

*Communication  
Through  
Dialogue*



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## MISSION STATEMENT

To provide a fair, efficient, ethical  
and transparent medium for the conduct  
of a viable securities market  
that facilitates the mobilization of  
capital to finance the growth and  
development of the nation.



## OUR CORPORATE OBJECTIVES

The Jamaica Stock Exchange was incorporated as a private limited company in August 1968, with the stock market commencing operations in February 1969.

Its principal objectives are:

- To promote the orderly and transparent development of the stock market and the stock exchange in Jamaica.
- To ensure that the stock market and its broker members operate at the highest standards practicable.
- To develop, apply and enforce the rules designed to ensure public confidence in the stock market and its broker-members.
- To provide facilities for the transaction of stock market business.
- To conduct research, disseminate relevant information and maintain local and international relationships which can enhance the development of the Jamaica stock market.

## NOTICE OF 32<sup>nd</sup> ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty Second (32<sup>nd</sup>) Annual General Meeting of the Jamaica Stock Exchange will be held at the Jamaica Stock Exchange, 40 Harbour Street, Kingston on **Thursday, June 25, 2009**, commencing at 1:00 p.m. for the following purposes:

1. To appoint Directors.

The following Directors will retire at the Annual General Meeting and are eligible for re-appointment for the year 2009/2010 in accordance with Article 95 of the Articles of Association of Association of the Company.

- Mr. Christopher Williams - Retiring
- Miss Dian Black - Retiring
- Mr. Garth Kiddoe - Retiring
- Mr. Allan Lewis - Retiring
- Mr. Livingstone Morrison - Retiring

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

*“That the retiring Directors be and are hereby re-elected as directors of the Company.”*

2. To fix the remuneration of the Auditors or to determine the manner in which such remuneration is to be fixed. To consider and (if thought fit) pass the following Resolution:

*“That the Directors be and are hereby authorized to fix the remuneration of the Auditors at a figure to be agreed with them.”*

3. To receive, and if approved, adopt the Audited Financial Statements for the year ended December 31, 2008, together with the Directors' and Auditors' Reports. To consider and (if thought fit) pass the following Resolution:

*“That the Audited Financial Statements for the year ended December 31, 2008, and the Reports of the Directors and Auditors be adopted.”*

4. To fix the fees of the Directors or to determine the manner in which such fees are to be fixed. To consider and (if thought fit) pass the following Resolution:

*“That the Directors be and are hereby authorized to fix their fees for the fiscal period 2009/2010.”*

5. To transact any other ordinary business of the company.

**DATED THIS 15<sup>th</sup> DAY OF MAY 2009**

**BY ORDER OF THE BOARD**



.....  
Marlene J. Street-Forrest  
Secretary

### IMPORTANT NOTE FOR MEMBERS WHO ARE NOT ABLE TO ATTEND:

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



## DIRECTORS REPORT

The Directors' submit herewith the Statement of Consolidated Revenue Expenses, Profit, Assets and Liabilities of the Jamaica Stock Exchange and its wholly owned subsidiary, the Jamaica Central Securities Depository for the year ended December 31, 2008.

Operating Revenue for the year was \$470.3m compared to the revenue of \$205.9m for 2007, an increase of 128.4%. Investment Income was \$91.0m compared to \$34.9m, an increase of 160.8% over 2007.

Total expenses for the year increased by 42% to \$302.3m in 2008. There was a surplus from operation of \$173.9m compared to a deficit of \$7.9m in 2007.

Total assets of the company and its subsidiary as at December 31, 2008 were \$1,332.6m compared to \$1,003.6m for 2007. These figures include Compensation Fund Assets of \$510.1m and \$463.8m for 2008 and 2007 respectively. Shareholders equity decreased by 1.5% from \$928.3m to \$914.2m.

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

.....  
Mr. Curtis Martin  
Chairman

## DIRECTORS AND SENIOR MANAGEMENT PROFILES OF DIRECTORS



**Mr. Curtis Martin - Chairman**

Curtis Martin is the Chairman of the Jamaica Stock Exchange Limited and also the Jamaica Central Securities Depository Ltd. He is President and CEO of Capital and Credit Merchant Bank and Deputy Group President of Capital and Credit Financial Group Ltd. Mr. Martin is Chairman of the Listing and Standards Committee, the Compensation Committee and the Executive Committee of the JSE.



**Mr. Leo Williams**

Leo Williams is the Executive Director of Williams & Associates Investments Ltd. This firm seeks to attract capital to businesses seeking to develop in the region. One of their most recent successes is the conceptualization and successful capitalization of the first REIT in the Caribbean. This now trades on the Jamaica Stock Exchange as the Carlton Savannah REIT or CREIT. He is also Director of JCSD.

Prior to that, he was the International Business Development Manager of JMMB Ltd. the parent company of JMMB Securities Ltd. He was the founding Managing Director of JMMB Securities, the stock brokerage arm of Jamaica Money Market Brokers. Mr. Williams resigned as a Director of the JSE in June 2008.



**Mrs. Rita Humphries-Lewin**

Mrs. Humphries-Lewin is a past Chairman of the JSE and is the Founder and Chairman of the Barita Group of Companies which includes Barita Investments Limited, Barita Unit Trusts Management Company Limited and Barita Portfolio Management Company Limited. She is one of the pioneers of the stockbroking industry having been in the business for approximately thirty-five (35) years.

**Mr. Edwin McKie**

Mr. McKie is the Chairman and Managing Director of M/VL Stockbrokers Limited. Mr. McKie, who was awarded the Order of Distinction Commander Class for his services to Jamaica in the field of banking, is a former trade administrator and former Chairman of the Trade Board and the Agriculture Credit Bank. He also served as a Board Member of the National Investment Bank of Jamaica and the Bank of Jamaica. He currently serves on the Board of the Development Bank of Jamaica. Mr. McKie is the Chairman of the Corporate Governance Committee of the JSE.



## DIRECTORS AND SENIOR MANAGEMENT PROFILES OF DIRECTORS



**Mr. Donovan Perkins**

Donovan Perkins is the President & CEO of Pan Caribbean Financial Services Limited (PCFS). In addition to serving on the Boards within Pan Caribbean, Mr. Perkins serves on the Boards of Pan-Jamaican Investment Trust Ltd., First Jamaica Investments Ltd., Jamaica Producers Group Ltd., National Insurance Fund and the National Water Commission. He is an active executive of the financial services community, having served as Vice President of the Jamaica Bankers Association and the Private Sector Organization of Jamaica.



**Mr. Mark Croskery**

Mr. Mark Croskery is the President & CEO of Stocks & Securities Ltd (SSL) and serves as a Company Specific Director. Mr. Croskery is responsible for the Company's growth, profitability and strategic vision to make SSL the leading provider of Global Wealth Management solutions to Jamaicans.

Mr. Croskery previously interned at Prudential Financial, Inc. (now Wachovia Securities) in Miami, Florida on the fixed income desk before going on to being the leading Wealth Manager at National Commercial Bank Capital Markets Ltd. (NCB CM) as well as an Equity Trader.

Mr. Croskery serves as a Director on the Sugar Company of Jamaica (SCJ) where he serves on the Finance and Audit Sub-Committee, as a Commissioner on the Jamaica Racing Commission (JRC) where he serves on the Finance and Audit Sub-Committee and on the Island Ice & Beverage Company (Jamaica).

**Mr. Christopher Williams**

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

Mr. Williams is also a Director of several NCB subsidiaries, these are: NCB (Cayman) Limited, NCB Investments Limited, NCB Capital Markets (Cayman) Limited and NCB Insurance Company Limited.



**Mr. Allan Lewis**

Allan Lewis is the Senior Vice President, Group Strategy, of the Victoria Mutual Group Limited where he has served for the past 3 years. Prior to this, Mr. Lewis served as Managing Director of Prime Asset Management Limited, where he is currently a Director. Mr. Lewis has had a distinguished career in life insurance and pension fund risk management, asset management, and strategic planning. He achieved the designation Associate of the Society of Actuaries in 1986, and a Masters in Business Administration in 1987.

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





## DIRECTORS AND SENIOR MANAGEMENT PROFILES OF DIRECTORS

### Mr. Christopher Berry

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



### Miss Sandra Shirley-Deputy Chairman

Sandra Shirley assumed the role of President of First Global Financial Services Limited on April 1, 2004 and relinquished this office in October 2008. Miss Shirley has over twenty (20) years of experience and expertise in the financial sector in Jamaica and overseas. She has worked with entities such as the Bankers' Trust, New York, NCB Group, the SIGMA Group and its associated entities and now lends that expertise to First Global Financial Services. Miss Shirley serves in a number of organizations including the Soroptomist Club, the Council of Community Colleges of Jamaica, the Independence Park Ltd, the Women in International Trade Investment Club, and the National Dance Theatre Company of Jamaica. In 2003, she was asked to serve the Mona School of Business as an Alister McIntyre Fellow and more recently the Jamaica Institute of Management has conferred on her its highest award, Fellow of the Jamaican Institute of Management. She resigned as Director of the JSE in October 2008.



### Miss Anya Schnoor

Anya Schnoor is the Chief Executive Officer of Scotia DBG Investments Limited and the Senior Vice President of the Scotiabank Group's Wealth Management Division. She is also the President of the Jamaica Securities Dealers Association and has served as the President of the Primary Dealers Association. She is a Director of Scotia DBG Merchant Bank, Scotia DBG Fund Managers and Prime Asset Management Limited. She is also a member of the HEART NTA Finance Committee and sits on Scotiabank Jamaica's ALCO Committee.



### Mrs. Marlene Street Forrester

Marlene Street-Forrester is the General Manager of the Jamaica Stock Exchange. Mrs. Street-Forrester has a B.Sc. in Management Studies and an MBA. She has over twenty five years of combined experience in financial and general management. Her mandate as General Manager of the JSE, is to continue the process of developing the Exchange, ensuring that cutting edge technology is used to assist in providing the greatest level of efficiencies in the market. Mrs. Street-Forrester, who is a Justice of the Peace, serves as Secretary of the Board of the JSE and a Director of the Jamaica Central Securities Depository Ltd.

## Brokerages & Contact Information

**BARITA INVESTMENTS LTD.**

15 St. Lucia Way,  
Kingston 5  
Phone: 926-2681-2 / 926-2686  
Fax: 929-8432  
e-mail: [barita@cwjamaica.com](mailto:barita@cwjamaica.com)

**SCOTIA DBG INVESTMENTS LTD.**

7 Holborn Road,  
Kingston 10  
Phone: 960-6699 / 968-3365  
Fax: 960-3984  
e-mail: [info@scotiadbg.com](mailto:info@scotiadbg.com)

**JMMB SECURITIES LTD.**

11 Knutsford Boulevard,  
Kingston 5  
Phone: 920-5039 / 920-4720  
Fax: 960-8106  
e-mail: [info@jmbsecurities.com](mailto:info@jmbsecurities.com)

**FIRST GLOBAL FINANCIAL  
SERVICES LTD.**

2 St. Lucia Avenue,  
Kingston 5  
Phone: 926-1275  
Fax: 926-1279 / 929-6436  
e-mail: [fgfs@gkco.com](mailto:fgfs@gkco.com)

**MAYBERRY INVESTMENTS LTD.**

1 ½ Oxford Road,  
Kingston 5  
Phone: 929-1908-9  
Fax: 929-1501 / 920-2103  
e-mail: [feedback@mayberryinv.com](mailto:feedback@mayberryinv.com)

**PAN CARIBBEAN FINANCIAL  
SERVICES LTD.**

60 Knutsford Boulevard,  
Kingston 5  
Phone: 929-5583/4  
Fax: 926-0555  
e-mail: [options@gopancaribbean.com](mailto:options@gopancaribbean.com)

**M/VL STOCKBROKERS LTD.**

2-6 Grenada Crescent,  
Kingston 5  
Phone: 960-1570 / 926-4319  
Fax: 960-1571  
e-mail: [mvl@wtjam.net](mailto:mvl@wtjam.net)

**NCB CAPITAL MARKETS LTD.**

32 Trafalgar Road, 3rd Floor  
Kingston 10  
Phone: 960-7108 Fax: 960-7649  
TOLL FREE: 1-888-4-WEALTH  
e-mail: [info@ncbcapitaimarkets.com](mailto:info@ncbcapitaimarkets.com)

**STOCKS AND SECURITIES LTD.**

24-26 Grenada Crescent,  
Kingston 5  
Phone: 929-3261 / 929-3400  
Fax: 929-4825  
e-mail: [info@gostocksandsecurities.com](mailto:info@gostocksandsecurities.com)

**VICTORIA MUTUAL WEALTH  
MANAGEMENT LTD.**

52 - 60 Grenada Crescent,  
Kingston 5  
Phone: 960-5000 - 3  
Fax: 960-4972  
e-mail: [spaimer@vmbs.com](mailto:spaimer@vmbs.com)

**CAPITAL & CREDIT SECURITIES LTD.**

18 Trafalgar Road,  
Kingston 10  
Phone: 946-1770  
Fax: 978-8005  
e-mail: [info@capital-credit.com](mailto:info@capital-credit.com)



# JAMAICA STOCK EXCHANGE

"Providing A Fair, Efficient and  
Transparent Stock Market"

# 2008 ANNUAL REPORT

## Jamaica Stock Exchange Yearly Trading Summary (1972-2008)

YEAR	YEAR-END MARKET CAPITAL JA\$(000)	NO. OF LISTED COMPANIES	VOLUME TRADED (000)	VALUE TRADED JA\$(000)	YEAR-END JSE INDEX	YEAR-END ALL JA COMPOSITE	YEAR-END JSE SELECT	NO. OF TRANS.	NO. BROKERS
1972	157,063	40	12,134	11,465	86.00			6,259	5
1973	203,649	41	9,450	7,811	78.94			4,525	5
1974	129,656	40	19,400	10,660	61.97			2,679	4
1975	126,472	38	6,930	5,335	66.22			2,104	4
1976	106,426	43	5,650	2,827	55.72			1,170	4
1977	89,776	43	2,185	1,293	46.99			459	6
1978	93,494	40	13,818	10,093	49.28			583	6
1979	109,600	39	4,833	2,217	59.28			420	5
1980	124,149	41	7,390	5,101	69.83			502	5
1981	225,761	33	4,198	3,332	152.23			799	5
1982	315,964	32	5,542	10,156	211.16			1,375	5
1983	359,199	32	5,185	9,820	240.38			1,566	5
1984	697,729	32	9,744	26,017	461.10			2,117	5
1985	1,456,590	33	37,640	117,146	941.50			3,049	6
1986	3,085,766	36	59,252	374,617	1,499.87			6,691	8
1987	3,468,661	41	71,877	399,971	1,515.09			11,187	8
1988	4,290,291	44	43,522	136,739	1,439.22			6,446	8
1989	6,228,384	44	95,202	516,456	2,075.85			13,892	8
1990	7,321,285	44	57,960	230,782	2,539.36			8,691	9
1991	22,214,715	44	144,258	1,156,609	7,681.50			24,072	9
1992	76,974,281	48	395,606	4,687,337	25,745.88			49,791	9
1993	41,879,310	48	567,454	8,346,770	13,099.68			55,519	9
1994	58,018,064	50	741,754	5,155,463	16,676.74			43,144	10
1995	50,755,753	51	3,565,607	11,560,485	14,266.99			42,600	10
1996	66,116,257	50	560,528	4,629,395	16,615.99			23,189	8
1997	79,619,594	49	905,387	4,594,108	19,846.66			18,623	8
1998	79,038,726	47	604,545	2,064,243	20,593.33			13,748	8+
1999	104,041,538	44	520,531	2,218,714	21,892.58			9,256	6
2000	160,135,746	44	694,897	3,441,081	28,893.24	26,894.76	883.67	21,066	6
2001	222,006,166	42	2,845,199	5,948,358	33,835.59	32,508.99	1,015.26	20,979	10
2002	292,297,900	40	1,604,591	7,636,877	45,396.21	46,142.81	1,450.34	26,999	10
2003	512,884,380	41	4,290,433	24,237,330	67,586.72	55,629.64	1,697.87	35,954	10
2004	879,297,296	40	5,194,558	35,994,853	112,655.51	116,218.38	3,176.62	86,875	11
2005	839,852,762	41	2,498,028	40,746,681	104,510.38	104,941.62	2,859.62	75,001	11
2006	822,862,351	44	5,639,412	37,040,992	100,678.00	107,213.42	2,942.88	41,921	11
2007	876,690,610	44	2,433,488	29,047,425	107,968.00	106,782.82	2,928.98	38,621	11
2008	597,277,036	45	2,953,011	67,026,871	80,152.03	73,994.96	1,984.74	30,323	11

+ Six (6) active Brokers

\* The All Jamaican Composite started on the May 1, 2000 at 31,931.32 points

\* JSE Select started on the June 1, 2000 at 1,000 points

## Corporate Information

<b>Registered Office:</b>	The Jamaica Stock Exchange & The Jamaica Central Securities Depository 40 Harbour Street P.O. Box 1084 Kingston. Telephone: (876) 967-3271-2  Fax: (876) 922 -6966
<b>Bankers</b>	National Commercial Bank Cnr. Duke & Barry Streets Kingston.
<b>Attorneys-at-law</b>	Livingston, Alexander & Levy 72 Harbour Street, Kingston
<b>Auditors</b>	Deloitte & Touche 7 West Avenue Kingston 4.
<b>Website Address</b>	<a href="http://www.jamstockex.com">www.jamstockex.com</a>
<b>E-Mail Address</b>	<a href="mailto:jse-info@jamstockex.com">jse-info@jamstockex.com</a>



## Jamaica Stock Exchange Statement of Corporate Governance Principles & Practices

**PREAMBLE**

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

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

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

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

<b>ISSUES</b>	<b>DESCRIPTION/PRINCIPLE</b>
<b>Board Issues</b>	
<b>Accountability to shareholders/stakeholders</b>	The JSE is a public company with public responsibility. It must balance the interest of all stakeholders to foster a fair, efficient and transparent market.
<b>Mission and Responsibility</b>	The Board members have the responsibility to attend meetings and familiarize themselves with, and make decisions on issues within their purview.
<b>Elections</b>	The provisions for elections of members are set out in the Memorandum & Articles of the JSE and stipulate election of members on an annual basis. Interest groups identified by the Board will propose independent members to the Nominating Committee. Where an interest group fails to make a nomination, the Nominating Committee will propose directors for election.
<b>Orientation and Training</b>	Training is made available to directors upon appointment to the Board. The Exchange will organize orientation and training for any director within three (3) months of appointment to the Board. The Board will pursue a programme of continuous training and development, with emphasis placed on members chairing committees.
<b>Access to Information</b>	The Board considers the provision of good quality, timely and accurate information as a significant priority in company procedures. Management has a responsibility to provide the Board with any information that will allow members to properly carry out its responsibilities.
<b>Disclosure of Directors Biographical Information</b>	Sufficient biographical data with the names of all directors, nominated or elected, will be presented to shareholders and directors. This allows for the proper selection of members to specific committees.
<b>Composition</b>	Board members will be drawn from different interest groups and from member-dealers. Representation should reflect the diversity of stakeholders and the needs of the Company. The Board shall be comprised of member dealers, an equal number of independent directors and an independent chairman.
<b>Multiple Board Seats</b>	Members must declare appointments to other companies. They must, at the beginning of the year, and as many times as their positions change, give a written declaration to the Board of the Exchange with pertinent information about the other Boards on which they serve.
<b>Chairman &amp; CEO</b>	Any decision to combine these two positions must be justified.
<b>Independence Directors</b>	No director qualifies as an independent director unless the Board determines that the director has no material relationship that could interfere with the independent judgment of that member.

