13,599	12,166
Loans and receivables – At amortized cost		
Repurchase agreements – 6.5% - 11% (2009: 13% - 21%)	11,524	10,717
Repurchase agreements (nominal value US$777,749; 3.5% - 4.7%) (2009: nominal value US$735,179; 4% - 6%)	51,416	43,609
	62,940	54,326
Cash and Others		
Cash and cash equivalents	95,468	37,356
Other receivables	3,880	2,959
Payables	(6,834)	(7,200)
	92,514	33,115
	564,175	544,281
Less: Current portion	(169,053)	(193,480)
	395,122	350,801

The movement for the year in available-for-sale investments is as follows:

	2010	2009
Opening balance	12,166	45,133
Movement in fair value	1,433	(32,967)
Closing balance	13,599	12,166

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

8 INVESTMENTS IN SECURITIES (Cont'd)

8.2 (a) Other

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Held-to-maturity – at amortised cost				
Government of Jamaica Securities				
Variable Rates Local Registered Stocks: (2009: 12.5% - 18.975%)	-	33,431	-	33,431
Investment Debentures: (2009: 16% - 24.5%)	-	786	-	-
NWC Variable Note (2009: 21.17%)	-	2,067	-	2,067
Government of Jamaica Investment Bonds (2009: 17.5% - 21.63%)	-	233,038	-	208,781
Foreign Currency Investments				
Government of Belize guaranteed mortgage notes (nominal value US$49,201- 4.25%)	-	4,459	-	4,459
GOJ US$ Global Bond (nominal value US$200,000)	-	17,485	-	-
GOJ 7.25% US$ Indexed Bond (US$518,000)	-	47,417	-	19,961
GOJ 8.0% Global Euro Bond 2019 (nominal value US$600,000)	-	52,454	-	52,454
GOJ 10.625% US$ Global Bond (nominal value US$410,000)		35,869	-	35,869
GOJ Fixed Rate US$ Indexed Bond - AIC 9% (nominal value US$100,000)	-	9,188	-	-
	-	436,194	-	357,022
Available-for-sale - at fair value				
NWC Variable Note 9.74%	1,893	-	1,893	-
Benchmark Investment Notes				
Fixed rate Notes 12.5% - 12.75%	35,431	-	35,431	-
Variable Rate Notes 8.96% - 11.75%	91,102	-	66,988	-
Foreign Currency Investments				
GOJ 10.625% US$ Global Bond, 2017 (nominal value US$410,000)	41,617	-	41,617	-
Government of Belize guaranteed mortgage Notes, 2029 (nominal value US$49,201- 4.25%)	1,909	-	1,909	-
GOJ FR 6.75% and 7% US$ Benchmark Notes, 2013/2014 (nominal value US$518,000)	44,691	-	18,784	-
GOJ 8.0% Global Euro Bond 2019 (nominal value US$600,000)	49,021	-	49,021	-
GOJ US$ Global Bond 2019 - 8% (nominal value US$200,000)	16,276	-	-	-
AIC Barbados Fixed Rate US$ Indexed Bond 13.25% (nominal value US$50,000)	4,495	-	-	-
	286,435	-	215,643	-
Loans and receivables - at amortised cost				
Repurchase agreements: (2009: 11.55% - 12.25%)	-	14,904	-	10,839
	286,435	451,098	215,643	367,861
Less: Current portion	-	(152,099)	-	(133,026)
	286,435	298,999	215,643	234,835

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

8 INVESTMENTS IN SECURITIES (Cont'd)

8.2 (a) Other (Cont'd)

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
The movement for the year in available-for-sale Investments is as follows:				
Opening balance	-	21,848	-	12,880
Decrease in fair value	1,943	-	-	-
Disposal of units	-	(21,848)	-	(12,880)
Closing balance	1,943	-	-	-

8.2 (b) With respect to 2009, certain investments listed above were held as security for borrowings by Pan Caribbean Financial Services Limited, see Note 20.

8.3 The company participated in the Jamaica Debt Exchange (JDX) programme which was effective February 24, 2010. The stated objective of the programme was to reduce the cost, as well as lengthen the maturity profile, of GOJ's domestic debt portfolio. Under the JDX, GOJ retired certain existing debt instruments ("Old Notes") and issued new debt instruments ("New Notes") with an extended maturity profile and at rates of interest lower than the rates of interest on the existing debt instruments.

The company's portfolio of Old Notes was replaced with a portfolio of New Notes (Benchmark Notes) on a "par for par" basis such that the principal amounts received at maturity provided by the Old Notes are equal to the corresponding amounts received from the New Notes.

8.4 Reclassification of held-to-maturity investments to available-for-sale

In April 2010, the Group encashed an investment security classified as held-to-maturity to pay down a debt. As a consequence, in accordance with International Financial Reporting Standards, the entire class of held-to-maturity investment securities of the Group were reclassified as available-for-sale. These investments are therefore stated at fair market values in the statement of financial position at the reporting date. The resulting gain, net of deferred tax effect, is recognized in the fair value reserve.

9 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 year-end amounting to $2.903 million (2009: $3.425 million) (The Company: $1.930 million (2009: $2.541 million) is included in other receivable.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

10 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 Guardian 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 independent actuarial valuations (currently 6.6% of pensionable salary) to meet the obligations of the scheme. The pension benefits are determined on a final salary basis at 2% of final pensionable salary times pensionable years of service.

The most recent actuarial valuation was carried out at December 31, 2010, by Duggan Consulting Limited, a qualified actuary. The present value of the defined benefit obligation and the related current service costs and past service costs have been measured using the projected unit credit method.

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

	The Group and the Company	
	2010	2009
Discount rate	11.0%	16.0%
Expected return on plan assets	10.0%	15.0%
Expected rate of salary increase	8.0%	11%
Future pension increases	0.0%	0.0%

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

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Present value of defined benefit obligations	(71,921)	(36,362)	(50,046)	(29,090)
Fair value of plan assets	125,525	103,532	87,346	82,826
	53,604	67,170	37,300	53,736
Past service costs not yet recognised	-	272	-	218
Unrecognised actuarial (gains)/ losses	22,559	(4,559)	22,831	(3,648)
Assets not recognised due to limitation in paragraph 58 of IAS 19	-	(21,189)	-	(16,951)
Net asset in the statement of financial position	76,163	41,694	60,131	33,355

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

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

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current service cost	1,224	1,024	1,301	819
Interest cost	6,605	5,645	5,234	4,516
Expected return on plan assets	(16,180)	(7,487)	(12,841)	(5,990)
Past service costs	272	272	218	218
Recognised loss/(gain)	-	550	-	440
Increase in unrecognised assets	(21,189)	5,298	(16,951)	4,757
Total included in employee benefit costs	(29,268)	5,302	(23,039)	4,760
Actual return on plan assets	15,403	7,487	(1,035)	5,990

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

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Opening balance	41,695	42,649	33,356	34,119
Amount credited (charged) to income	29,268	(5,302)	23,039	(4,760)
Contributions paid	5,200	4,348	3,736	3,997
Closing balance	76,163	41,695	60,131	33,356

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

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Opening defined benefit obligations	36,362	30,963	29,090	24,770
Service cost	1,224	1,024	1,301	819
Interest cost	6,605	5,645	5,234	4,516
Members' contributions	5,804	5,573	3,866	4,482
Benefits paid	(2,344)	(562)	(2,047)	(472)
Actuarial gain/(loss)	24,270	(6,281)	12,602	(5,025)
Closing defined benefit obligations	71,921	36,362	50,046	29,090

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

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

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Opening fair value of plan assets	103,532	74,869	82,826	59,895
Members' contributions	5,804	5,573	3,866	3,962
Employer's contributions	5,200	4,348	3,736	3,997
Expected return on plan assets	16,180	7,487	12,841	5,990
Benefits paid	(2,344)	(562)	(2,047)	(472)
Actuarial (loss)/gain	(2,847)	11,817	(13,876)	9,454
Closing fair value of plan assets	125,525	103,532	87,346	82,826

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

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Equity investment	29,760	22,308	20,832	17,846
Government of Jamaica securities	51,537	37,465	36,076	29,973
Real estate	20,000	20,000	14,000	16,000
Others	24,228	23,759	16,438	19,007
Fair value of plan asset	125,525	103,532	87,346	82,826

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				
	2010	2009	2008	2007	2006
	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	(71,921)	(36,362)	(30,963)	(20,005)	(17,530)
Fair value of plan assets	125,525	103,532	74,869	75,060	70,038
Fund surplus	53,604	67,170	43,906	55,055	52,508
Experience adjustments on plan liabilities	(24,270)	6,281	(1,243)	(2,908)	(605)
Experience adjustments on plan assets	2,847	(11,817)	15,332	6,125	6,351