## Jamaica Stock Exchange Statement of Corporate Governance Principles & Practices

<p><b>Committees</b></p>	<p><b>Composition</b> There are both mandatory and non-compulsory committees of the Board. The mandatory committees of the Board are comprised of the Conduct Review Committee, the Audit Committee and the Compensation Committee. These are referred to in the JSE's Rules.</p> <p>Each Committee has a written charter outlining its purpose and responsibilities and reporting format. Committees must meet at least twice annually.</p> <p><b>Review Process</b> The Board of the JSE conducts regular reviews of the performance of the Committees. Chairmen of Committees are required to develop and present their key performance indicators.</p>
<p><b>Audit and Finance Committee</b></p>	<p>The Audit Committee assists the Board with oversight responsibilities in regards to the integrity of the company's financial statements. It also serves as the communication link between the Board, the management team and the auditors. The Audit Committee ensures that the Company complies with legal and regulatory requirements.</p>
<p><b>Market Oversight Committee</b></p>	<p>The Market Oversight Committee is responsible for processing and recording applications of Member Dealers for access of Member Dealers, attorneys/traders, to conduct business on the floor of the Exchange and their use of these facilities.</p>
<p><b>Conduct Review Committee</b></p>	<p>The Conduct Review Committee reviews Member Dealers' conduct of business and adherence to Business Rules, Contractual Obligations and the Securities Act. The Conduct Review Committee is responsible to the Board of Directors for the conduct, procedures and holding of disciplinary hearings and reviews and to investigate complaints by investors against Member Dealers.</p>
<p><b>Regulatory &amp; Market Oversight Committee (RMOC)</b></p>	<p>The Regulatory and Market Oversight Committee (hereinafter called the "RMOC") is the Committee of the Board of Directors of the Exchange comprising the independent directors who are not the nominees or connected to any Member/Dealer of the Exchange. The Board of Directors of the Exchange has delegated responsibility to the RMOC for reviewing and ensuring compliance with and enforcement of the Laws, any Rules including Business Rules, contractual obligations and appropriate standards of conduct governing the Member/Dealers, their clients and participants on the Exchange.</p>
<p><b>Governance Committee</b></p>	<p>The Corporate Governance Committee is responsible to develop, recommend and review Corporate Governance Principles, applicable to the Board, Management and listed companies. In addition the Committee has the responsibility to oversee the evaluation of the Board's other committees and make recommendations in respect to the structure of and effectiveness of the Committees.</p>
<p><b>Nominating Committee</b></p>	<p>The Nominating Committee is comprised of non-executive directors and is responsible for the recommendation of suitable candidates to fill vacancies on the Board.</p>
<p><b>Compensation Committee</b></p>	<p>The Compensation Committee of the JSE is made up exclusively of non-executive directors who make recommendations on the company's framework of executive remuneration. The Committee reviews and approves corporate goals in relation to the CEO's compensation, evaluates the CEO's performance in light of the company's goals and objectives and makes recommendations to the Board with respect to executive and non-executive compensation.</p>



## Jamaica Stock Exchange Statement of Corporate Governance Principles & Practices

<b>Listing and Standards Committee</b>	The Listing and Standards Committee ensures the quality and integrity of a listing on the JSE. It is responsible to process applications and make recommendations regarding approval of companies wishing to list on the JSE and review and make recommendations of standards to be observed for companies to remain listed.
<b>Other Committees</b>	These are formed as the directors see fit and includes the Executive Committee
<b>Board Meetings</b>	There are formal scheduled meetings of the Board at which matters are specifically reserved for discussions. Matters must be addressed within a reasonable time in order to prevent an overrun of pending items.  <b>Procedure at Board Meetings</b> In the interest of promoting and ensuring transparency all directors must:  Excuse himself/ herself from discussions in, and in making decisions on any matter in which he/she has a personal or business interest or companies on whose Board he/she sits or is connected. Further, members shall be bound by similar standards as outlined in Appendix 1- (Part K) of the JSE's Rules which addresses 'Acting in Concert'.
<b>General Meetings</b>	General Meetings of shareholders are held each year. Communication with shareholders on decisions concerning material, fundamental corporate changes are made on a timely basis.
<b>Performance</b>	<b><i>Evaluation of Board Members and Senior Executives</i></b> The Board recognizes the importance of each director working to fulfill the mandate of the company. This evaluation is subject to the review of the Corporate Governance Committee. The Board recognizes the importance of evaluating the performance of each director, senior executives and the Board as a whole.
<b>Term Limits</b>	Board Members are nominated by the Nominating Committee.  <b>Committees</b> <b><u>Chairman/Deputy Chairman</u></b> The Chairman and Deputy Chairman of the Board and Chairmen of Committees have recommended term limits as follows:  (a) The Chairman can serve for five (5) consecutive terms; (b) The Deputy Chairman can serve for three (3) consecutive terms; (c) The Chairmen of Committees can serve for three (3) consecutive terms  <b><u>Committee Members</u></b> Members can sit for a maximum of three consecutive years. These members are not eligible to be re-elected in the year subsequent to the three-year consecutive stint. Past Chairmen should automatically sit on the Executive Committee for the year after demitting office as Chairman.
<b>Age Limits</b>	The JSE has no maximum age limit for members sitting on the Board. However the minimum age limit should be 18 years.
<b>Transparency</b>	In order to promote transparency, Member /Dealers are asked to publish their companies' annual accounting results. Provisions are made to codify and publish procedures to address and/or eliminate conflict of interest involving Board Members.
<b>Accounting Standards</b>	The Board is governed by the standards as communicated from the Institute of Chartered Accountants of Jamaica.
<b>Ethics</b>	The Board intends to codify the JSE's current ethics and confidentiality requirements for Directors and Management and to post this information on the JSE's website. Any waiver of ethics for Directors or Executive Officers is to be declared.



**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**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.

	<u>2008</u>	<u>2007</u>
Surplus derived from operations - distributable (\$'000)	173,589	18,949
Weighted average number of ordinary shares (see below)	28,050	28,050
Basic earnings per share	\$6.19	\$0.68

Number of ordinary shares in issue in 2007 of 550,000 has been adjusted to 28,050,000 shares to reflect the effect of the issue of 27,500,000 bonus shares during 2008 for comparative purposes.

Diluted earnings per stock unit are the same as basic earnings per stock unit as there were no dilutive potential ordinary stocks.

**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) Other - Trustee, custodianship, company management and other activities.

The Group's operations are located solely in Jamaica.



### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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

	2008						Group \$'000
	Exchange \$'000	CSD \$'000	Investments Compensation Fund \$'000	Investments Other \$'000	Other \$'000	Eliminations \$'000	
<b>External revenue</b>	<u>235,659</u>	<u>186,406</u>	<u>51,828</u>	<u>91,027</u>	<u>48,205</u>		<u>613,125</u>
Total revenue	<u>235,659</u>	<u>186,406</u>	<u>51,828</u>	<u>91,027</u>	<u>48,205</u>		<u>613,125</u>
<b>Result</b>							
Segment result	34,296	125,119	51,828	91,027	14,562		316,832
Finance cost							( 6,013)
Profit before taxation							310,819
Taxation							( 103,116)
Profit for the year							<u>207,703</u>
<b>Other information</b>							
Capital additions	7,977	1,600	-	-	-		9,577
Depreciation and amortisation	13,950	3,027	-	-	-		16,977
<b>Balance sheet</b>							
<b>Assets</b>							
Segment assets	265,775	64,008	510,134	550,793	2,130	(60,212)	<u>1,332,628</u>
Consolidated total assets							<u>1,332,628</u>
<b>Liabilities</b>							
Segment liabilities	379,832	41,256	-	-	1,904	( 4,581)	<u>418,411</u>
Consolidated total liabilities							<u>418,411</u>



# JAMAICA STOCK EXCHANGE

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

# 2008 ANNUAL REPORT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

### 30 SEGMENT REPORTING (Cont'd)

	2007						Group \$'000
	Exchange \$'000	CSD \$'000	Investments Compensation Fund \$'000	Investments Other \$'000	Other \$'000	Eliminations \$'000	
<b>Revenue</b>	<u>117,500</u>	<u>55,255</u>	<u>37,751</u>	<u>34,908</u>	<u>35,506</u>		<u>280,920</u>
Total	<u>117,500</u>	<u>55,255</u>	<u>37,751</u>	<u>34,908</u>	<u>35,506</u>		<u>280,920</u>
<b>Result</b>							
Segment result	( 42,593)	11,233	37,751	34,908	25,833		67,132
Finance cost							( 1,380)
Profit before taxation							65,752
Taxation							( 21,636)
Profit for the year							<u>44,116</u>
<b>Other information</b>							
Capital additions	16,470	4,754	-	-	-		21,224
Depreciation and amortisation	14,319	3,302	-	-	-		17,621
<b>Balance sheet</b>							
<b>Assets</b>							
Segment assets	308,073	55,323	463,759	311,754	-	(135,325)	<u>1,003,584</u>
Consolidated total assets							<u>1,003,584</u>
<b>Liabilities</b>							
Segment liabilities	75,963	79,643	-	-	-	( 80,325)	<u>75,281</u>
Consolidated total liabilities							<u>75,281</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

31 RELATED PARTY TRANSACTIONS

31.1 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Short-term benefits	38,488	31,135	26,800	21,455
Post employment benefits	<u>1,531</u>	<u>1,161</u>	<u>826</u>	<u>704</u>
	<u>40,019</u>	<u>32,296</u>	<u>27,626</u>	<u>22,159</u>

31.2 Loans to related parties

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Loans to key management personnel	<u>2,700</u>	<u>4,014</u>	<u>1,667</u>	<u>2,594</u>

32 DIVIDEND

These include dividends declared to stockholders recorded at December 22, 2008 of \$7.84 per stock unit payable on January 2, 2009.

33 COMMITMENTS

Capital commitments

Capital commitments as at December 31, 2008 amounted to \$1.9 million and were in relation to computer software up-grades.

There were no capital commitments as at December 31, 2007.

34 FINANCIAL INSTRUMENTS

34.1 *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 balance sheet 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 2007.



**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

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

**34.2 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.

**34.3 Categories of financial instruments**

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Financial assets				
Held-to-maturity investments	720,788	343,030	640,105	313,159
Available-for-sale financial assets	66,981	69,662	58,013	59,012
Loans and receivables (including cash and cash equivalents)	<u>394,710</u>	<u>362,813</u>	<u>334,172</u>	<u>342,040</u>
	<u>1,182,479</u>	<u>775,505</u>	<u>1,032,290</u>	<u>714,211</u>
Financial liabilities				
Amortised cost	<u>320,276</u>	<u>41,901</u>	<u>305,586</u>	<u>27,833</u>

**34.4 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.

**34.5 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 34.6, 34.7 and 34.8). 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

34 FINANCIAL INSTRUMENTS (Cont'd)

34.6 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Investment securities	303,093	148,912	254,806	148,912
Cash and cash deposits	1,318	210	1,318	210
Net exposure	<u>304,411</u>	<u>149,122</u>	<u>256,124</u>	<u>149,122</u>

34.6.1 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 of the 5% increase or decrease in the Jamaican dollar on the net United States dollar exposure would be J\$15.2 million (2007: J\$7.5 million). A 5% strengthening of the Jamaican dollar would indicate a decrease in surplus. A 5% weakening of the Jamaican dollar would indicate an equal and opposite impact on the surplus.

The foreign currency sensitivity has increased due to the increase in the level of investment securities held in foreign currency.

34.7 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 balance sheet date as these are substantially the interest sensitive instrument impacting financial results. For floating rate assets, the analysis assumes the amount of asset outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or 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.

If market interest rates had been 100 basis points higher or lower and all other variables were held constant:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Effect on net surplus	<u>3,297</u>	<u>2,354</u>	<u>2,985</u>	<u>2,075</u>

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



**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

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

**34.8 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 \$1 higher/lower and all other variables were held constant:

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Effect on fair value reserve	<u>5,497</u>	<u>5,497</u>	<u>4,865</u>	<u>4,865</u>

The Group's and the Company's sensitivity to price has not changed from the prior year as there has been no movement in the number of units held by the Group.

**34.9 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 34.3), which is net of impairment losses, represents the Group's maximum exposure to credit risk.

**34.10 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.

**34.10.1 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.

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

#### 34 FINANCIAL INSTRUMENTS (Cont'd)

##### 34.10 Liquidity risk management (Cont'd)

##### 34.10.1 Liquidity and interest rate tables (Cont'd)

	Weighted average effective interest rate %	The Group					
		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
<u>2008</u>							
Financial assets							
Non-interest bearing		30,584	44,169	-	-	-	74,753
Variable interest rate instruments	15.75	-	134,090	145,300	477,797	7,444	764,631
Fixed interest rate instruments	14.5	<u>3,053</u>	<u>6,954</u>	<u>31,206</u>	<u>376,876</u>	<u>259,186</u>	<u>677,275</u>
		<u>33,637</u>	<u>185,213</u>	<u>176,506</u>	<u>854,673</u>	<u>266,630</u>	<u>1,516,659</u>
Financial liabilities							
Non-interest bearing	14.75	253,335	-	-	-	-	253,335
Redeemable preference shares		-	<u>9,375</u>	-	<u>104,940</u>	-	<u>114,315</u>
		<u>253,335</u>	<u>9,375</u>	-	<u>104,940</u>	-	<u>367,650</u>
<u>2007</u>							
Financial assets							
Non-interest bearing		137,977	-	-	-	-	137,977
Variable interest rate instruments	14.36	-	-	105,164	140,800	70,348	316,312
Fixed interest rate instruments	11.62	-	-	<u>351,535</u>	<u>50,750</u>	<u>88,274</u>	<u>490,559</u>
		<u>137,977</u>	-	<u>456,699</u>	<u>191,550</u>	<u>158,622</u>	<u>944,848</u>
Financial liabilities							
Non-interest bearing		36,941	-	-	-	-	36,941
Interest bearing loan	11.25	-	-	<u>4,960</u>	-	-	<u>4,960</u>
		<u>36,941</u>	-	<u>4,960</u>	-	-	<u>41,901</u>

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED DECEMBER 31, 2008**
**34 FINANCIAL INSTRUMENTS (Cont'd)**
**34.10 Liquidity risk management (Cont'd)**
**34.10.1 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
<b>2008</b>							
Financial assets							
Non-interest bearing		23,748	12,880	-	-	-	36,628
Variable interest rate instruments	16.5	-	134,090	118,569	442,652	-	695,311
Fixed interest rate instruments	15	-	6,954	13,428	339,379	230,400	590,161
		<u>23,748</u>	<u>153,924</u>	<u>131,997</u>	<u>782,031</u>	<u>230,400</u>	<u>1,322,100</u>
Financial liabilities							
Non-interest bearing		239,587	-	-	-	-	239,587
Variable interest rate	14.75	-	9,735	-	104,940	-	114,675
		<u>239,587</u>	<u>9,735</u>	<u>-</u>	<u>104,940</u>	<u>-</u>	<u>354,262</u>
<b>2007</b>							
Financial assets							
Non-interest bearing		117,331	-	-	-	-	117,331
Variable interest rate instruments	14.72	-	-	94,880	120,093	63,238	278,211
Fixed interest rate instruments	9.23	-	-	327,885	50,750	88,274	466,909
		<u>117,331</u>	<u>-</u>	<u>422,765</u>	<u>170,843</u>	<u>151,512</u>	<u>862,451</u>
Financial liabilities							
Non-interest bearing		22,873	-	-	-	-	22,873
Interest bearing loan	11.25	-	-	4,960	-	-	4,960
		<u>22,873</u>	<u>-</u>	<u>4,960</u>	<u>-</u>	<u>-</u>	<u>27,833</u>

**34.11 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 balance sheet date. Generally, judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Group would realise in a current market exchange.



### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

#### 34 FINANCIAL INSTRUMENTS (Cont'd)

##### 34.11 Fair value of financial instruments (Cont'd)

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 balance sheet 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.

	The Group			
	2008		2007	
	<u>Carrying Value</u> \$'000	<u>Fair Value</u> \$'000	<u>Carrying Value</u> \$'000	<u>Fair Value</u> \$'000
Financial assets				
Compensation fund				
Held-to-maturity	227,460	204,222	136,879	143,974
Other				
Held-to-maturity	493,328	459,295	206,159	212,427

	The Company			
	2008		2007	
	<u>Carrying Value</u> \$'000	<u>Fair Value</u> \$'000	<u>Carrying Value</u> \$'000	<u>Fair Value</u> \$'000
Financial assets				
Compensation fund				
Held-to-maturity	227,460	204,222	136,879	143,974
Other				
Held-to-maturity	412,645	380,452	176,288	182,556



## Products Offered by JSE

### Remote Observer

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

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

This product is proven to provide significant benefits to the client and is a viable source of revenue for the Stock Exchange, especially when the market is bullish.

The remote Observer is the only product on the market that offers real time information on trading on the Jamaican Stock Market and attracts customers both locally and internationally.

This product is designed to meet the needs of:

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

### Banner Ad

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

The Jamaica Stock Exchange's website receives over 110,000 hits per day from many local and international visitors who use our site repeatedly to check the daily trade sheets, as well as other information. This product offers an excellent opportunity for companies and institutions to connect with their target market. It is a well-known fact that advertising works best when targeted to a specific audience. Hence the JSE's Banner Ad is that medium of choice which provides product exposure to existing and potential investors.

### Online Statements

Twice yearly, the JCSD sends out statements showing client's transactions and trading activity of their invested securities. In response to the demands of clients to supply more current and ready information on their accounts, the JCSD is now pleased to offer you the JCSD online statement. This facility will give clients access to their statements whenever they want it!

What will the On-line Statement Show?

- Account holders who access this statement on-line will be able to see transactions conducted from December 31, 2004 onwards.
- Whether or not clients choose to print their statement or view it on-line, the information will appear in the same format.
- Clients will be able to stipulate what transaction they wish to view or print.
- Clients will see a quick look-up of their holdings as at the current date.
- Clients will have access to all their active accounts in the JCSD.

### Tickers

The JSE produces two types of tickers namely the “**Desk Top Ticker**” and the “**Website Ticker**”.

#### Desk Top Ticker

The Desk Top ticker is appropriate for clients working at a remote station and need to access summarized market information. “**The Desk Top Ticker**” is a summary of trading taking place on the market compiled as a crawl across a computer screen. It gives the distinct advantage of allowing the client to view the information, without disruption of work. This is a reliable way for clients to keep in touch with the performance of the market and most importantly, the performance of their stock on a timely basis.

#### Website Ticker

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

### Publications

#### CEO's Report

This publication allows CEOs of listed companies to share their visions of the corporate priorities they will engage in for the year of the publication and beyond. It also contains a brief company profile, background and current information on the Board of Directors and Senior Management of these companies.

The CEOs reflect on:

1. Growth of their company in the year of publication and beyond
2. Obstacles they envision are ahead
3. Local/global/regional conditions that will impact their company's profitability,
4. Alternative investment
5. Risk management.

This magazine is an invaluable source of information for existing and potential investors - locally and abroad - as well as for financial planners and managers.

The **JSE CEO Report** is a timely publication usually published in the first three months of the year. It is distributed locally and internationally to our subscribers, hence it becomes an ideal vehicle for advertisers wanting to influence clients while maximize their spending and investment power.

*This publication enjoys wide public appeal and is available in hard copy as well as accessible via the JSE's website which has an average monthly hit of 3,357,904.*



## **PocketBook**

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

The Pocketbook is distributed to our subscribers, both locally and internationally and is posted on the JSE's website which averages at least **3,357,904** hits per month. This has opened for advertisers, a new window of opportunity to enter the overseas market and in particular to reach Jamaicans living abroad.

## **Stock Market Review**

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

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

## **Year Book**

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

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

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

The Year Book is distributed to our subscribers, both locally and internationally and is posted on the JSE's website which averages some **3,357,904** hits per month.



**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

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

The history of experience adjustments is as follows:

	The Group				
	Defined Benefit Pension Plan				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	(30,963)	(20,005)	(17,530)	(11,740)	( 6,614)
Fair value of plan assets	<u>74,869</u>	<u>75,060</u>	<u>70,038</u>	<u>64,782</u>	<u>42,849</u>
Fund surplus	43,906	55,055	52,508	53,042	36,235
Experience adjustments on plan liabilities	( 1,243)	( 2,908)	( 605)	( 1,732)	( 1,181)
Experience adjustments on plan assets	15,332	6,125	6,351	(14,041)	( 1,605)

	The Company				
	Defined Benefit Pension Plan				
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	(24,770)	(16,004)	(14,024)	( 9,513)	( 5,291)
Fair value of plan assets	<u>59,895</u>	<u>60,048</u>	<u>56,031</u>	<u>51,947</u>	<u>34,279</u>
Fund surplus	35,125	44,044	42,007	42,434	28,988
Experience adjustments on plan liabilities	( 1,265)	( 1,732)	( 624)	( 1,424)	( 945)
Experience adjustments on plan assets	12,266	4,277	4,942	11,233	( 1,284)

The Group and the Company expect to make contributions of \$4.21 million and \$3.10 million respectively (2008: \$3.47 million and \$2.58 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	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Cess receivable	2,441	6,875	1,878	6,875
Fees and other receivables	<u>22,646</u>	<u>17,720</u>	<u>15,421</u>	<u>12,041</u>
	25,087	24,595	17,299	18,916
Less: Allowance for doubtful debts – other receivables	( 6,555)	( 4,385)	( 5,241)	( 3,457)
	18,532	20,210	12,058	15,459
Prepayments	<u>4,744</u>	<u>6,249</u>	<u>2,740</u>	<u>4,188</u>
	<u>23,276</u>	<u>26,459</u>	<u>14,798</u>	<u>19,647</u>

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

#### 11 TRADE AND OTHER RECEIVABLES (Cont'd)

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 \$171,924 for the Group and \$nil for the Company (2007: \$1.7 million for the Group and \$1.7 million for the Company), which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

#### Ageing of past due other receivables not impaired

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u> \$'000	<u>2007</u> \$'000	<u>2008</u> \$'000	<u>2007</u> \$'000
180 – 365 days	172	873	-	821
Over 1 year	-	874	-	846
	<u>172</u>	<u>1,747</u>	<u>-</u>	<u>1,667</u>

#### Movement in allowance for doubtful debts on other receivables

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u> \$'000	<u>2007</u> \$'000	<u>2008</u> \$'000	<u>2007</u> \$'000
Balance at beginning of year	4,385	2,486	3,457	2,046
Impairment losses recognised on receivables	<u>2,170</u>	<u>1,899</u>	<u>1,784</u>	<u>1,411</u>
Balance at end of year	<u>6,555</u>	<u>4,385</u>	<u>5,241</u>	<u>3,457</u>

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

#### Ageing of impaired other receivables

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u> \$'000	<u>2007</u> \$'000	<u>2008</u> \$'000	<u>2007</u> \$'000
180 + days	<u>6,555</u>	<u>4,385</u>	<u>5,241</u>	<u>3,457</u>



**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**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.

Cash and cash equivalents include:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash on hand and in banks	77,520	8,823	45,640	4,506
Money market investments denominated in Jamaican dollars at interest rate of 11.55% - 12.25% (2007: 11.85% -12.25%)	12,829	12,144	9,775	12,144
Money market investment denominated in foreign currency US\$106,437 (2007: US\$75,906) at interest rate 5% - 6% (2007: 5.0% -5.9%)	<u>8,511</u>	<u>5,640</u>	<u>8,511</u>	<u>5,640</u>
	<u>98,860</u>	<u>26,607</u>	<u>63,926</u>	<u>22,290</u>

**13 SHARE CAPITAL**

	2008 No. of shares	2007 No. of shares	2008 \$'000	2007 \$'000
Authorised:				
Ordinary shares - no par value (see (a) below)	<u>600,000,000</u>	<u>700,000,000</u>		
Preference shares - no par value (see (a) below)	<u>100,000,000</u>	<u>-</u>		
Issued capital:				
Ordinary shares - no par value	<u>28,050,000</u>	<u>550,000</u>		
Preference shares - no par value	<u>33,000,000</u>	<u>-</u>		
Stated capital				
At January 1			113,590	113,590
Issue of ordinary shares (see (b) below)			55,000	-
33,000,000 preference shares at \$2.00 each (see (c) below)			<u>66,000</u>	<u>-</u>
			234,590	113,590
Less: Redeemable preference shares classified as liabilities as required by IFRS (see (a),(c) below) (Note 17)			<u>( 66,000)</u>	<u>-</u>
At December 31			<u>168,590</u>	<u>113,590</u>

(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.

(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.
- These preference shares have no voting rights.

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

**14 FAIR VALUE RESERVE**

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

**15 REVENUE RESERVE**

Reflected in the financial statements of the:

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Parent company	196,208	391,578
Subsidiaries	<u>76,166</u>	<u>( 17,793)</u>
	<u>272,374</u>	<u>373,785</u>

**16 CONTINGENCY RESERVE**

The Group and the Company

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
The transfer from revenue reserve comprises:		
Surplus – Compensation fund before taxation	<u>51,828</u>	<u>37,751</u>
Less:		
Income tax charge for year at 33½%	16,101	8,526
Deferred tax adjustment	<u>1,613</u>	<u>4,058</u>
	<u>17,714</u>	<u>12,584</u>
	<u>34,114</u>	<u>25,167</u>

The reserve comprises:

Investment before fair value adjustment	482,706	438,007
Fair value adjustments	<u>27,428</u>	<u>25,752</u>
Investments in securities (see Note 8.1)	510,134	463,759
Income tax (payable) recoverable	( 7,649)	1,323
Deferred tax liability	<u>( 25,224)</u>	<u>( 23,052)</u>
	<u>477,261</u>	<u>442,030</u>

**17 LONG-TERM LIABILITIES**

The Group and the Company

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Preference shares (Note 13)	66,000	-
Capital & Credit Merchant Bank Limited (See note below)	-	<u>4,960</u>
	66,000	4,960
Less current portion (Note 19)	-	<u>(4,960)</u>
	<u>66,000</u>	<u>-</u>





**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**17 LONG-TERM LIABILITIES (Cont'd)**

The loan from Capital & Credit Merchant Bank Limited was evidenced by a Promissory Note along with a Corporate Borrowing Resolution and secured by a Bill of Sale stamped to cover \$12.524M plus interest over computer equipment. Security also included assignment to the bank of the comprehensive peril insurance on the computer equipment for the full replacement value. Interest was charged at an initial rate of 18.5% per annum and was variable at the discretion of the bank. The loans were repaid in full during the year.

**18 DEFERRED TAX**

This comprises:

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	1,754	20,719	732	614
Deferred tax liabilities	<u>(51,158)</u>	<u>(54,099)</u>	<u>(44,507)</u>	<u>(48,744)</u>
Net position at December 31	<u>(49,404)</u>	<u>(33,380)</u>	<u>(43,775)</u>	<u>(48,130)</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
At January 1	(33,380)	(19,456)	(48,130)	(39,092)
(Charged) Credited to income for the year (Note 27)	(16,916)	(11,936)	4,023	( 7,467)
Charged to fair value reserve for the year	1,451	( 726)	891	( 309)
Charged to contingency reserve for the year	<u>( 559)</u>	<u>( 1,262)</u>	<u>( 559)</u>	<u>( 1,262)</u>
At December 31	<u>(49,404)</u>	<u>(33,380)</u>	<u>(43,775)</u>	<u>(48,130)</u>

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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

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

##### Deferred Tax Assets

	The Group			Total \$'000	The Company
	Accrued Vacation \$'000	Unrealised Loss on Investments \$'000	Tax Loss \$'000		Accrued Vacation \$'000
At January 1, 2007	717	534	24,170	25,421	639
Charged to fair value reserve for the year	-	(417)	-	( 417)	-
Charged to income for the year	( 85)	-	( 4,200)	( 4,285)	( 25)
At December 31, 2007	632	117	19,970	20,719	614
Credit to fair value reserve for the year	-	560	-	560	-
(Charged) Credited to income for the year	245	-	(19,770)	(19,525)	118
At December 31, 2008	877	677	200	1,754	732

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

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

**Deferred Tax Liabilities**

	The Group				The Company					
	Capital Allowance in excess of Depreciation \$'000	Interest Receivable \$'000	Unrealised Gains in Investment in Securities \$'000	Retirement Benefit Assets \$'000	Total \$'000	Capital Allowance in excess of Depreciation \$'000	Interest Receivable \$'000	Unrealised Gains in Investment in Securities \$'000	Retirement Benefit Assets \$'000	Total \$'000
At January 1, 2007	(7,140)	( 7,994)	(14,667)	(15,076)	(44,877)	(5,477)	( 7,526)	(14,667)	(12,061)	(39,731)
(Charged) Credited to income for the year	(1,229)	( 5,738)	( 111)	( 573)	( 7,651)	(1,108)	( 5,765)	( 111)	( 456)	( 7,442)
Charged to fair value reserve	-	-	( 309)	-	( 309)	-	-	( 309)	-	( 309)
Charged to contingency reserve	-	-	(1,262)	-	(1,262)	-	-	(1,262)	-	(1,262)
At December 31, 2007	(8,369)	(13,732)	(16,349)	(15,649)	(54,099)	(6,585)	(13,291)	(16,349)	(12,519)	(48,744)
(Charged) Credited to income for the year	3,541	2,091	( 4,457)	1,434	2,609	3,045	2,523	( 2,810)	1,147	3,905
Credit to fair value reserve	-	-	891	-	891	-	-	891	-	891
Charged to contingency reserve	-	-	( 559)	-	( 559)	-	-	( 559)	-	( 559)
At December 31, 2008	(4,828)	(11,641)	(20,474)	(14,215)	(51,158)	(3,540)	(10,768)	(18,827)	(11,372)	(44,507)

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

#### 19 ACCOUNTS PAYABLE

	The Group		The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Accruals and other payables	254,276	36,941	239,586	22,873
Current portion of long-term liabilities (Note 17)	-	4,960	-	4,960
	<u>254,276</u>	<u>41,901</u>	<u>239,586</u>	<u>27,833</u>

#### 20 OTHER OPERATING INCOME

	The Group		The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Regional conference	13,255	11,628	13,255	11,628
Other	<u>33,806</u>	<u>21,506</u>	<u>33,626</u>	<u>21,308</u>
	<u>47,061</u>	<u>33,134</u>	<u>46,881</u>	<u>32,936</u>

#### 21 STAFF COSTS

	The Group		The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Salaries and other employee benefits	100,717	80,431	75,597	59,589
Statutory contributions	6,903	5,498	5,193	4,033
Retirement benefit charge	<u>7,610</u>	<u>587</u>	<u>5,820</u>	<u>441</u>
	<u>115,230</u>	<u>86,516</u>	<u>86,610</u>	<u>64,063</u>

#### 22 INVESTMENT INCOME

	The Group		The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
22.1 Investment income includes:				
Interest income	71,481	31,912	61,474	25,844
Foreign exchange gains	<u>19,546</u>	<u>2,996</u>	<u>13,165</u>	<u>2,996</u>
	<u>91,027</u>	<u>34,908</u>	<u>74,639</u>	<u>28,840</u>
22.2 Investment income earned, analysed by category of financial asset is as follows:				
Held to maturity	76,952	24,666	64,861	20,352
Loans and receivables	<u>14,075</u>	<u>10,242</u>	<u>9,778</u>	<u>8,488</u>
	<u>91,027</u>	<u>34,908</u>	<u>74,639</u>	<u>28,840</u>



**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**23 COMPENSATION FUND INCOME (NET)**

The Group and the Company

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Income:		
Interest income	57,594	42,247
Foreign exchange gains	<u>13,135</u>	<u>4,276</u>
	<u>70,729</u>	<u>46,523</u>
Expenses:		
Administrative charges	(18,901)	( 8,772)
	<u>51,828</u>	<u>37,751</u>

**24 FINANCE COST**

The Group and the Company

	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Interest on long-term liabilities	<u>6,013</u>	<u>1,380</u>

**25 OTHER GAINS AND LOSSES**

During the year ended December 31, 2007 an amount of \$2.3 million previously written-off in relation to the fixed income software development project was recovered.

**26 SURPLUS BEFORE TAXATION**

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Income:				
Interest	71,481	31,912	61,474	25,844
Expenses:				
Directors' fees	8,689	7,053	7,109	5,970
Audit fees	4,400	2,300	2,900	1,500
Depreciation of property and equipment	11,774	11,560	9,576	9,408
Amortisation of intangible assets	5,203	6,061	4,374	4,911
Interest on long-term liabilities	6,013	1,380	6,013	1,380

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

#### 27 TAXATION

##### 27.1 Recognised in income statement

(i) The charge for the year represents:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current tax	86,200	9,700	60,200	9,700
Deferred tax (Note 18)	<u>16,916</u>	<u>11,936</u>	<u>( 4,023)</u>	<u>7,467</u>
	<u>103,116</u>	<u>21,636</u>	<u>56,177</u>	<u>17,167</u>

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

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Surplus before taxation	<u>310,819</u>	<u>65,752</u>	<u>169,921</u>	<u>52,128</u>
Tax at the domestic income tax rate of 33½%	103,606	21,917	56,640	17,376
Tax effect of items that are not deductible in determining taxable profit	1,173	118	1,173	118
Tax effect of items allowed for tax purposes	( 1,641)	-	( 1,636)	-
Other	<u>( 22)</u>	<u>( 399)</u>	<u>-</u>	<u>( 327)</u>
	<u>103,116</u>	<u>21,636</u>	<u>56,177</u>	<u>17,167</u>

At balance sheet date, the subsidiary had tax losses aggregating \$600,092 (subject to agreement of the Commissioner, Taxpayer Audit and Assessment) which are available for set-off against future taxable profits.

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

##### 27.2 Recognised directly in equity

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Fair value adjustments	<u>892</u>	<u>(1,988)</u>	<u>(332)</u>	<u>(1,571)</u>

#### 28 NET SURPLUS OF THE GROUP FOR THE YEAR

Reflected in the financial statements of the:

	2008 \$'000	2007 \$'000
Parent company	113,744	34,961
Subsidiary	<u>93,959</u>	<u>9,155</u>
	<u>207,703</u>	<u>44,116</u>



**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

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

**3.16 Foreign currencies**

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

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

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

**3.17 Dividends**

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

**3.18 Borrowing costs**

Borrowing costs are recognised in the income statement in the period in which they are incurred.

**3.19 Comparative information**

Where necessary comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been extended to reflect the requirements of amendments to existing IFRS.

**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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**4.1 Critical judgments in applying accounting policies**

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 recognised in the financial statements.

**4.1.1 Held-to-maturity investments**

The Group follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. If the Group fails to hold these investments to maturity other than in specific circumstances such as an isolated event which is non-recurring and that is beyond the control of the Group, it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value.

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY  
(Cont'd)4.1 *Critical judgments in applying accounting policies (Cont'd)*4.1.1 Held-to-maturity investments (Cont'd)

In a communiqué issued by Man Investments Limited in November 2008, which detailed the difficulties facing its products and the projected exposures, the Investment House gave certain options for consideration by the investors which included redemption of the security without penalty. The management of the Group opted for the redemption of the Group's investments with no penalty, and redeemed its investments in MAN-IP Multi-strategy Series 3 Limited bonds (Compensation Fund – US\$250,000 and other investments US\$250,000) in November 2008. In exercising this option the Group remains compliant with IAS 39. As a consequence the Group has not reclassified the entire class of held-to-maturity investments to available-for-sale.

If the entire class of held-to-maturity investments had been reclassified, the carrying value of investments would decrease by \$57.3 million (2007: increase by \$13.3 million) with a corresponding entry in the fair value reserve in shareholders' equity.

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 balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

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 balance sheet of approximately \$42.6 million for the Group and \$34.1 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.

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 recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. (see Notes 18 and 27).



**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2008**

**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	
<b>Cost</b>										
January 1, 2007	5,154	-	63,743	8,349	12,684	51,787	670	-	142,387	
Additions	11,528	70	269	37	2,426	2,378	-	-	16,708	
Disposals	-	-	-	(223)	(757)	(2,502)	-	-	(3,482)	
January 1, 2008	16,682	70	64,012	8,163	14,353	51,663	670	-	155,613	
Additions	-	-	643	1,036	566	3,374	-	578	6,197	
Disposals	-	-	-	-	-	(295)	-	-	(295)	
December 31, 2008	16,682	70	64,655	9,199	14,919	54,742	670	578	161,515	
<b>Depreciation</b>										
January 1, 2007	-	-	10,442	4,671	5,424	30,070	134	-	50,741	
Charge for year	-	-	1,787	495	2,069	7,075	134	-	11,560	
Disposal	-	-	-	(226)	(750)	(2,399)	-	-	(3,375)	
January 1, 2008	-	-	12,229	4,940	6,743	34,746	268	-	58,926	
Charge for year	-	-	1,461	537	2,319	7,323	134	-	11,774	
Disposal	-	-	-	-	-	(240)	-	-	(240)	
December 31, 2008	-	-	13,690	5,477	9,062	41,829	402	-	70,460	
<b>Carrying amount</b>										
December 31, 2008	16,682	70	50,965	3,722	5,857	12,913	268	578	91,055	
December 31, 2007	16,682	70	51,783	3,223	7,610	16,917	402	-	96,687	

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

5 PROPERTY AND EQUIPMENT (Cont'd)

	The Company										Total \$'000	
	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				
<b>Cost</b>												
January 1, 2007	5,154	-	63,743	6,608	11,141	39,429	670	-	-	-	-	126,745
Additions	11,528	70	269	-	1,963	2,360	-	-	-	-	-	16,190
Disposals	-	-	-	(223)	(757)	(2,502)	-	-	-	-	-	(3,482)
January 1, 2008	16,682	70	64,012	6,385	12,347	39,287	670	-	-	-	-	139,453
Additions	-	-	643	285	519	2,863	-	578	-	-	-	4,888
Disposals	-	-	-	-	-	(295)	-	-	-	-	-	(295)
December 31, 2008	16,682	70	64,655	6,670	12,866	41,855	670	578	-	-	-	144,046
<b>Depreciation</b>												
January 1, 2007	-	-	10,442	4,423	4,826	24,226	134	-	-	-	-	44,051
Charge for year	-	-	1,787	317	1,687	5,483	134	-	-	-	-	9,408
Disposals	-	-	-	(226)	(750)	(2,399)	-	-	-	-	-	(3,375)
January 1, 2008	-	-	12,229	4,514	5,763	27,310	268	-	-	-	-	50,084
Charge for year	-	-	1,461	298	2,046	5,637	134	-	-	-	-	9,576
Disposals	-	-	-	-	-	(240)	-	-	-	-	-	(240)
December 31, 2008	-	-	13,690	4,812	7,809	32,707	402	-	-	-	-	59,420
<b>Carrying amount</b>												
December 31, 2008	16,682	70	50,965	1,858	5,057	9,148	268	578	-	-	-	84,626
December 31, 2007	16,682	70	51,783	1,871	6,584	11,977	402	-	-	-	-	89,369

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED DECEMBER 31, 2008**
**5 PROPERTY AND EQUIPMENT (Cont'd)**

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

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

No depreciation is provided on freehold land.

**6 INTANGIBLE ASSETS**

	The Group			The Company		
	Computer Software	Computer Software Development		Computer Software	Computer Software Development	
		<u>Project</u>	<u>Total</u>		<u>Project</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>						
January 1, 2007	35,517	595	36,112	24,037	-	24,037
Additions	501	4,015	4,516	280	-	280
Disposals	( 129)	-	( 129)	( 129)	-	( 129)
January 1, 2008	35,889	4,610	40,499	24,188	-	24,188
Additions	787	2,593	3,380	787	2,302	3,089
December 31, 2008	<u>38,978</u>	<u>4,901</u>	<u>43,879</u>	<u>24,975</u>	<u>2,302</u>	<u>27,277</u>
<b>Amortisation</b>						
January 1, 2007	21,038	-	21,038	12,035	-	12,035
Charge for the year	6,061	-	6,061	4,911	-	4,911
Disposals	( 129)	-	( 129)	( 129)	-	( 129)
January 1, 2008	26,970	-	26,970	16,817	-	16,817
Charge for the year	5,203	-	5,203	4,374	-	4,374
December 31, 2008	<u>32,173</u>	-	<u>32,173</u>	<u>21,191</u>	-	<u>21,191</u>
<b>Carrying amount</b>						
December 31, 2008	<u>6,805</u>	<u>4,901</u>	<u>11,706</u>	<u>3,784</u>	<u>2,302</u>	<u>6,086</u>
December 31, 2007	<u>8,919</u>	<u>4,610</u>	<u>13,529</u>	<u>7,371</u>	-	<u>7,371</u>

Computer software is amortised at a rate of 20 - 33½% per annum.

**7 INVESTMENT IN SUBSIDIARY**

Investment in subsidiary is as follows:

	<u>2008</u> \$'000	<u>2007</u> \$'000
Shares – at cost	<u>55,000</u>	<u>55,000</u>

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

#### 7 INVESTMENT IN SUBSIDIARY (Cont'd)

In previous years investment in subsidiary was stated inclusive of the advances. However, during the current year, the investment has been stated at the cost of equity investments. Accordingly, the amount which was included as part of investment in subsidiary in 2007, has been restated as due from related party, as detailed below:

	\$'000
Shares at cost	55,000
Advances	<u>65,575</u>
As previously stated	120,575
Less: Reclassified to due from related party	<u>( 65,575)</u>
As restated	<u>55,000</u>

#### 8 INVESTMENTS IN SECURITIES

##### 8.1 Compensation Fund

	<u>The Group and The Company</u>	
	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
<u>Held-to-maturity – At amortised cost</u>		
<i>Government of Jamaica Securities</i>		
Variable Rates Local Registered Stocks – 12.5% - 16.98% (2007: 14.81%)	41,701	41,629
Investment Debentures: 16.7% (2007: 12.88% - 16.63%)	34,214	8,182
Investment Bonds: 14.85% - 18.46% (2007: 12.44% - 14.29%)	82,890	31,149
Bank of Jamaica certificate of deposits	11,355	7,586
<i>Foreign Currency Investments</i>		
GOJ Fixed Rate US\$ Global Bonds; 10.625% (nominal value US\$350,000)	30,791	27,241
Government of Belize guaranteed mortgage notes (nominal value US\$49,201 – 4.25%)	2,701	2,362
GOJ US\$ 8% Global Bond (nominal value US\$195,000)	12,110	-
GOJ Fixed Rate US\$ Indexed Bond 11.5% (nominal Value US\$144,000)	11,698	-
MAN-IP Multi-strategy Series 3 Limited Bonds (nominal value US\$250,000)	<u>-</u>	<u>18,730</u>
	<u>227,460</u>	<u>136,879</u>
<u>Available-for-sale – At fair value</u>		
Investment in Unit Trusts	<u>45,133</u>	<u>43,457</u>
<u>Loans and receivables – At amortised cost</u>		
Repurchase agreements – 12.55% - 15.65% (2007: 11.95% - 13.35%)	107,171	167,739
Repurchase agreements (US\$7,466 – 5.25%) (2007: US\$261,232 – 5.75% - 6.5%)	<u>612</u>	<u>18,882</u>
	<u>107,783</u>	<u>186,621</u>
<i>Cash and Others</i>		
Cash and cash equivalents	128,454	102,427
Other receivables	6,211	188
Payables	<u>( 4,907)</u>	<u>( 5,813)</u>
	<u>129,758</u>	<u>96,802</u>
Carried forward	<u>510,134</u>	<u>463,759</u>



**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

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

**8.1 Compensation Fund (Cont'd)**

	<u>The Group and The Company</u>	
	<u>2008</u>	<u>2007</u>
	\$'000	\$'000
Brought forward	510,134	463,759
Less: Current portion	<u>(282,690)</u>	<u>(324,787)</u>
	<u>227,444</u>	<u>138,972</u>
The movement for the year of the available-for-sale investments is as follows:		
Opening balance	43,457	39,671
Increase in fair value	<u>1,676</u>	<u>3,786</u>
Closing balance	<u>45,133</u>	<u>43,457</u>

**8.2 Other**

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
<u>Held-to-maturity – at amortised cost</u>				
<u>Government of Jamaica Securities</u>				
Variable Rates Local Registered Stocks: 16.975% (2007: 14.81%)	33,279	33,229	33,279	33,229
Investment Debentures: 15.50% (2007: 12.85% - 16.5%)	12,542	10,666	11,756	9,124
Government of Jamaica CDJS: 15.3% <i>Government of Jamaica</i> <i>Investment Bonds JS: 14.81% - 20.76%</i> <i>(2007: 13.59% - 14.34%)</i>	56,939	-	53,836	-
	239,253	110,061	210,746	81,732
<u>Foreign Currency Investments</u>				
Government of Belize guaranteed mortgage notes (nominal value US\$49,201- 4.25%)	2,701	2,362	2,701	2,362
MAN-IP Multi – strategy Series 3 Limited Bonds (nominal value US\$250,000)	-	18,730	-	18,730
GOJ US\$ Global Bond (nominal value US\$200,000)	15,519	-	-	-
GOJ 7.25% US\$ Indexed Bond (US\$518,000)	42,456	-	17,857	-
GOJ 8% Global Euro Bond 2019 (Nominal value US\$600,000)	46,579	-	46,579	-
GOJ 10.625% US\$ Index Bond (nominal value US\$410,000)	35,891	31,111	35,891	31,111
GOJ Fixed rate US\$ Indexed Bond AIC 9% (nominal value US\$100,000)	<u>8,169</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>493,328</u>	<u>206,159</u>	<u>412,645</u>	<u>176,288</u>
<u>Available-for-sale – At fair value</u>				
Investments in Unit Trusts	<u>21,848</u>	<u>26,205</u>	<u>12,880</u>	<u>15,555</u>
Carried forward	<u>515,176</u>	<u>232,364</u>	<u>425,525</u>	<u>191,843</u>

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

#### 8 INVESTMENTS IN SECURITIES (Cont'd)

##### 8.2 Other (Cont'd)

	The Group		The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Brought forward	515,176	232,364	425,525	191,843
Loans and receivables - At amortised cost				
Repurchase agreements: 11.55% - 12.5% (2007: 11.85% - 12.25%)	31,450	79,390	13,637	58,617
Repurchase agreements - US\$52,573 – 5.8% (2007: Nil)	<u>4,167</u>	<u>-</u>	<u>4,167</u>	<u>-</u>
	550,793	311,754	443,329	250,460
Less: Current portion	<u>(125,197)</u>	<u>(149,097)</u>	<u>(96,276)</u>	<u>(117,060)</u>
	<u>425,596</u>	<u>162,657</u>	<u>347,053</u>	<u>133,400</u>

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

	The Group		The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Opening balance	26,205	24,027	15,555	14,629
(Decrease) increase in fair value	<u>(4,357)</u>	<u>2,178</u>	<u>(2,675)</u>	<u>926</u>
Closing balance	<u>21,848</u>	<u>26,205</u>	<u>12,880</u>	<u>15,555</u>

#### 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 \$2,438,940 (2007: \$1,583,995) is included in other receivable.

#### 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, 2008, 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.

**NOTES TO THE FINANCIAL STATEMENTS**
**YEAR ENDED DECEMBER 31, 2008**
**10 POST EMPLOYMENT BENEFITS (Cont'd)**

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

	<u>The Group and the Company</u>	
	<u>2008</u>	<u>2007</u>
Discount rate	16.0%	13.0%
Expected return on plan assets	15.0%	10.0%
Expected rate of salary increase	12.0%	10.0%
Future pension increases	0.0%	0.0%

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligations	(30,963)	(20,005)	(24,770)	(16,004)
Fair value of plan assets	74,869	75,060	59,895	60,048
Past service costs not yet recognised	544	-	435	-
Unrecognised actuarial losses (gains)	14,089	( 488)	11,001	( 392)
Assets not recognised due to limitation in paragraph 58 of IAS 19	(15,891)	( 7,621)	(12,444)	( 6,095)
Net asset in balance sheet	<u>42,648</u>	<u>46,946</u>	<u>34,117</u>	<u>37,557</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Current service cost	417	1,077	334	861
Interest cost	2,982	2,468	2,386	1,975
Expected return on plan assets	(7,506)	(7,004)	(6,005)	(5,603)
Past service costs	3,935	-	3,148	-
Recognised gains	( 488)	( 54)	( 392)	( 70)
Increase in unrecognised assets	<u>8,270</u>	<u>4,100</u>	<u>6,349</u>	<u>3,278</u>
Total included in employee benefit costs	<u>7,610</u>	<u>587</u>	<u>5,820</u>	<u>441</u>
Actual return on plan assets	<u>(7,826)</u>	<u>594</u>	<u>6,261</u>	<u>1,328</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Opening balance	46,946	45,228	37,557	36,183
Amount charged to income	( 7,610)	( 587)	( 5,820)	( 441)
Contributions paid	<u>3,312</u>	<u>2,305</u>	<u>2,380</u>	<u>1,815</u>
Closing balance	<u>42,648</u>	<u>46,946</u>	<u>34,117</u>	<u>37,557</u>

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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

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

	The Group		The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Opening defined benefit obligations	20,005	17,530	16,004	14,024
Service cost	417	1,077	334	861
Interest cost	2,982	2,468	2,386	1,975
Members' contributions	4,861	3,693	3,773	2,673
Past service cost	4,479	-	3,583	-
Benefits paid	( 538)	( 1,855)	( 45)	( 1,797)
Actuarial gain	( 1,243)	( 2,908)	( 1,265)	( 1,732)
Closing defined benefit obligations	<u>30,963</u>	<u>20,005</u>	<u>24,770</u>	<u>16,004</u>

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

	The Group		The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Opening fair value of plan assets	75,060	70,038	60,048	56,031
Members' contributions	4,861	3,693	3,773	2,673
Employer's contributions	3,312	2,305	2,380	1,815
Expected return on plan assets	7,506	7,004	6,005	5,603
Benefits paid	( 538)	( 1,855)	( 45)	( 1,797)
Actuarial loss	(15,332)	( 6,125)	(12,266)	( 4,277)
Closing fair value of plan assets	<u>74,869</u>	<u>75,060</u>	<u>59,895</u>	<u>60,048</u>

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

	The Group		The Company	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000
Equity investment	21,046	33,135	16,837	26,508
Government of Jamaica securities	37,518	26,423	30,014	21,138
Real estate	10,010	10,010	8,008	8,008
Others	<u>6,295</u>	<u>5,492</u>	<u>5,036</u>	<u>4,394</u>
Fair value of plan asset	<u>74,869</u>	<u>75,060</u>	<u>59,895</u>	<u>60,048</u>

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.



## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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

2.2 *Standards and interpretations in issue not yet adopted (Cont'd)*

		Effective for annual periods <u>beginning on or after</u>
IFRS 3 (Revised)	Business Combinations - Comprehensive revision on applying the acquisition method	July 1, 2009
IFRS 5 (Revised)	Non-current Assets Held for Sale and Discontinued Operations - Amendment relating to plans to sell the controlling interest in a subsidiary	July 1, 2009
IFRS 8	Operating Segments	January 1, 2009
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
IFRIC 15	Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IFRIC 17	Distributions of Non-cash Assets to Owners	July 1, 2009
IFRIC 18	Transfers of Assets from Customers (transfers received on or after July 1, 2009)	

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

2.3 *New and Revised Standards and Interpretations considered relevant*

- *IAS 1 (Revised 2007) - Presentation of Financial Statements* – IAS 1, among other things, affects the presentation of owner changes in equity and comprehensive income. It requires the presentation of all non-owners changes in equity (comprehensive income) in one or two statements; either in a single statement of comprehensive income, or in an income statement and a statement of comprehensive income. On adoption at its effective date, the standard will result in a change in the presentation of the Group's income statement and the statement of changes in equity.
- *IAS 23 (Revised) - Borrowing Costs* removes the option of either capitalising borrowing costs relating to qualifying assets or expensing these borrowing costs. The revised standard requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. The adoption of this revised standard at its effective date is not expected to have a significant impact on the Group's financial statements.
- *IAS 27 (Revised) - Consolidated and Separate Financial Statement*, under the amendments, the increases or decreases in a parent's ownership interest that do not result in a loss of control, is accounted for as equity transactions of the consolidated entity. No gain or loss is recognised on such transactions and goodwill is not re-measured. Any difference between the change in the non-controlling investment and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. Where there is loss of control of a subsidiary, any retained non-controlling investment at the date control is lost is re-measured to fair value. Losses of the acquired entities are allocated to the Minority interest even if they exceed the Minority's share of equity in the subsidiary. The adoption of this revised standard at its effective date is not expected to have a significant impact on the Group's financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

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

**2.3 *New and Revised Standards and Interpretations considered relevant (Cont'd)***

- *IFRS 7 Financial Instruments: Disclosure* - The amendment is expected to have no or minimal effect on accounting and merely sought to resolve the potential conflict between IAS 1 and IFRS 7 by amending the Implementation Guidance accompanying IFRS 7 to clarify that interest income is not a component of finance costs.
- *IFRS 8 Operating Segments* – IFRS 8 replaces IAS 14 and sets out requirements for disclosure of information about an entity's operating segments and about the entity's products and services, the geographical areas in which it operates and its major customers. The standard is required for entities whose debt or equity instruments are traded in a public market or that file their financial information with a regulatory organization for the purpose of issuing any class of instruments in a public market. The adoption of this standard at its effective date is relevant to the Group and may have an impact on segment reporting in the financial statements. The Group is currently assessing the impact.

**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 Jamaican Companies Act.

**3.2 *Basis of preparation***

The financial statements have been prepared under the historical cost basis, except for revaluation of financial assets classified as available-for-sale investments. 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.

The results of the subsidiary acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

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 production are carried at cost, less any recognised impairment loss. Cost includes professional fees capitalized in accordance with the Group's accounting policies. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.4 *Property and equipment (Cont'd)*

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

Freehold land is not depreciated.

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

3.5 *Intangible assets*

Intangible assets acquired are reported at cost less accumulated amortisation and accumulated impairment losses.

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.

Amortisation on intangible assets is charged on a straight-line basis over the estimated lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.6 *Impairment of tangible and intangible assets*

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually 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 the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.



**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

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

**3.6 *Impairment of tangible and intangible assets (Cont'd)***

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

**3.7 *Investment in subsidiary***

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

**3.8 *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 each balance sheet date. Actuarial gains and losses that exceed 10% of the greater of the present value of the group's defined benefit obligation and the fair value of plan assets at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

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

**3.9 *Taxation***

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

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

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.9 *Taxation (Cont'd)*3.9.2 Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surpluses and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised 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 recognised if the temporary differences arise from the initial recognition of 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 each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the asset to be recovered.

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

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

3.9.3 Current and deferred tax for the period

Current and deferred tax for the period is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited in equity.

3.10 *Financial Instruments*

A financial instrument is any contract that gives rise to a financial asset to one entity and a financial liability to or equity to another entity.

A financial asset is any asset that is:

- (a) cash
- (b) an equity instrument of another entity
- (c) a contractual right
  - (i) to receive cash or another financial asset from another entity; or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Group.

**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2008

**3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.10 Financial Instruments (Cont'd)**

A financial liability is any liability that is a contractual obligation:

- (i) to deliver cash or another financial asset to another entity; or
- (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group recognises financial assets or financial liabilities on its balance sheet only when the Group becomes a party to the contractual provisions of the instrument.

**3.11 Financial assets**

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

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.

**3.11.1 Effective interest method**

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

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

**3.11.2 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.

**3.11.3 AFS financial assets**

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 34.11. Gains and losses arising from changes in fair value are recognised directly in equity in the fair value reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in the income statement. 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.

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.11 *Financial assets (Cont'd)*3.11.3 AFS financial assets (Cont'd)

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

3.11.4 Loans and receivables

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

3.11.5 Trade and other receivables

Trade receivables and other receivables are classified as loans and receivables and is measured initially at fair values. Interest is not charged on outstanding balances as they are usually settled within a short period during which recognition of interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement, when there is objective evidence that the asset is impaired.

3.11.6 Related party

A party is considered to be related if:

- (i) directly or indirectly, through one or more intermediaries, one party is able to exercise control or significant influence over the other party;
- (ii) both parties are subject to common control or significant influence from the same source;
- (iii) the party is a member of key management personnel of the group or its parent, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the group, including directors, officers and close members of the families of these individuals; or
- (iv) the party is a post-employment benefit plan for the benefit of the employees of the Group.

Intra group transactions are recorded at normal rates.



**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

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

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

**3.11.7 Impairment of financial assets**

Financial assets are assessed for indication of impairment at each balance sheet date. 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 impacted.

For all financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counter party; or
- Default of delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently 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 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.

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

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



## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.11 *Financial assets (Cont'd)*3.11.8 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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

3.12 *Financial liabilities and equity instruments issued by the Group*3.12.1 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 arrangement.

3.12.2 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.

3.12.3 Financial liabilities

## 3.12.3.1 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 recognised on an effective yield basis.

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

3.12.3.2 *Accounts payable*

No interest is accrued on outstanding balances as these are usually settled within a short period during which any interest charged would be immaterial.

3.12.3.3 *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.



**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

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

**3.13 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.

**3.13.1 Income from operations**

*Cess income*

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

**3.13.2 Fee income**

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:

- Membership fees

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

- Account maintenance fees

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

- User fees

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

- Trustee service fee

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

**3.13.3 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.

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

## 3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

## 3.13 Revenue recognition (Cont'd)

3.13.4 Investment income*Interest income*

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

3.14 *Compensation fund*3.14.1 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 3.14.2 below).

3.14.2 Contingency reserve

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 3.14.1 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.

3.15 **Segment reporting**

A segment is a distinguishable component of the Group that is engaged in either providing products or services.

Segment information is presented in respect of the Group's business. The primary format for business segments is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

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) Other

### CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2008

	Notes	2008 \$'000	2007 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	91,055	96,687
Intangible assets	6	11,706	13,529
Investments in securities:			
Compensation Fund	8.1	227,444	138,972
Other	8.2	425,596	162,657
Long-term receivables	9	4,156	3,675
Post employment benefits	10	42,648	46,946
<b>Total non-current assets</b>		<b>802,605</b>	<b>462,466</b>
<b>Current assets</b>			
Income tax recoverable		-	14,168
Trade and other receivables	11	23,276	26,459
Investments in securities:			
Compensation Fund	8.1	282,690	324,787
Other	8.2	125,197	149,097
Cash and bank deposits	12	98,860	26,607
<b>Total current assets</b>		<b>530,023</b>	<b>541,118</b>
<b>Total assets</b>		<b>1,332,628</b>	<b>1,003,584</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	13	168,590	113,590
Fair value reserve	14	( 4,008)	( 1,102)
Revenue reserve	15	272,374	373,785
		436,956	486,273
Contingency reserve	16	477,261	442,030
<b>Total equity</b>		<b>914,217</b>	<b>928,303</b>
<b>Non-current liabilities</b>			
Long-term liabilities	17	66,000	-
Deferred tax liabilities	18	49,404	33,380
<b>Total non-current liabilities</b>		<b>115,404</b>	<b>33,380</b>
<b>Current liabilities</b>			
Accounts payable	19	254,276	41,901
Income tax payable		48,731	-
<b>Total current liabilities</b>		<b>303,007</b>	<b>41,901</b>
<b>Total equity and liabilities</b>		<b>1,332,628</b>	<b>1,003,584</b>

The notes on Pages 57 to 99 form an integral part of the financial statements.

The financial statements on Pages 49 to 99 were approved and authorized for issue by the Board of Directors on February 20, 2009 and are signed on its behalf by:



Director



Director



# JAMAICA STOCK EXCHANGE

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

# 2008 ANNUAL REPORT

## CONSOLIDATED INCOME STATEMENT

YEAR ENDED DECEMBER 31, 2008

	<u>Notes</u>	<u>2008</u> \$'000	<u>2007</u> \$'000
Income			
Cess		260,273	110,260
Fee income		162,936	62,495
Other operating income	20	<u>47,061</u>	<u>33,134</u>
		<u>470,270</u>	<u>205,889</u>
Expenses			
Staff costs	21	115,230	86,516
Property expenses		43,764	37,307
Depreciation and amortisation		16,977	17,621
Advertising and promotion		26,493	19,961
Professional fees		18,221	16,676
Securities commission fees		59,178	24,135
Allowances for doubtful debts		2,170	1,899
Demutualization costs		3,437	-
Other operating expenses		<u>10,823</u>	<u>9,673</u>
		<u>296,293</u>	<u>213,788</u>
<b>SURPLUS (DEFICIT) FROM OPERATIONS</b>		173,977	( 7,899)
Investment income	22	91,027	34,908
Compensation Fund income (net)	23	51,828	37,751
Finance cost	24	( 6,013)	( 1,380)
Other gains and losses	25	<u>-</u>	<u>2,372</u>
<b>SURPLUS BEFORE TAXATION</b>	26	310,819	65,752
Taxation	27	(103,116)	( 21,636)
<b>NET SURPLUS</b>	28	<u>207,703</u>	<u>44,116</u>
Surplus derived from operations distributable		173,589	18,949
Surplus of Compensation Fund		<u>34,114</u>	<u>25,167</u>
		<u>207,703</u>	<u>44,116</u>
Earnings per share	29	<u>\$6.19</u>	<u>\$0.68</u>

The notes on Pages 57 to 99 form an integral part of the financial statements.

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2008

	Notes	Share Capital \$'000	Fair Value Reserve \$'000	Revenue Reserve \$'000	Contingency Reserve \$'000	Total \$'000
Balance at January 1, 2007		<u>113,590</u>	<u>(2,554)</u>	<u>354,836</u>	<u>414,339</u>	<u>880,211</u>
Fair value adjustments on available-for-sale securities		-	2,178	-	3,786	5,964
Deferred tax on fair value adjustment	18	-	( 726)	-	( 1,262)	( 1,988)
Net income recognised directly in equity		-	1,452	-	2,524	3,976
Net surplus for the year		-	-	<u>44,116</u>	-	<u>44,116</u>
Total recognised income for year		-	<u>1,452</u>	<u>44,116</u>	<u>2,524</u>	<u>48,092</u>
Appropriation from income to contingency reserve	16	-	-	( 25,167)	25,167	-
Balance at January 1, 2008		<u>113,590</u>	<u>(1,102)</u>	<u>373,785</u>	<u>442,030</u>	<u>928,303</u>
Fair value adjustments on available-for-sale securities		-	(4,357)	-	1,676	( 2,681)
Deferred tax on fair value adjustment	18	-	<u>1,451</u>	-	( 559)	<u>892</u>
Net Income recognised directly in equity		-	(2,906)	-	1,117	( 1,789)
Net surplus for the year		-	-	<u>207,703</u>	-	<u>207,703</u>
Total recognised Income for the year		-	(2,906)	207,703	1,117	205,914
Capitalized on issue of bonus shares	13(b)	55,000	-	( 55,000)	-	-
Dividend declared	32	-	-	(220,000)	-	(220,000)
Appropriation from income to contingency reserve	16	-	-	( 34,114)	34,114	-
Balance at December 31, 2008		<u>168,590</u>	<u>(4,008)</u>	<u>272,374</u>	<u>477,261</u>	<u>914,217</u>

The notes on Pages 57 to 99 form an integral part of the financial statements.



**CONSOLIDATED STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2008**

	Note	2008 \$'000	2007 \$'000
<b>OPERATING ACTIVITIES</b>			
Net surplus		207,703	44,116
Adjustments for:			
Depreciation of property and equipment		11,774	11,560
Amortisation of intangible assets		5,203	6,061
Loss on disposal of property and equipment		55	5
Unrealised foreign exchange gains on investments		( 11,818)	( 6,816)
Post employment benefit charge		7,610	587
Allowance for doubtful debts		2,170	1,899
Income tax expense		103,116	21,636
Interest income		(129,075)	(74,159)
Interest expense		<u>6,013</u>	<u>1,380</u>
Operating cash flows before movements in working capital		202,751	6,269
Decrease in trade and other receivables		1,013	3,026
Decrease in accounts payable		( 2,665)	(21,174)
Post employment benefit contributions		<u>( 3,312)</u>	<u>( 2,305)</u>
Cash generated from (utilized in) operations		197,787	(14,184)
Income tax paid		( 23,301)	(22,101)
Interest paid		<u>( 5,207)</u>	<u>( 1,380)</u>
Cash provided by (used in) operating activities		<u>169,279</u>	<u>(37,665)</u>
<b>INVESTING ACTIVITIES</b>			
Acquisition of investments in securities (net)			
Compensation Fund		( 62,003)	(13,114)
Other		(221,441)	3,232
Acquisition of property and equipment		( 6,197)	(16,708)
Acquisition of intangible assets		( 3,380)	( 4,516)
Proceeds on disposal of property and equipment		-	102
Long-term receivables		( 481)	2,026
Interest received		<u>135,347</u>	<u>56,943</u>
Cash (used in) provided by investing activities		<u>(158,155)</u>	<u>27,965</u>
<b>FINANCING ACTIVITIES</b>			
Issue of preference shares		66,000	-
Long-term liabilities (net)		( 4,960)	( 5,155)
Cash provided by (used in) financing activities		<u>61,040</u>	<u>( 5,155)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		72,164	(14,855)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		26,607	41,447
Effect of foreign exchange rate changes		<u>89</u>	<u>15</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	12	<u>98,860</u>	<u>26,607</u>

The notes on Pages 57 to 99 form an integral part of the financial statements.

### BALANCE SHEET AT DECEMBER 31, 2008

	<u>Notes</u>	<u>2008</u> \$'000	Restated <u>2007</u> \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	84,626	89,369
Intangible assets	6	6,086	7,371
Investment in subsidiary	7	55,000	55,000
Investments in securities			
Compensation Fund	8.1	227,444	138,972
Other	8.2	347,053	133,400
Long-term receivable	9	2,843	2,775
Post employment benefits	10	<u>34,117</u>	<u>37,557</u>
<b>Total non-current assets</b>		<u>757,169</u>	<u>464,444</u>
<b>Current assets</b>			
Income tax recoverable		-	8,489
Trade and other receivables	11	14,798	19,647
Investments in securities			
Compensation Fund	8.1	282,690	324,787
Other	8.2	96,276	117,060
Due from related party		4,379	65,575
Cash and cash equivalents	12	<u>63,926</u>	<u>22,290</u>
<b>Total current assets</b>		<u>462,069</u>	<u>557,848</u>
<b>Total assets</b>		<u>1,219,238</u>	<u>1,022,292</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Equity</b>			
Share capital	13	168,590	113,590
Fair value reserve	14	( 2,653)	( 869)
Revenue reserve	15	<u>196,208</u>	<u>391,578</u>
		362,145	504,299
Contingency reserve	16	<u>477,261</u>	<u>442,030</u>
<b>Total shareholders' equity</b>		<u>839,406</u>	<u>946,329</u>
<b>Non-current liabilities</b>			
Long-term liabilities	17	66,000	-
Deferred tax liabilities	18	<u>43,775</u>	<u>48,130</u>
<b>Total non-current liabilities</b>		<u>109,775</u>	<u>48,130</u>
<b>Current liabilities</b>			
Accounts payable	19	239,586	27,833
Income tax payable		<u>30,471</u>	-
<b>Total current liabilities</b>		<u>270,057</u>	<u>27,833</u>
<b>Total equity and liabilities</b>		<u>1,219,238</u>	<u>1,022,292</u>

The notes on Page 57 to 99 form an integral part of the financial statements.