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

	The Company				
	Defined Benefit Pension Plan				
	2010	2009	2008	2007	2006
	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	(50,046)	(29,090)	(24,770)	(16,004)	(14,024)
Fair value of plan assets	87,346	82,826	59,895	60,048	56,031
Fund surplus	37,300	53,736	35,125	44,044	42,007
Experience adjustments on plan liabilities	(12,602)	5,025	(1,265)	(1,732)	(624)
Experience adjustments on plan assets	13,876	(9,454)	12,266	4,277	4,942

The Group and the Company expect to make contributions of $5.2 million and $3.7 million respectively (2009: $4.21 million and $3.10 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.

11 **TRADE AND OTHER RECEIVABLES**

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Cess receivable	6,553	8,268	5,022	6,106
E-campus	763	-	763	-
Other	21,464	18,685	12,349	10,429
	28,780	26,953	18,134	16,535
Less: Allowance for doubtful debts – other receivables	(6,743)	(6,299)	(4,963)	(4,963)
	22,037	20,654	13,171	11,572
Prepayments	4,926	4,534	2,880	2,895
	26,963	25,188	16,051	14,467

The average credit period on services is 30 days. No interest is charged on the trade and other receivables. The Group has provided for receivables over 180 days, 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 $967,000 for the Group and $570,000 for the Company (2009: approximately $261,000 for the Group and nil for the Company), which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

11 TRADE AND OTHER RECEIVABLES (Cont'd)

Ageing of past due other receivables not impaired

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
180 – 365 days	773	261	376	-
Over 1 year	194	-	194	-
	967	261	570	-

Movement in allowance for doubtful debts on other receivables

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Balance at beginning of year	6,299	6,555	4,963	5,241
Impairment losses recognised on receivables	444	(256)	-	(278)
Balance at end of year	6,743	6,299	4,963	4,963

In determining the recoverability of a receivable, the group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. Concentration of credit risk is limited due to the nature of the customer base. Accordingly, management believes that there is no further credit provision required in excess of the allowance for doubtful debts and that non-past due unimpaired receivable are collectable in full.

Ageing of impaired other receivables

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
180 + days	6,743	6,299	4,963	4,963

12 CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement 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 and are held to meet cash requirements rather than for investment purposes.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

12 CASH AND CASH EQUIVALENTS (Cont'd)

Cash and cash equivalents include:

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cash on hand and in banks	13,490	9,771	4,136	4,588
Money market investments denominated in Jamaican dollars at interest rate of 5.7% (2009: 14.5%)	15,938	6,765	12,226	5,000
Money market investment denominated in foreign currency US$2,898 (2009: US$26,801) at interest rate 3.7% (2009: 4.3% -5.6%)	7,295	3,823	248	2,385
	36,723	20,359	16,610	11,973

13 SHARE CAPITAL

	2010 No. of shares	2009 No. of shares	2010 $'000	2009 $'000
Authorised at January 1 and December 31:				
Ordinary shares - no par value (see (a) below)	600,000,000	600,000,000		
Preference shares - no par value (see (a) below)	100,000,000	100,000,000		
Issued capital at January 1 and December 31:				
Ordinary shares - no par value	28,050,000	28,050,000		
Preference shares - no par value	33,000,000	33,000,000		
Stated capital				
At January 1 and December 31			113,590	113,590
Issue of ordinary shares (see (b) below)			55,000	55,000
33,000,000 preference shares at $2.00 each (see (c) below)			66,000	66,000
			234,590	234,590
Less: Redeemable preference shares classified as liabilities as required by IFRS (see (a),(c) below) (Note 17)			(66,000)	(66,000)
			168,590	168,590

(a) At an extraordinary general meeting of the shareholders held April 17, 2008, a resolution was approved to reclassify the seven hundred million (700,000,000) ordinary shares to six hundred million (600,000,000) ordinary shares and one hundred million (100,000,000) Class 'A' variable redeemable preference shares and that thirty three million (33,000,000) of the one hundred million (100,000,000) variable rate preference shares be allotted by way of a public offer at a price of $2.00 each.

(b) By ordinary resolution dated April 17, 2008, 27,500,000 ordinary shares were issued to its existing shareholders pro-rated to the current holdings by capitalizing $55,000,000 out of the retained earnings.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

13 SHARE CAPITAL (Cont'd)

(c) Preference shares

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

14 FAIR VALUE RESERVE

The reserve represents the fair value adjustment relating to available-for-sale investments in securities – other (Note 8.2).

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Balance at January 1	-	(4,008)	-	(2,653)
Net loss on reclassification of held-to-maturity financial assets to available-for-sale	1,065	-	(267)	-
Net gain arising on revaluation of available-for-sale financial assets	1,849	-	3,784	-
Net gain arising from disposal of available-for-sale financial assets	-	6,011	-	3,979
Deferred tax adjustments on available-for-sale financial assets	(971)	(2,003)	(1,172)	(1,326)
Balance at December 31	1,943	-	2,345	-

15 REVENUE RESERVE

Reflected in the financial statements of the:

	2010	2009
	$'000	$'000
Parent company	263,998	261,368
Subsidiaries	78	(6,027)
	264,076	255,341

16 CONTINGENCY RESERVE

	The Group and the Company	
	2010	2009
	$'000	$'000
a) The transfer from revenue reserve comprises:		
Surplus - Compensation fund before taxation	32,276	84,669
Less:		
Income tax charge for year at 33⅓%	13,347	29,363
Deferred tax adjustment	(9,738)	(4,745)
	(3,609)	24,618
	28,667	60,051

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

16 **CONTINGENCY RESERVE (Cont'd)**

a) (Cont'd)

The reserve comprises:

	The Group and the Company	
	2010	2009
	$'000	$'000
Investment before fair value adjustment	564,277	545,816
Fair value adjustments	(102)	(1,535)
Investments in securities (see Note 8.1)	564,175	544,281
Income tax recoverable (payable)	(111)	6,394
Deferred tax liability	(4,246)	(20,479)
	559,818	530,196

		2010	2009
		$'000	$'000
b)	Balance at January 1	(1,023)	6,093
	Net adjustment related to available-for-sale financial assets	1,433	1,700
	Deferred tax on adjustment on revaluation of available-for-sale investments	(478)	(566)
	Net adjustments related to available-for-sale financial assets disposed of during the year		(12,374)
	Deferred tax adjustments on disposal of available-for-sale investments	- -	4,124
	Balance at December 31	(68)	(1,023)

17 **LONG-TERM LIABILITIES**

	The Group and the Company	
	2010	2009
	$'000	$'000
National Commercial Bank Jamaica Limited (NCB)	5,037	-
Less: Current portion	(1,550)	-
	3,487	-
Preference shares (Note 13)	66,000	66,000
	69,487	66,000

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.

Interest 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 IT equipment and hypothecation of $10 million held at NCB Capital Markets.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

18 DEFERRED TAX

This comprises:

	The Group 2010 $'000	The Group 2009 $'000	The Company 2010 $'000	The Company 2009 $'000
Deferred tax assets	6,403	11,740	3,972	9,274
Deferred tax liabilities	(36,192)	(43,714)	(29,377)	(37,463)
Net position at December 31	(29,789)	(31,974)	(25,405)	(28,189)

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

	The Group 2010 $'000	The Group 2009 $'000	The Company 2010 $'000	The Company 2009 $'000
At January 1	(31,974)	(49,404)	(28,189)	(43,775)
Credited to income for the year (Note 27)	3,634	15,875	4,434	13,354
(Charged) credited to fair value reserve for the year	(971)	(2,003)	(1,172)	(1,326)
Credited (charged) to contingency reserve for the year	(478)	3,558	(478)	3,558
At December 31	(29,789)	(31,974)	(25,405)	(28,189)

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

Deferred Tax Assets

	The Group					The Company			
	Interest Payable $'000	Accrued Vacation $'000	Unrealised Loss on Investments $'000	Tax Loss $'000	Total $'000	Accrued Vacation $'000	Interest Payable $'000	Tax Loss $'000	Total $'000
At January 1, 2009	-	877	677	200	1,754	732	-	-	732
Charged to fair value reserve for the year	-	-	(677)	-	(677)	-	-	-	-
(Charged) Credited to income for the year	8,715	(161)	-	2,109	10,663	(173)	8,715	-	8,542
At December 31, 2009	8,715	716	-	2,309	11,740	559	8,715	-	9,274
(Charged) Credited to income for the year	(8,715)	31	-	3,347	(5,337)	49	(8,715)	3,364	(5,302)
At December 31, 2010	-	747	-	5,656	6,403	608	-	3,364	3,972