The financial statements on Pages 49 to 99 were approved and authorized for issue by the Board of Directors on February 20, 2009 and are signed on its behalf by:



Director



Director





**INCOME STATEMENT**

**YEAR ENDED DECEMBER 31, 2008**

	<u>Notes</u>	<u>2008</u> \$'000	<u>2007</u> \$'000
<b>INCOME</b>			
Cess		195,205	82,695
Fee income		40,454	34,805
Other operating income	20	<u>46,881</u>	<u>32,936</u>
		<u>282,540</u>	<u>150,436</u>
<b>EXPENSES</b>			
Staff costs	21	86,610	64,063
Property expenses		28,597	23,735
Depreciation and amortisation		13,950	14,319
Advertising and promotion		26,305	19,849
Professional fees		13,566	13,478
Securities commission fee		53,608	23,238
Allowance for irrecoverable debts	11	1,784	1,411
Demutualization costs		3,437	-
Other operating expenses		<u>5,216</u>	<u>3,426</u>
		<u>233,073</u>	<u>163,519</u>
<b>SURPLUS (DEFICIT) FROM OPERATIONS</b>		49,467	( 13,083)
Investment income	22	74,639	28,840
Compensation Fund income (net)	23	51,828	37,751
Finance cost	24	( 6,013)	( 1,380)
<b>SURPLUS BEFORE TAXATION</b>	26	169,921	52,128
Taxation	27	( 56,177)	( 17,167)
<b>NET SURPLUS</b>		<u>113,744</u>	<u>34,961</u>

The notes on Pages 57 to 99 form an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY  
YEAR ENDED DECEMBER 31, 2008**

	Notes	Share Capital \$'000	Fair Value Reserve \$'000	Revenue Reserve \$'000	Contingency Reserve \$'000	Total \$'000
Balance at January 1, 2007		<u>113,590</u>	<u>(1,486)</u>	<u>381,784</u>	<u>414,339</u>	<u>908,227</u>
Fair value adjustment on available for sale securities		-	926	-	3,786	4,712
Deferred tax on fair value adjustment	18	-	(309)	-	(1,262)	(1,571)
Net income recognised directly in equity		-	617	-	2,524	3,141
Net surplus for the year		-	-	<u>34,961</u>	-	<u>34,961</u>
Total recognised income for the year		-	617	<u>34,961</u>	<u>2,524</u>	<u>38,102</u>
Appropriation from income statement to contingency reserve fund	16	-	-	(25,167)	<u>25,167</u>	-
Balance at January 1, 2008		<u>113,590</u>	<u>(869)</u>	<u>391,578</u>	<u>442,030</u>	<u>946,329</u>
Fair value adjustment on available for sale securities		-	(2,675)	-	1,676	( 999)
Deferred tax on fair value adjustment	18	-	891	-	( 559)	332
Net income recognised directly in equity		-	(1,784)	-	1,117	( 667)
Net surplus for the year		-	-	<u>113,744</u>	-	<u>113,744</u>
Total recognised income for the year		-	(1,784)	<u>113,744</u>	<u>1,117</u>	<u>113,077</u>
Capitalized on issue of bonus shares	13(b)	55,000	-	( 55,000)	-	-
Dividend declared	32	-	-	(220,000)	-	(220,000)
Appropriation from income statement to contingency reserve fund	16	-	-	(34,114)	<u>34,114</u>	-
Balance at December 31, 2008		<u>168,590</u>	<u>(2,653)</u>	<u>196,208</u>	<u>477,261</u>	<u>839,406</u>

The notes on Pages 57 to 99 form an integral part of the financial statements.



# JAMAICA STOCK EXCHANGE

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

# 2008 ANNUAL REPORT

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2008

	<u>Note</u>	<u>2008</u> \$'000	<u>2007</u> \$'000
<b>OPERATING ACTIVITIES</b>			
Net surplus		113,744	34,961
Adjustments for:			
Depreciation of property and equipment		9,576	9,408
Amortisation of intangible assets		4,374	4,911
Loss on disposal of property and equipment		55	5
Unrealised foreign exchange gains on investments		( 6,878)	( 6,816)
Post employment benefit charge		5,820	441
Allowance for doubtful debts		1,784	1,411
Income tax expense		56,177	17,167
Interest income		(119,068)	( 68,091)
Interest expense		<u>6,013</u>	<u>1,380</u>
Operating cash flows before movements in working capital		71,597	( 5,223)
Decrease in trade and other receivables		3,066	189
Decrease in accounts payable		( 3,287)	( 10,313)
Post employment benefit contributions		<u>( 2,380)</u>	<u>( 1,815)</u>
Cash generated from (used in) operations		68,996	( 17,162)
Income tax paid		( 21,240)	( 20,560)
Interest paid		<u>( 5,207)</u>	<u>( 1,380)</u>
Cash provided by (used in) operating activities		<u>42,549</u>	<u>( 39,102)</u>
<b>INVESTING ACTIVITIES</b>			
Net acquisition of investments in securities			
Compensation fund		( 62,003)	( 13,114)
Other		(179,827)	7,012
Advances to subsidiary		61,196	( 4,082)
Acquisition of property and equipment		( 4,888)	( 16,190)
Acquisition of intangible assets		( 3,089)	( 280)
Proceeds on disposal of property and equipment		-	102
Long-term receivable		( 68)	1,773
Interest received		<u>126,637</u>	<u>50,793</u>
Cash (used in) provided by investing activities		<u>( 62,042)</u>	<u>26,014</u>
<b>FINANCING ACTIVITIES</b>			
Loan financing (net)		( 4,960)	( 5,155)
Proceeds from preference shares		<u>66,000</u>	<u>-</u>
Cash provided by (used in) financing activities		<u>61,040</u>	<u>( 5,155)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		41,547	( 18,243)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		22,290	40,518
Effect of foreign exchange rate changes		<u>89</u>	<u>15</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	12	<u>63,926</u>	<u>22,290</u>

The notes on Pages 57 to 99 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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 subsidiaries as detailed below:

<u>Subsidiaries</u>	<u>Principal Activity</u>
Jamaica Central Securities Depository Limited and its subsidiary	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.
JCSD Trustee Services Limited (Incorporated July 21, 2008)	The provision of trustee, company management, custodianship and related services.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 *Standards and Interpretations effective in the current period*

In the current year, the Group adopted the amendments to IAS 39 and IFRS 7, Reclassification of Financial Assets effective July 1, 2008, which permitted the reclassification of certain non-derivative financial assets recognised in accordance with IAS 39.

Also in the current year, three interpretations issued by the International Financial Reporting Interpretations Committee became effective for the Group. These are:

IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14; IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The adoption of the above amended standards and interpretations has not resulted in changes to the Group's accounting policies nor the amounts reported for the current or prior years.



**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

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

**2.2 Standards and interpretations in issue not yet adopted**

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:

		<u>Effective for annual periods beginning on or after</u>
IAS 1, 8,10,16,18, 19, 20, 23, 27, 28, 29, 31, 34, 36, 38, 39, 40, 41 and ) IFRS 7 )	Amendments resulting from May 2008 Annual Improvements to IFRS	January 1, 2009
IAS 1 (Revised)	Presentation of Financial Statements: - Comprehensive revision including requiring a statement of comprehensive income - Amendment to add disclosures about an entity's capital	January 1, 2009 January 1, 2009
IAS 23 (Revised)	Borrowing Costs	January 1, 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 28	Investments in Associates - Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 31	Interests in Joint Ventures - Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 32	Financial Instruments: Presentation - Amendments relating to puttable instruments and obligations arising on liquidation	January 1, 2009
IAS 39	Financial Instruments: Recognition and Measurement - Amendments to clarify Eligible Hedged Items	July 1, 2009
IFRS 1	First-time Adoption of International Financial Reporting Standards: - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate - First-time Adoption of Financial Reporting Standards	January 1, 2009 July 1, 2009
IFRS 2	Share-based Payment - Amendment relating to vesting conditions and cancellations	January 1, 2009

## JSE CORPORATE HIGHLIGHTS 2008

### National Investor Education Week 2008



*(Left to right) Governor General, Sir Kenneth Hall opens the Stock Market at the JSE's Inaugural Bell Ringing Ceremony on Monday, September 29, 2008. Looking on are Mr. George Roper, Acting Executive Director of the FSC; Mrs. Marlene Street Forrest, General Manager, JSE; Lady Rhemia Hall, Ms. Sandra Shirley, Deputy Chairman, JSE; and Mr. Neville Ellis, Senior Marketing Officer, JSE.*

### Workshop - Real Estate Investment Trust



*Dr. Milena Petrova shares with the participants who attended the JSE's Real Estate Investment Trust (REIT) workshop the benefits and opportunities that can be derived from a REIT portfolio. The workshop was held at the Courtleigh Hotel on June 19-20, 2008.*

JSE CORPORATE HIGHLIGHTS 2008

Listing Ceremonies



On June 30, 2008 the Jamaica Stock Exchange created history by being the first Stock Exchange in the region to be listed on its own Exchange. Inserting the strip is JSE board member and Deputy Governor of BOJ Mr. Livingstone Morrison. Also sharing in the moment are (front L-R) Director of the JCSD, Mr. Alvaro Casserly, General Manager, JSE, Mrs. Marlene Street Forrest; Chairman of the JSE, Mr. Curtis Martin.

Back row R-L: Directors, Miss Anya Schnoor, Mr. Mark Croskery, Chief Regulatory Officer, Mr. Wentworth Graham, Deputy General Manager - JSE, Mr. Robin Levy, Director, Mrs. Jane George.

Another historic listing Carlton Savannah Real Estate Investment Trust (REIT) was listed August 5, 2008 - Mr. Garfield Sinclair, Chairman of Carlton Savannah REIT (Jamaica) Limited inserts the Company strip; looking on are Mrs. Fayval Williams, Executive Director Carlton Savannah REIT (Ja.) Ltd, partially hidden Mr. Curtis Martin, Chairman JSE and Mr. Leo Williams, Executive Director of Williams & Associates Investments Ltd.



## JSE CORPORATE HIGHLIGHTS 2008

### Outreach



*Members of staff from the Jamaica Stock Exchange (JSE) meet and greet the residents of the Denham Town Golden Age Home.*

*JSE's outreach held at the Terra Nova All Suite Hotel on March 13, 2008. Mr. Robin Levy, GM-JCSD, Mrs. Marlene Street Forrest, Members of the panel from left to Right GM - JSE Mr. Curtis Martin, Chairman -JSE, Mr. Leo Williams (Former Deputy Chairman) and Mr. Vernon James VP Corporate Client Services - NCB Capital Markets.*

### JSE Sports Day 2008



*Team Samms exuding an air of confidence as they pose in their house colours (red & black).*



## JSE CORPORATE HIGHLIGHTS 2008



“Vybz of the Caribbean” Team Samms shows their creativity in capturing the essence of the Caribbean spirit



On your mark!! ..... Members of House of Brown, Team Samms and House of Lloyd getting ready for the “three legged race”



House of Lloyd decked out in their royal blue and white, getting ready to unveil their Egyptian Queen. House of Lloyd emerged the overall winner of Funday 2008



Members of “The Browns” posing for a photo shoot and wondering if they “will bring it” for Funday 2008

## FINANCIAL & STATISTICAL HIGHLIGHTS

	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenue (\$)	561,297,000	240,797,000	294,515,000	313,590,000	219,395,000	160,997,000	76,612,000	65,116,000	47,325,000
Expenses(\$)	302,306,000	212,796,000	323,349,000	180,099,000	135,495,000	101,216,000	70,586,000	67,496,000	52,898,000
Income Before Taxes (\$)	258,991,000	28,001,000	Ø-28,834,000	133,491,000	83,900,000	59,781,000	6,026,000	-2,380,000	-9,573,000
Net Income After Tax (\$)	207,703,000	44,116,000	8,213,000	114,213,000	109,001,000	77,313,000	25,753,000	21,996,000	17,023,000
Compensation Fund (\$)	510,134,000	463,759,000	434,686,000	404,253,000	378,839,000	331,517,000	280,604,000	253,953,000	218,167,000
Members' Equity (\$)	436,956,000	486,273,000	465,872,000	484,043,000	403,770,000	287,029,000	244,717,000	241,474,000	191,156,000
Reported Share Volume (Millions)* (Units)	2,953.01	2,433.48	5,639.39	2,498.03	5,194.56	4,290.43	1,604.59	2,845.20	694.90
Daily Average Share Volume (Millions) (Units)	11.81	9.73	22.55	9.91	20.45	17.09	6.39	11.43	3.49
Reported Dollar Value (Millions) (\$)	67,026.87	29,047.42	37,041	40,747	35,994.85	24,237.33	7,636.88	5,948.36	3,441.08
Daily Average Dollars Value (Millions) (\$)	268.10	116.18	148.16	161.69	141.71	96.53	30.43	23.89	17.29
JSE Market Index as at December 31,	80,152.02	107,968.00	100,678	104,510	112,655.51	67,586.72	45,396.21	33,835.59	28,893.24
Member Organizations	11	11	11	11	11	10	10	10	6
New Listed Companies/Securities	9	1	3	1	Nil	2	Nil	1	5
Total Listed Companies*	45	44	44	41	40	41	40	42	44
Total Shares Listed (Billions)	47.49	47.16	49.23	46.19	42.28	41.88	35.77	33.19	29.49
Market Capitalization as at December 31:(Billion)(\$)	597.28	876.69	822.86	839.85	879.30	512.88	292.3	222.0	160.14

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

△ Restated

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

## SHAREHOLDINGS

### Shareholders Holding the Ten Largest Blocks of Shares in the Jamaica Stock Exchange

1. Douglas Halsall	2,125,615
2. First Jamaica Investments Limited	1,249,511
3. First Global Fin. Serv. Ltd-Trading	1,408,803
4. Derek Demercado	1,254,489
5. Wilford Reid	1,249,511
6. Berrist Alfanzo Phillips	1,000,618
7. Victoria Mutual Building Society	761,747
8. Onis Johnson	751,725
9. Lascelle Lenford Brown	627,278
10. Charles Leiba	600,869

### Shareholding of Managers and Senior Managers for the Jamaica Stock Exchange

1. Marlene Street Forrest	28,333
2. Robin Levy	25,000
3. Suzette McNaught	25,000
4. Doreen Parsons Smith	8,333
5. Suzette Whyte	10,000
6. Neville Ellis	8,333
7. Josephine Lewis	25,000

### Shareholdings of Directors in The Jamaica Stock Exchange

1. Curtis Martin	
2. Rita Humphries Lewin	19,978
3. Edwin McKie-Beulah McKie	49,846
4. Christopher Williams- Michelle M. Williams	129,491



# JAMAICA STOCK EXCHANGE

*"Providing A Fair, Efficient and  
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2008  
ANNUAL REPORT



AND ITS SUBSIDIARY

AUDITORS' REPORT & FINANCIAL STATEMENTS

## Deloitte.

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### INDEPENDENT AUDITORS' REPORT

To the members of

#### THE JAMAICA STOCK EXCHANGE LIMITED

##### Report on the financial statements

We have audited the financial statements of The Jamaica Stock Exchange Limited (the Company) and its subsidiaries (the Group), set out on pages 49 to 99, which comprise the consolidated and the company balance sheets as at December 31, 2008, the consolidated and the company income statements, statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

##### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. 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.

*Cont'd on next page*



## JAMAICA STOCK EXCHANGE

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

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### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial positions of the Group and the Company as at December 31, 2008 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 Jamaican Companies Act

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 Jamaican Companies Act in the manner so required.

Chartered Accountants

Kingston, Jamaica  
February 20, 2009

## Jamaica Stock Exchange Regulatory Functions



**Mr. Wentworth Graham**  
Chief Regulatory Officer

The year 2008 could be remembered for the tremulous financial conditions that negatively impacted the stability of the global financial market, which many say were synonymous to the Great Depression of the 1930's. All major markets felt the impact of the financial crisis and as was expected, reverberations and contagion were observed in developing markets like Jamaica. The year's events caused paradigm shifts in market intervention and oversight, the result of which saw a reinforcement of the merits of good governance and market controls.

### **Regulatory Activities at the JSE**

The Regulatory and Market Oversight Committee (RMOC) charged the Regulatory and Market Oversight Division (RMOD) at its inception on April 1, 2008 with the responsibility to develop and implement policies and operational procedures that would preserve information confidentiality and privacy, as this is deemed necessary to promote and preserve the integrity of the Exchange's regulatory responsibilities; this was done.

For 2008, the RMOD reviewed 86 cases on matters related to complaints, market infractions and other compliance issues. ; Market Infractions accounted for the highest, totaling 78% of the total cases. These issues were generally violations of the JSE's Rules. In this regard, corrective actions are afoot by the RMOD to sensitize the market on market rules; particularly through one-on-one meetings and providing preliminary notices to stakeholders on activities that could potentially lead to Market Infractions.

### **The Horizon**

In 2008, the RMOD completed a number of projects, including the creation of a web page link with contact information and a complaint log, the hosting of workshops, and commencing the formation of the automated market surveillance system. For 2009, the RMOD continues to be steadfast in furthering its mission and defining itself through keener market oversight, improved market interface and bolstering the regulatory structure of the market. Arising from these activities, one should see evidence that the JSE's regulatory framework is more robust in advancing and protecting stakeholders' welfare.



## JSE CORPORATE HIGHLIGHTS 2008





## JSE CORPORATE HIGHLIGHTS 2008

# Jamaica Stock Exchange's Best Practices Annual Report

The evening culminated with the presentation of the prestigious Governor General's Award for Excellence. Forty five Listed Companies vied for this Award. This year, as in 2006, there was a tie with National Commercial Bank Jamaica Limited and PanCaribbean Financial Services Limited emerging as joint winners.