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

Deferred Tax Liabilities

	The Group					The Company				
	Capital Allowance in excess of Depreciation	Interest Receivable	Unrealised Gains in Investment in Securities	Retirement Benefit Assets	Total	Capital Allowance in excess of Depreciation	Interest Receivable	Unrealised Gains in Investment in Securities	Retirement Benefit Assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At January 1, 2009	(4,828)	(11,641)	(20,474)	(14,215)	(51,158)	(3,540)	(10,768)	(18,827)	(11,372)	(44,507)
(Charged) Credited to income for the year	929	3,649	317	317	5,212	668	3,309	581	254	4,812
Charged to fair value reserve	-	-	(1,326)	-	(1,326)	-	-	(1,326)	-	(1,326)
Credited to contingency reserve	-	-	3,558	-	3,558	-	-	3,558	-	3,558
At December 31, 2009	(3,899)	(7,992)	(17,925)	(13,898)	(43,714)	(2,872)	(7,459)	(16,014)	(11,118)	(37,463)
(Charged) Credited to income for the year	303	1,790	18,369	(11,491)	8,971	615	1,589	16,458	(8,926)	9,736
Charged to fair value reserve	-	-	(971)	-	(971)	-	-	(1,172)	-	(1,172)
Credited to contingency reserve	-	-	(478)	-	(478)	-	-	(478)	-	(478)
At December 31, 2010	(3,596)	(6,202)	(1,005)	(25,389)	(36,192)	(2,257)	(5,870)	(1,206)	(20,044)	(29,377)

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

19 ACCOUNTS PAYABLE AND ACCRUALS

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Accruals and other payables	40,460	65,553	27,809	53,444

20 BORROWINGS

	The Group and the Company	
	2010	2009
	$'000	$'000
Pan Caribbean Financial Services Limited (interest rate - 23% - 25.75%)	-	91,989

This relates to a reverse repurchase agreement payable on demand.

21 OTHER OPERATING INCOME

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Regional conference	9,777	12,180	9,777	12,180
Dividend received from subsidiary	-	-	-	77,000
Other	31,037	21,285	33,056	32,217
	40,814	33,465	42,833	121,397

22 STAFF COSTS

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Salaries and other employee benefits	105,564	108,704	80,762	82,173
Statutory contributions	8,347	6,116	6,213	4,133
Retirement benefit (credit) charge	(29,268)	5,302	(23,039)	4,760
	84,643	120,122	63,936	91,066

23 INVESTMENT INCOME

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
23.1 Investment income includes:				
Interest income	40,322	95,038	32,527	81,647
Foreign exchange gains	(7,163)	15,389	(4,848)	10,294
Loss on disposal of available-for-sale investments	-	(6,011)	-	(3,979)
	33,159	104,416	27,679	87,962

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

23 INVESTMENT INCOME (Cont'd)

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
23.2 Investment income earned, analysed by category of financial asset is as follows:				
Available-for-sale	29,417	-	25,068	-
Held to maturity	-	76,409	-	70,490
Loans and receivables	3,742	3,751	2,611	3,593
Available-for-sale	-	24,256	-	13,879
	33,159	104,416	27,679	87,962

24 COMPENSATION FUND INCOME (NET)

	The Group and the Company	
	2010	2009
	$'000	$'000
Income:		
Interest income	58,903	73,443
Gain on disposal of available-for-sale investments	-	13,879
Foreign exchange gains	(5,060)	16,573
	53,843	103,895
Expenses:		
Administrative charges	(21,567)	(19,226)
	32,276	84,669

25 FINANCE COST

	The Group and the Company	
	2010	2009
	$'000	$'000
Interest on preference dividends	8,874	13,391
Interest on short-term borrowings	4,926	26,144
	13,800	39,535

26 SURPLUS BEFORE TAXATION

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

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Income:				
Interest	40,322	95,038	32,527	81,647
Expenses:				
Directors' fees	8,724	8,566	7,204	7,137
Audit fees	3,850	3,850	2,425	2,425
Depreciation of property and equipment	11,225	10,429	8,209	8,220
Amortisation of intangible assets	2,658	3,135	1,578	2,281
Interest on long-term liabilities (preference dividends)	8,874	13,391	8,874	13,391
Interest on short-term borrowings	4,926	26,144	4,926	26,144

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

27 TAXATION

27.1 Recognised in statement of comprehensive income

(i) The charge for the year represents:

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current tax	806	37,665	-	37,665
Deferred tax (Note 18)	(3,634)	(15,875)	(4,434)	(13,354)
	(2,828)	21,790	(4,434)	24,311

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

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Surplus before taxation	34,574	64,808	26,863	149,522
Tax at the domestic income tax rate of 33⅓%	11,525	21,602	8,954	49,840
Tax effect of items that are not deductible in determining taxable profit	1,668	311	3,279	311
Tax effect of items allowed for tax purposes	2,564	-	-	(25,667)
Write back of tax effect of unrealized exchange gains	(18,369)	-	(16,458)	-
Other	(216)	(123)	(209)	(173)
	(2,828)	21,790	(4,434)	24,311

Subject to agreement with the Taxpayer, Audit and Assessment Department, Group tax losses amounting to approximately $16.966 million (the company - $10.091 million) are available for set-off against future taxable profits.

A deferred tax asset has been recognised in respect of these losses (Note 18) as management expects adequate future profits to recover the asset.

27.2 Recognised in other comprehensive income

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Fair value adjustments	(1,449)	1,555	(1,650)	2,232

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

28 NET SURPLUS OF THE GROUP FOR THE YEAR

Reflected in the financial statements of the:

	2010	2009
	$'000	$'000
Parent company	29,041	48,211
Subsidiaries	8,361	(5,193)
	37,402	43,018

29 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the distributable surplus derived from operations, by the weighted average number of ordinary shares in issue.

	2010	2009
Surplus (deficit) derived from operations - distributable ($'000)	8,735	(17,033)
Weighted average number of ordinary shares	28,050,000	28,050,000
Basic earnings per share	$0.31	($0.61)

30 SEGMENT REPORTING

The Group is organized into four main business segments.

(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 – Compensation Fund - Income derived from investing activities of the Compensation Fund.

(d) Investments – Other - Income derived from investing activities of the Group with the exception of (c) above.

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

The Group's operations are located solely in Jamaica.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

30 SEGMENT REPORTING (Cont'd)

	2010						
	Exchange	CSD	Investments Compensation Fund	Investments Other	Trustees Services	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	145,258	45,882	32,276	33,159	10,494	(2,256)	264,813
Total revenue	145,258	45,882	32,276	33,159	10,494	(2,256)	264,813
Result							
Segment result	(19,292)	1,658	32,276	33,159	2,829	(2,256)	48,374
Finance cost	(13,800)	(2,256)				2,256	(13,800)
Profit before taxation							34,574
Taxation							2,828
Profit for the year							37,402
Other information							
Capital additions	8,594	1,761	-	-		-	10,355
Depreciation and amortisation	9,787	4,096	-	-		-	13,883
Assets							
Segment assets	339,184	61,514	564,175	286,435	6,771	(122,366)	1,135,713
Consolidated total assets							1,135,713
Liabilities							
Segment liabilities	124,251	78,185	-	-	3,585	(64,735)	141,286
Consolidated total liabilities							141,286

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

	2009							
	Exchange	CSD	Investments Compensation Fund	Investments Other	Trustees Services	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	123,542	41,001	84,669	104,416	5,631	77,000	(88,203)	348,056
Total revenue	123,542	41,001	84,669	104,416	5,631	77,000	(88,203)	348,056
Result								
Segment result	16,514	(13,045)	84,669	104,416	80	-	(88,291)	104,343
Finance cost	(39,535)	(11,203)	-	-	-	-	11,203	(39,535)
Profit before taxation								64,808
Taxation								(21,790)
Profit for the year								43,018
Other information								
Capital additions	14,863	-	-	-	-	-	-	14,863
Depreciation and amortisation	10,501	3,063	-	-	-	-	-	13,564
Assets								
Segment assets	287,634	41,150	544,281	451,901	3,598	-	(118,921)	1,209,643
Consolidated total assets								1,209,643
Liabilities								
Segment liabilities	239,622	75,061	-	-	3,320	-	(62,487)	255,516
Consolidated total liabilities								255,516

The 2009 segment information has been restated to conform with the current year classification.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

31 RELATED PARTY TRANSACTIONS/BALANCES

31.1 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	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Pan Caribbean Financial Services Limited				
Interest expenses	3,284	26,144	3,284	26,144
Borrowings	-	132,000	-	132,000
Jamaica Central Securities Depository Limited				
Interest income	-	-	2,256	11,203

31.2 Amount owed by related party at reporting date

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Jamaica Central Securities Depository Limited	-	-	64,705	62,309

31.3 Compensation of key management personnel

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

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Short-term benefits	30,591	30,591	19,050	19,050
Post employment benefits	2,087	1,662	1,138	987
	32,678	32,253	20,188	20,037

31.4 Loans to related parties

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Loans to key management personnel	1,442	2,950	1,392	1,695

32 COMMITMENTS

Capital commitments

Capital commitments as at December 31, 2010, amounted to $1.00 million and were in relation to office equipment (2009: $8.6 million in relation to computer hardware).

33 FINANCIAL INSTRUMENTS

33.1 *Capital risk management*

The capital structure of the Group consists of equity attributable to the shareholders of the parent company comprising issued capital; including preference 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 2009.

33.2 *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.

33.3 *Categories of financial instruments*

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Financial assets				
Held-to-maturity investments	395,122	884,014	395,122	801,696
Available-for-sale financial assets	300,034	12,166	229,242	12,166
Loans and receivables (including cash and cash equivalents)	181,075	136,925	158,408	185,447
	876,231	1,033,105	782,772	999,309
Financial liabilities				
Amortised cost	71,037	213,111	97,762	211,433

33.4 *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 market risk; 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.

33 FINANCIAL INSTRUMENTS (Cont'd)

33.5 *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 33.6, 33.7 and 33.8). 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.

33.6 *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, 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	
	2010	2009	2010	2009
	J$'000	J$'000	J$'000	J$'000
Investment securities	285,924	282,969	238,636	228,800
Cash and cash equivalents	7,092	3,822	45	2,385
Net exposure	293,016	286,791	238,681	231,185

33.6.1 Foreign currency sensitivity analysis

The Group's investment portfolio is exposed to the United States dollar. The Group's sensitivity to a 5% increase or 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 rate.

The sensitivity to a 5% increase or decrease in the Jamaican dollar against the United States dollar exposure would be an increase or decrease of net surplus by J$14.6 million (2009: 2% increase J$5.7 million 5% decrease J$14.3 million).

The foreign currency sensitivities have varied due to the sensitivity rates used and the increase in the level of investment securities held in foreign currency.

33.7 *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 have been determined based on the exposure to interest rates for the Group's investment in securities at the end of the reporting year as these are substantially the interest sensitive instrument impacting financial results. For floating rate assets, the analysis assumes the amount of asset outstanding at year end was outstanding for the whole year. A 200 basis point increase or 100 basis points decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates. In 2009 the assumption was a 200 basis points increase a 600 basis point decrease.

If market interest rates had been 200 basis points higher or 600 basis points lower and all other variables were held constant:

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

33.7 ***Interest rate risk management (Cont'd)***

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Effect on net surplus increase 200 basis points	5,627	-	5,219	-
Effect on net surplus decrease 100 basis points	11,787	-	11,634	-
Effect on net surplus increase 200 basis points	-	8,032		7,413
Effect on net surplus decrease 600 basis points	-	23,787		22,239

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.

33.8 ***Price risk management***

The Group is exposed to price risks arising from unit trust investments. Unit trust investments are held for strategic rather than for trading purposes. The Group does not actively trade these investments.

Price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to unit trust price risks at the reporting date. If unit trust prices had been 20% higher/lower and all other variables were held constant:

	The Group		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Effect on contingency reserve	2,720	819	2,720	819

The Group's and the company's sensitivity to price has decreased significantly as a number of available-for-sale assets were disposed of during the financial year.

33.9 ***Credit risk management***

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. In relation to bank accounts and investments securities, the Group, as a policy, deals with credit worthy counterparties, to minimize credit risk exposures.

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 33.3), which is net of impairment losses, represents the group's maximum exposure to credit risk.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

33 FINANCIAL INSTRUMENTS (Cont'd)

33.10 *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.