- **JSE's BEST PRACTICES ANNUAL REPORT AWARD:**

*(This Award seeks to encourage public listed companies to produce clearer more reader-friendly annual reports and to provide greater insight into companies' financial affairs, governance practices and business activities)*

First Place - Pan Caribbean Services Ltd.  
Second Place - Scotia Group Jamaica Ltd.  
Third Place - National Commercial Bank

- **THE JSE's BEST PRACTICES CORPORATE DISCLOSURE AND INVESTOR RELATIONS AWARD:**

*(This Award recognizes and encourages companies to make timely and accurate reports and announcements to the JSE and maintain good investor relations with the wider investing Public).*

First Place - National Commercial Bank Ltd.  
Second Place - NCB Capital Markets Ltd.  
Third Place - Pan Caribbean Services Ltd.

- **JSE's BEST PERFORMING COMPANY AWARD:** *(This award seeks to identify and recognize outstanding performance by listed companies in enhancing shareholder value in the areas of return on capital, improved profitability and direct returns on shareholdings)*

First Place - Carreras Group Ltd.  
Second Place - Pulse Investments Ltd.  
Third Place - Salada Foods Jamaica Ltd.

- **JSE's BEST PRACTICES INVESTOR RELATIONS AWARD - STOCK BROKERAGES:**

*(This Award seeks to recognize excellence in the service provided by stock brokerages to investors. The Award will be presented to the stockbrokerage that provides investors with the best services)*

First Place - Jamaica Money Market Brokers Ltd.  
Second Place - First Global Financial Services Ltd.  
Third Place - Barita Investments Ltd.

- **JSE's BEST PRACTICES WEBSITE AWARD - TO INCLUDE STOCK BROKERAGES:**

*(This Award seeks to encourage listed companies and stock brokerages to raise the quality and efficiency of the dissemination of information to the investing public via the website)*

First Place - Scotia DBG Investments Ltd.  
(Stockbrokerage)  
Second Place - Mayberry Investments Ltd.  
Third place - Capital & Credit Securities Limited

- **JSE BEST PRACTICES WEBSITE - FOR LISTED COMPANIES:**

First Place - Trinidad Cement Ltd.  
Second Place - Guardian Holdings Ltd.  
Third Place - Scotia DBG Investments Ltd.

The penultimate Award for the night was the additional award, the **PSOJ's AWARD FOR CORPORATE GOVERNANCE**. This year, the award was only given for first and second place. However, going forward all three places will be awarded. The winners were:

First Place - Sagicor Life of Jamaica  
Second Place - Scotia Group Jamaica Ltd.

**JSE CORPORATE HIGHLIGHTS 2008**



*Best Overall: Donovan Perkins (left), President & CEO, PCFS and Patrick Hylton (right), Group Managing Director NCB receive shared award for Overall Winner from the Governor General Sir Kenneth Hall.*



*Mr. Richard Byles, President & CEO, Sagicor Life Jamaica accepts the newly added PSOJ award for Corporate Governance from Mrs. Sandra Glasgow, CEO, PSOJ.*

## JSE CORPORATE HIGHLIGHTS 2008

### Best Practices Awards (cont'd)



Shaun Lawson (left), Company Secretary Caribbean Cement Ltd. receives the first place award for Website (Listed Company) on behalf of parent company TCL from Hilary Phillips, JSE Board Member.



Carolyn DaCosta, Group Compliance Manager & Company Secretary, JMMB accepts the Category Winner (Investor Relations Stockbrokerage) from Mr. Livingstone Morrison



Christopher Williams (right), Managing Director NCB Capital Markets Ltd. accepts the award on his company's behalf for second place in Corporate Disclosure & Investor Relations category from Mr. Leo Williams, JCSD board member

### Market Research Competition



Ferris Jackson (right), formerly of First Global, first quarter winner of the JSE's Market Research Competition receives his cheque from Michael Johnson, Marketing Officer at the JSE.



Stephanie Shaw of Scotia DBG Investments Ltd receives her cheque from Mr. Claremont Kirton, Head of the Department of Economics at the University of the West Indies. Mr. Kirton Chairs the JSE's Market Research Committee.

## GENERAL MANAGER'S REPORT - JSE



**Mrs. Marlene Street Forrest**  
General Manager  
Jamaica Stock Exchange

**D**espite the turbulent global conditions in 2008, the Jamaica Stock Exchange (JSE) completed the year on a very profitable note due primarily to the income earned from facilitating the transaction of the Lascelles/CL Spirits on the Exchange and the Jamaica Central Securities Depository (JCSD). This was the largest transaction of this nature in Jamaica and assured the Exchange a more than 100% increase in Cess revenue despite market performance which was otherwise sluggish and which would have been, other than for this transaction, worse than the previous year. In the area of fee income, the Group also performed better than was projected due to the same transaction, which saw pledge fee increasing significantly over the previous year. The Trustee Service Ltd, a new subsidiary of the JCSD also benefitted from the Lascelles/CL Spirits transaction as well as from other new contracts signed.

The general uncertainties in the economy that dogged 2007 were still present in 2008. However, this did not deter the Stock Exchange from achieving some growth. There were nine new listings on the Exchange comprised of six preference shares and three ordinary shares listings which is the most in over 15 years. This included the Jamaica Stock Exchange Preference Share, which was oversubscribed.

With the exception of our large block transactions, all market indicators declined over 2007 and it is unlikely that we will see a rebounding of the market in 2009. We considered it opportune and we utilized this time in 2008 to develop on the internal competencies and efficiencies in the Group through training, job enlargement, improvement on policies and procedures and concentration on new product ideas and development.

The Junior Stock Market development was given a boost in 2008 with the approval by Cabinet of the tax concession. We have pursued development of the Caribbean Exchange Network though we have encountered some challenge. We continued to pursue many other areas of focus for which progress have been achieved.

The Exchange continues to listen to its stakeholders and has in fact committed to working with our listed companies and investors to bring about market growth and development. As a result, we have been able to address some of the concerns raised by them and through quarterly face-to-face meetings, we intend to resolve matters that will likely affect the companies and the growth of our market.

### EXTERNAL FACTORS

The global economic crisis, the high interest rate policy towards the end of the year and the effect of the fall of many unregulated schemes have all negatively impacted on the market in 2009. All these factors have played on the psyche of investors, many of whom have sought a more conservative approach to investments or cashed in on their investments in equity to meet cash flow needs. We expect that these conditions will persist for most of 2009.

(Continued)



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

### **OPPORTUNITIES**

In spite of the fragile economic environment, there are possibilities. We have achieved many firsts in 2008. Many new products have been launched in 2008, which we will complete in 2009, and many which were started in 2007 have now been completed. We successfully launched in September, the Investor Education Week, which was a collaborative effort with our regulator. The week of activities met our objectives of exposing new investors to the market. The Stock Market Game-the simulated electronic trading and portfolio management game aimed at improving market understanding, was also launched within the year.

We are currently working on the development of new indices, derivative trading and other expanded services within the Group, which we believe will enhance the capital market experience. The Group has seen an increase of over 42 % in the areas in which we have diversified and we expect that these areas will factor in a more significant way in ensuing years. The sale of Market Data is a key area, in which we have started to make some in-roads and we plan to further pursue next year.

Our major achievements in 2008 are the results of the investment and commitment we have made in ensuring that the Exchange has and offers leading edge technology to our stakeholders. The Group intends to continue to grow and develop new product as by so doing we will be in a position to offer you a lower cost of providing excellent services.

### **STAYING THE COURSE**

This year, despite the significant net operating income realized, has been a difficult one and it is unclear when market conditions will improve. Our vision remains focused to be the leading exchange within the Caribbean, to improve the capital market by creating products that will enhance investment experience and encourage new companies to list on either the Main or the Junior Exchange. While the year has been challenging we continue to have successes in keeping with our priorities of fostering growth and development of the market by providing an efficient and transparent market place.

### **THE MARKET**

Our trading and settlement platforms remained robust in 2008. We experienced no significant down time and have even improved upon the previous year's performance. Despite this, we continue to examine the offerings within the market to ensure that the platforms on which we operate are on par with our most developed contemporaries and will provide the highest return on investment.

Every effort to grapple with any negative perception in the market continues. This will see the Exchange looking at other methods such as the Average Price to determine the market price for the close of day.

The Exchange also considers it necessary to grow the market through the addition of new member dealers and dependent on market conditions, this could be realized in 2009 with the addition of at least one new member dealer.

### **JSE CORPORATE ACTIVITIES AND NEW INITIATIVES**

#### **Ongoing Activities**

- ❖ Upgrades and Enhancement of trading platform for efficient market delivery
- ❖ Website Enhancement including Stock Market Game geared at market education at high school & tertiary level
- ❖ Staff training
- ❖ Continued Development of internal processes for CXN

### **DEPARTMENTAL HIGHLIGHTS**

#### **MARKETING ACTIVITIES**

In keeping with the organization's goals and objectives our Marketing Department worked assiduously organizing and hosting several events and implemented a number of projects during the year to increase our customer base and to have greater interaction with our stakeholders. In achieving these objectives the JSE was engaged in the following programmes:

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

- (i) **High School Education Programme**  
This is geared towards educating High School Students on the Stock Market and how to invest in the market. This programme continues to make strides with a total of 178 High Schools visiting the Exchange, setting the stage for continuous market education.
- (ii) **National Investor Education Week**  
There were 730 students in attendance at the National Investor Education Week seminar, which was geared towards students.
- (iii) **Teacher's Outreach Programme:**  
The JSE introduced an Outreach Programme for teachers from various schools across the island. Twelve schools participated in the programme.
- (iv) **The JSE's Public Investor Outreach Programme:**  
There were three Public Investor Education Outreach sessions. These were held in Kingston, Santa Cruz and Ocho Rios.
- (v) **Face to Face:**  
The JSE not only dialogued with its investors and potential investors, but also, their key stakeholders, such as the listed companies, to ensure that all channels of communication are open. Consequently, the JSE engaged the listed companies each quarter in 2008.
- (vi) **Best Practices:**  
In an effort to assist players in the industry to operate at international standards the JSE launched its Best Practices Award for Listed Companies and Stock Brokerages in 2004. Here companies are awarded for outstanding performances in several categories, ranging from: Best Annual Report to Best Investor Relations. The PSOJ Corporate Governance award was added in 2008.
- (vii) **JSE's Capital Market & Investment Conference:**  
The year 2008 saw the JSE continuing its vision of bringing persons not only from across the Caribbean, but from Europe and North America together, to exchange ideas and network in an effort to continue the development of the Capital Market. The JSE took the opportunity to honour Dr. Richard Bernal for his outstanding contribution to Caricom.
- (viii) **Workshops:**  
The JSE in 2008 hosted a series of workshops. The objective of these workshops was to expose stakeholders in the market to international best practices in the capital market. A total of six (6) workshops were held and covered areas such as Leadership, Derivatives and Communicating in a Crisis.

The efforts that we have put into market outreach programmes and workshops continue to reap tremendous benefits. This is evidenced from the fact that even though most companies had contracted expenditure, employers are not averse to their employees participating in our workshops. We have flagged this area for growth in the medium to long term.

The JSE through its Communication and Marketing Department is committed to the process of dialoguing and educating all the players in the market to allow for all to operate at international standards and will continue its effort to grow the capital market for future generations.

- **INTERNAL AUDIT**  
Towards the end of the year we outsourced our internal audit functions to PriceWaterhouseCoopers as we are of the view that this move would further strengthen our internal controls and improve on our procedures.
- **INFORMATION TECHNOLOGY**  
The JSE continues to implement and utilize information systems that support and enhance its strategic objectives.



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

**(i) Infrastructure**

Since 2001, the JSE and its subsidiary (The JCSD) have been utilizing an electronic trading, clearing and settlement platform. Brokers and other external users access the systems via a secured and robust Wide Area Network (WAN). Additionally, as part of its Business Continuity strategy, the JSE implemented a hot site to provide redundancy for its core systems (Trading, Clearing and Settlement). As the JSE continues to expand its services, the infrastructure is continuously upgraded to take advantage of the emerging trends in order to foster growth through knowledge and innovation. Therefore, in our quest to stay abreast of technology, we continue to upgrade our systems.

**(ii) Website**

The JSE's Website is the *'face of the Exchange'*. The website continues to be a very valuable resource for information to investors, financial analysts, researchers, students, and other visitors to the site. Some valuable resources available on the site are daily and historical stock market information, trade sheets and company news via subscription, charting capabilities, financial statements, information on Listed Companies and member firms, membership subscription, stock market game, portfolio manager, online statement access, and archived trade sheets from 1969. Statistics for 2008 (see table below) indicate that there were 608,000 visitors to the site, including students from high schools who have shown great interest since the launch of the Stock Market Game.

Month	Unique visitors	Number of visits	Pages	Hits
Jan-08	19,528	53,349	1,615,049	3,902,102
Feb-08	18,620	50,987	1,570,555	3,583,721
Mar-08	19,209	51,139	1,331,124	2,775,975
Apr-08	18,515	50,451	1,356,414	3,051,036
May-08	17,919	49,147	1,428,524	3,005,102
Jun-08	18,983	50,904	1,692,433	4,227,561
Jul-08	18,007	49,351	2,007,007	3,797,926
Aug-08	15,480	42,084	1,150,217	2,535,721
Sep-08	16,519	46,128	1,394,698	2,767,522
Oct-08	20,007	55,272	1,928,302	4,448,560
Nov-08	18,759	53,029	1,712,669	3,298,657
Dec-08	19,324	56,159	1,558,011	2,900,959
<b>Total</b>	<b>220,870</b>	<b>608,000</b>	<b>18,745,003</b>	<b>40,294,842</b>

**(iii) Data Services**

Information dissemination is crucial in keeping investors abreast of the activities on the Stock Market. Consequently, the JSE ensures that accurate and quality information is made available to its client's through sources such as Bloomberg who utilizes a Market Data Feed provided by the JSE. Other product of this data feed can be seen on cable stations and websites of clients who subscribe to this technology. In 2008 we expanded this service which will become, in future years, a key source of income.

**(iv) Caribbean Exchanges Network**

Given the impending Caribbean Exchanges Network (CXN), the JSE's telecommunication infrastructure was upgraded to facilitate seamless 'any-to-any' connectivity between the brokers in Jamaica and the Hubs in Barbados and Trinidad. Additionally, the trading, clearing and settlement systems will be upgraded to facilitate trading and settling trades done on the CXN market.

**(v) Development Market Surveillance System**

With the separation of the commercial arm from the Regulatory arm of the organization and the subsequent creation of the Regulatory Market and Oversight Division (RMOD), the JSE has identified the need to develop a Market Surveillance System, which will undoubtedly assist the efficiency of the RMOD in protecting stakeholders' interest.

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

- **HUMAN RESOURCES**

The Jamaica Stock Exchange is privileged to have a very dedicated, loyal and committed team. Despite the challenges that the JSE/JCSD encountered during the year, we were able to overcome most of these obstacles through the exemplary cooperation and resilient spirit of the staff members. Based on the company's objective to have a motivated and prepared workforce, a manpower audit was conducted which resulted in salary re-classification and job evaluation of all positions within the organization.

We recognize the importance of effectively developing our staff, hence we facilitated and encouraged employee development through training in Corporate Finance, Securities Market, IFRS, Leadership, Derivatives, Real Estate Investment Trust (REIT) Communicating in a Crisis and also internal cross-training. Additionally, the JSE continues to encourage staff to advance their professional status through our Education Loan Facility.

The JSE in ensuring that we are a 'well rounded' workforce had their fun day at Sunset Beach Resort, Montego Bay. Employees were placed in 'houses' named after past Chairmen of the Board (Samms, Brown and Lloyd). The camaraderie and keen competitiveness of the employees was quite intense, which made Fun Day 2008 a very exciting and memorable one.

### **CORPORATE SOCIAL RESPONSIBILITY**

We maintained close ties with our community and supported the Denham Town Golden Age and the Denham Town Primary School through our corporate donations and staff activities. We have improved on our scholarships for both students of the University of the West Indies and University of Technology and have continued to provide work experience programmes for students from UWI, UTECH and other institutions of learning. We are also committed to United Way and many other charitable organizations.

### **FORECAST -2009**

2009 marks the Exchange's 40<sup>th</sup> Anniversary in which we expect to have some celebratory activities geared towards market education. It is also expected to be a challenging year. Building market awareness and the advantages that exist even in the face of an economic downturn for both investors and current and potential listed companies will be the thrust of the Group's activities for 2009. We will seek new ways of providing better service to the market at a lower cost. We will improve on our response time to our stakeholders.

We anticipate that with the launch of the Junior Market in 2009, there will be tremendous interest from many companies resulting in a few listings. Our work will be that of market education and assistance to potential listed companies.

The Group pursues several other business development initiatives, which include:

- ❖ A new exchange traded fund market (ETF)
- ❖ New Exchange Indices
- ❖ Market Data Messaging Services
- ❖ Listing of Foreign/International Companies through the process of Advanced Deposit Receipts
- ❖ The Caribbean Exchange Network which reduces the exposure to only local stocks
- ❖ Online Access of ClientAccounts
- ❖ Many 40th Anniversary Activities

(Continued)





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

I wish to thank all our listed companies, investors and others, through whose continued support and feedback we have been able to continue our growth path. Our many successful market education programmes such as the Market Analyst Competition and Best Practice Awards Competition would not be possible without the dedicated Committee members who volunteer their time and expertise.

Our employee retention and job satisfaction is paramount to our continued success in product and service delivery. I wish personally to commend the team for the time, efforts and enthusiasm displayed in the execution of their functions. Finally, many thanks to the Board of the Exchange for providing the encouragement and leadership, which enables us to give of our best.