33.10.1 Liquidity and interest rate tables

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

	The Group						
	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 Months $'000	3 months to 1 year $'000	1 to 5 Years $'000	Over 5 years $'000	Total $'000
2010							
Financial assets							
Non-interest bearing		63,710	-	-	6,935	-	70,645
Variable interest rate instruments	7.16	47,627	75,145	175,546	331,255	141,693	771,266
Fixed interest rate instruments	10.64	14,366	3,299	65,027	220,349	245,183	584,224
		125,703	78,444	240,573	558,539	386,876	1,390,135
Financial liabilities							
Non-interest bearing		25,239	-	-	-	-	25,239
Interest bearing loan		106,931	2,757	6,825	87,827	-	204,339
Redeemable preference shares	13.25	-	-	-	-	-	-
		132,170	2,757	6,825	87,827	-	229,578
2009							
Financial assets							
Non-interest bearing		18,697	3,331	-	-	-	22,028
Variable interest rate instruments	17	47,627	85,779	173,924	330,615	134,698	772,643
Fixed interest rate instruments	15	12,056	-	72,598	191,445	274,682	550,781
		73,380	89,110	246,522	522,060	409,380	1,345,452
Financial liabilities							
Non-interest bearing		40,139	-	-	-	-	40,139
Interest bearing loan	15.8	119,371	-	-	-	-	119,371
Redeemable preference shares	17	-	2,757	6,825	87,827	-	97,409
		159,510	2,757	6,825	87,827	-	256,919

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

33 FINANCIAL INSTRUMENTS (Cont'd)

33.10 *Liquidity risk management (Cont'd)*

33.10.1 Liquidity and interest rate tables (Cont'd)

	The Company						
	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 Months $'000	3 months to 1 year $'000	1 to 5 Years $'000	Over 5 years $'000	Total $'000
2010							
Financial assets							
Non-interest bearing		13,599	-	-	-	-	13,599
Variable interest rate instruments	8.96	35,481	105,670	54,589	132,574	270,177	598,491
Fixed interest rate instruments	12.5	-	6,029	48,706	172,151	348,682	575,568
		49,080	111,699	103,295	304,725	618,859	1,187,658
Financial liabilities							
Non-interest bearing		28,276	-	-	-	-	28,276
Interest bearing loan	12.0	180	178	1,546	4,141	-	6,045
Redeemable preference shares	13.3	-	2,156	6,469	79,082	-	87,707
		28,456	2,334	8,015	83,223	-	122,028
2009							
Financial assets							
Non-interest bearing		12,165	-	-	-	-	12,165
Variable interest rate instruments	16.5	47,627	74,614	173,924	306,123	134,698	736,986
Fixed interest rate instruments	15	8,082	-	62,245	161,603	245,182	477,114
		67,874	74,614	236,169	467,726	379,880	1,226,265
Financial liabilities							
Non-interest bearing		25,227	-	-	-	-	25,227
Interest bearing loan	15.8	119,371	-	-	-	-	119,371
Redeemable preference shares	17	-	2,757	6,825	87,827	-	97,409
		144,598	2,757	6,825	87,827	-	242,007

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

33 FINANCIAL INSTRUMENTS (Cont'd)

33.11 *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.

(ii) The fair value of variable rate financial instruments is assumed to approximate their carrying amount.

(iii) 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.

(iv) 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 liabilities.

Except as detailed in the following tables, management considers that the carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair values.

Fair value of financial instruments carried at amortised cost in the statement of financial position.

	The Group			
	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$'000	$'000	$'000	$'000
Financial assets				
Compensation fund				
Held-to-maturity	395,122	423,605	444,780	457,290
Other				
Held-to-maturity	N/A	N/A	439,234	449,912

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

33 FINANCIAL INSTRUMENTS (Cont'd)

33.11 *Fair value of financial instruments (Cont'd)*

	The Company			
	2010		2009	
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000
Financial assets				
Compensation fund				
Held-to-maturity	395,122	423,605	444,780	457,290
Other				
Held-to-maturity	N/A	N/A	357,824	352,365

Fair value measurement recognized in the statement of financial position in respect of investments in unit trusts (classified as available-for-sale) is derived from quoted prices in the market for those units.

33.12 *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. There were no Level 1 fair value investments.
- 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.

	The Group			
	2010			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available-for-sale financial instruments				
Compensation fund				
Investment in Unit Trusts	-	13,599	-	13,599
Other				
Debt securities	-	286,435	-	286,435
	-	300,034	-	300,034

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

33 FINANCIAL INSTRUMENTS (Cont'd)

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

	The Group			
	2009			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available-for-sale financial instruments				
Compensation fund				
Investment in Unit Trusts	-	12,166	-	12,166

	The Company			
	2010			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available-for-sale financial instruments				
Compensation fund				
Investment in Unit Trusts	-	13,599	-	13,599
Other				
Debt securities	-	215,643	-	215,643
	-	229,242	-	229,242

	The Company			
	2009			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available-for-sale financial instruments				
Compensation fund				
Investment in Unit Trusts	-	12,166	-	12,166