.....  
Marlene J. Street Forrest  
General Manager, JSE

## Chairman's Report, Regulatory and Market Oversight Committee (RMOC)

### The Year 2008 in Review

The year 2008 ought to resonate in the minds of many for a very long time because of the global financial turbulence that affected established businesses and ordinary people. Clearly, one will also remember that the situation tested, if not exposed, the mettle of the regulatory operations in most markets and Jamaica was no exception. While the magnitude of the tests varies across the globe, the Jamaica Stock Exchange (JSE), and more specifically the Regulatory and Market Oversight Committee, which oversees the regulatory responsibilities of the JSE, was confronted with issues that required keen attention. In these circumstances the RMOC had to be bold and thorough in its decision making process, as it sought to maintain its resolve to promote market transparency and integrity, which ultimately results in safeguarding the interest of the market. The RMOC is committed to being fair and accurate in what it does; therefore, its decisions were taken against the background of in-depth analysis and expert advice. In this regard, it can therefore report that all decisions taken during the course of the last 12 months were respectfully received and accepted by the market and its stakeholders.

### Achievements During the Year

While I may not be at liberty to divulge the details of the issues that were undertaken by the RMOC, it can be reported that over the period, the total number of issues that were assessed by the Regulatory & Market Oversight Division (RMOD) was 86, which represents more than 300% increase over the previous year. This change could be attributed to the RMOD's concentrated operations on the Exchange's regulatory matters.



Miss Hilary Phillips Q.C.  
Chairman

Nature of Cases	Number
Market Infractions	67
Complaints	8
Other Compliance Issues	11
Total	86



(Continued)



## Chairman's Report Regulatory and Market Oversight Committee (RMOC) Cont'd

### Other Regulatory Matters in 2008

For the period in review the RMOC was able to satisfy the following:

1. Tabling new rules for the JSE, namely, THE RMOC, Disciplinary Proceedings and Management Discussion & Analysis (MD&A).
2. Staffing the RMOD with its full complement of officers. At the inception of its operations on April 1, 2008 it had only two (2) officers and by May it was able to recruit another two (2) to complete the staffing requirements.
3. The RMOC was able to close most of the issues that were transferred to it from the Board of the JSE.
4. The Committee was able to complete its full complement with the inclusion of Mrs. Jane George, an Independent Board Member of the JSE, who represents the Private Sector Organization of Jamaica.
5. Other achievements of the Committee include, steering the RMOD to:
  - a. Undertake a process that has led to the creating of a logo and tagline.
  - b. Develop and implement its Mission Statement, which is “To promote market transparency, integrity and efficiency by protecting and advancing stakeholders' welfare through the enforcement of rules, market surveillance, broker inspections and the assessment of market documents and financial statements.”
  - c. Create content for the Division's page on the JSE's website. It is important to note that on the website there is a Complaint Log, RMOD contact information (fax, email and toll free number) and market rules.
  - d. Establish proper communication, filing, documentary and operating procedures to preserve information confidentially.

### Plans for the Future

As Chairman of the RMOC one ought to accept that my prognosis of what lies ahead for the Committee and the RMOD should be considered accurate and credible. On that score I will report that the future looks rather interesting and exciting. This view is provided against the background of:

1. Developing new JSE Rules as it relates to Fines and a Complaint Management System.
2. The current work-in-progress of the RMOD's automated market surveillance system, which is within budget and is, slated to be completed by September of this year.
3. Undertakings by the RMOD of not only enforcing market rules but promoting compliance.
4. The commitment of the RMOC and the RMOD to fulfill its objectives and satisfy the expectations of its stakeholders, which is as documented in its strategic plan.

Miss Hilary Phillips Q.C.  
Chairman

## Audit and Finance Committee Report The Jamaica Stock Exchange and Its Subsidiaries

During the year under review the Audit and Finance Committee (the Committee) of the Board of Directors (the Board) of the Jamaica Stock Exchange (the Exchange) assisted the Board in discharging its oversight of:

1. The integrity of the Financial Statements of the Company
2. The adequacy of the Exchange's internal audit function, internal controls and financial reporting systems and procedures
3. The Exchange's compliance with legal and regulatory requirements.
4. The Exchange's Investment Management
5. The member/dealers' compliance with the Stock Exchange's Rules in terms of policy and procedures


The role of the Committee became the subject of additional focus and attention with the demutualization of the Exchange in April 2008, and the subsequent issue and listing of preference shares which subjected the Exchange to the reporting and compliance regime that governs all listed companies. Responsibility for member/dealers' compliance with the Stock Exchange's Rules in terms of policy and procedures was transferred to the Regulatory and Market Oversight Committee. The Audit and Finance Committee had 15 scheduled and special meetings during the year with satisfactory level of attendance from the membership comprised of:

- Garth Kiddoe (Chair)
- Dian Black
- Ed McKie
- Allan Lewis
- Julian Mair
- Livingstone Morrison
- Hilary Phillips, Q.C.

The Management of the Exchange is responsible for the preparation and fair presentation of the financial statements and other reports in accordance with policies approved by the Board. Periodic reports by Management and detailed discussions at Committee meetings confirmed the continued effectiveness of internal controls, the accuracy and completeness of accounting records and financial statements as well as the reasonableness of accounting estimates.

The Committee also received regular briefings from the internal auditors regarding compliance issues, internal controls and other information that have a material effect on the Company's financial statements and other compliance requirements. The Committee's recommendations to the Board aimed at strengthening the Company's, investment policies, internal audit function and internal control systems, were accepted, implemented and are reviewed regularly.

The programme of work for the financial year concluded with the coordination of the annual audit. The Committee reviewed and agreed the scope of the annual audit with the external auditors and has reviewed the audited financial statements with the company's management and external auditors prior to submission of recommendation to the Board for approval of the audited financial statements of the Group and the Company.



.....  
Mr. Garth Kiddoe  
Chairman



## Compensation Committee Report

### The Jamaica Stock Exchange and Its Subsidiaries

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

- Mr. Garth Kiddoe
- Mr. Donovan Perkins
- Miss Hilary Phillips Q.C. and
- Mr. Mark Croskery

The committee's mandate is to make recommendations on the Company's framework of executive remuneration. The Committee reviews and approves corporate goals in relation to the CEO's compensation; evaluates the CEO's performance in light of the company's goals and objectives and makes recommendations to the Board with respect to executive and non-executive compensation.

Directors' fee, which are normally paid to non-Executive Members of the Company totaled \$6.04M, this fee has not been increased for the 2008 period.

Mr. Curtis Martin (Chairman)

## The JSE GROUP 2008 Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) of the Jamaica Stock Exchange (JSE) Group's (comprising the Jamaica Stock Exchange and the Jamaica Central Securities Depository) financial condition and results of its operation is provided to enable stakeholders to assess the financial health, material changes and the results of our operation for the year ended December 31, 2008. It provides information on our liquidity and capital resources and gives a comparative examination of previous year's performance versus the current year under review. The MD&A should be read in conjunction with our Audited Financial Results and must be considered as complementary information to that which is provided in the audited results and the notes to the financial statements.

The JSE, which completed its demutualization process in 2007, floated Variable Preference Shares in the market in May 2008 and was listed on its own Exchange on June 30, 2008. This signaled a new era in the Exchange's operation starting the process of a move towards greater public ownership of the Jamaica Stock Exchange. The process has led to new line items such as dividend payments for both preference shareholders and ordinary shareholders, which are reflected in our financial statements.

For further information and in keeping with the JSE Listing Requirement, financial information is also available on the JSE Website [www.jamstockex.com](http://www.jamstockex.com).

### Executive Summary of Vision, Strategies and Priorities

**Our Vision:** To be among the leading stock exchange and securities depository within the Caribbean Region; providing the best operating electronically trading and settlement platforms offering a wide range of products and service.

#### Our Priorities:

- **Grow & Innovate**

We plan to continue to develop products and services in response to the needs of the market by working closely with market players to broaden the services offered, improve product delivery and market participation. Through this approach, we intend to aggressively compete for market share of the securities market.

- **Integrate/Network**

In order to reap economies of scale, to further improve our revenue base and to provide for our clients a diversity of securities, we intend to pursue the integration/networking of the Exchanges within the region.

- **Increase Listings**

The JSE seeks to encourage companies to list on the JSE Main Market and soon to be launched Junior Market in order to improve transactions on the market, provide choice for investors and ultimately increase the return on investment for the Group. It is also our intention to market the JCSD, to promote an integrated and complete suite of products and services to the financial community.

### Market Conditions and Outlook

Regional and Global Capital Markets have experienced severe volatility in 2008 due to the global economic crisis. The government and the Bank of Jamaica have responded by effecting measures to address the impact on Jamaica. Measures such as the increase in interest rates have negatively affected the Stock Exchange as investors seek to find the highest returns on investment. The fall in investor confidence in the market was also brought on by the decline globally in the capital markets.

Our normal operating revenue, which does not include large one off block transactions due to activities such as mergers and acquisitions, are highly dependent upon the level of market activities on our exchange. These activities include volume and value traded, number of transactions, market capitalization of the securities and listing on the Exchange. While the Exchange

**2008 Management's Discussion and Analysis (Cont'd)**

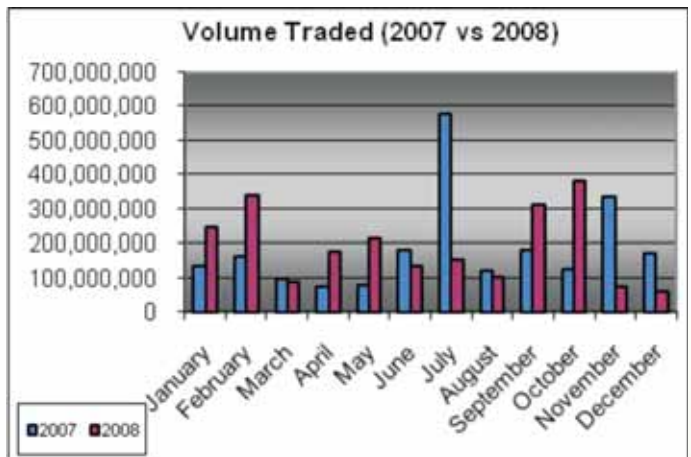
benefitted in part through listings of mainly preference shares and the major transaction in Lascelles deMercado in 2008, this type of windfall may not be repeated in the near future. It is fair to say that the contraction of the economy will have an impact on the performance of the market and this condition, if not improved, may result in decline in revenues and net profit of the company for the ensuing year.

Though we face these challenging economic and market conditions in the near term, we believe that given the measures that are being taken by world leaders including our own government, that in the medium term, the market will rebound. In addition, we believe that over the long term, exchanges and depositories will become even more important in providing greater transparency for capital market activities, clearing and settlement of transactions and will be seen as the avenue of choice for capital formation and sustainable growth.

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

**Market Operations & Trading**

Over the 250 trading days in 2008, total volume of ordinary units traded amounted to 2.29 billion valued at \$24.38 billion. In comparison to 2007, this was an increase in volume of 41.39 million or 1.84% and a decrease of \$1.56 billion or 6.03% in value traded. The total number of ordinary transactions for 2008 was 30,312, a decrease of 8,284 or 21.46% when compared to the previous year. The total number of shares traded in volume and value for the year was 2.95 billion units and \$67.03 billion, respectively. This included the block market activity which had volume traded of 657 million units at a value of \$42.65 billion.

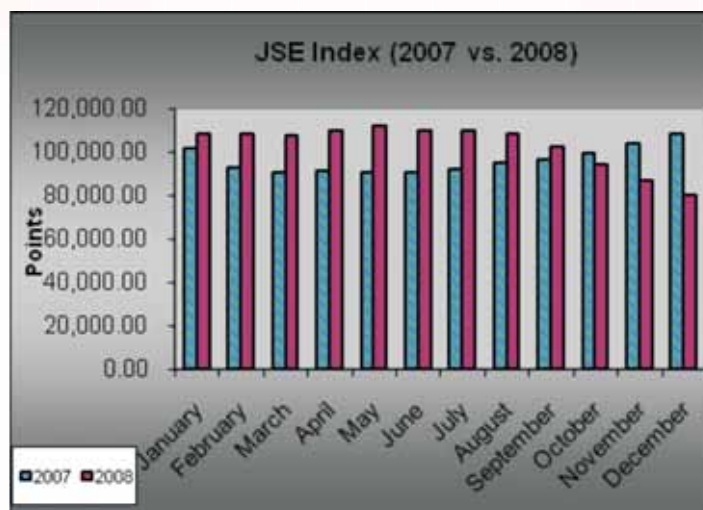


In 2008, market capitalization decreased by over \$279.4 billion or 31.8% to close at \$597.28 billion.



2008 Management's Discussion and Analysis (Cont'd)

All three indices experienced declines in 2008 when compared to the 2007 closing indices; the JSE Index declined by 27,816.03 points to close at 80,152.03 points, the All Jamaican Composite Index declined by 32,787.93 points to close at 73,994.93 points and the JSE Select Index declined by 944.23 points to close at 1,984.74 points.



The performance of the market for 2008 was also captured in the advance/decline ratio and capital appreciation. The advance/decline ratio indicated that a total of 8 stocks advanced and 28 declined, while no stock registered unchanged prices. For 2008, 2 companies experienced price appreciation of more than 100% from the 8 stocks that had advanced during the year. The table below, shows the top advancers and decliners for 2008.

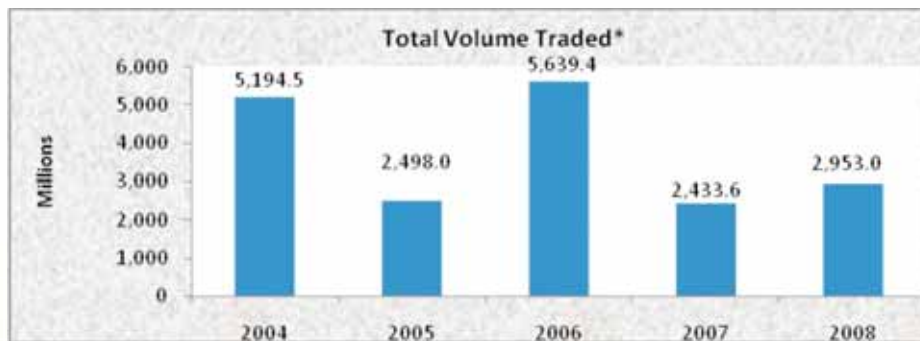
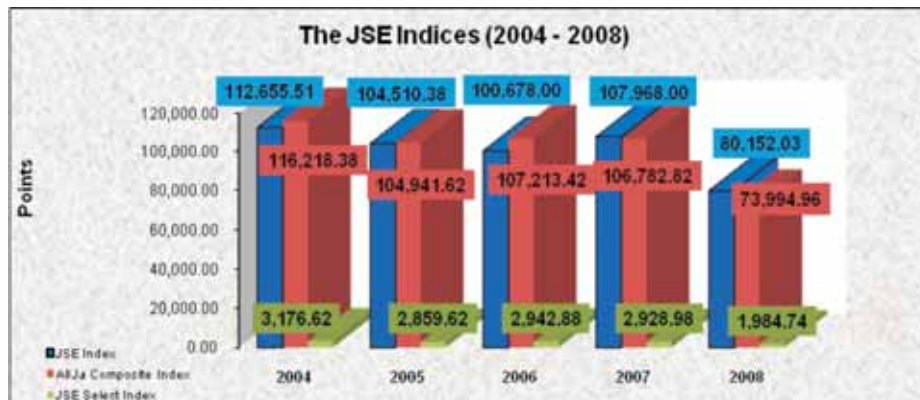
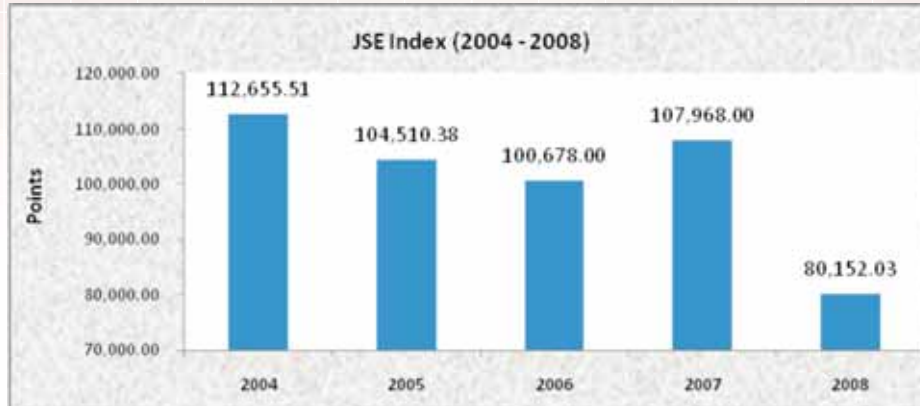
**Top Advancers and Decliners for 2008**

WINNERS	%	LOSERS	%
Ciboney Limited	400.00%	Gleaner Company	59.77%
Salada Foods	195.45%	Caribbean Cement	59.49%
Pulse Investments	100.00%	Mayberry Investments	59.18%
Palace Amusement	93.96%	Pan Jam Investments	50.00%
Pegasus Hotel	59.62%	Carreras Limited	49.28%
Mobay Ice Company	51.52%	Desnoes & Geddes	42.14%
Seprod Limited	26.78%	Pan Caribbean Fin. Services	40.00%
Guardian Holdings Limited	10.34%	GraceKennedy Limited	39.16%
		First Jamaica Investments	39.02%
		Hardware & Lumber	37.50%



## 2008 Management's Discussion and Analysis (Cont'd)

### Five Year Graphically Representation of key market indicators.



\* Volumes and Values traded include Block Transactions

2008 Management's Discussion and Analysis (Cont'd)



**Overview of the Business**

We are licensed by the Financial Services Commission to operate both the Stock Exchange and the Jamaica Central Securities Depository, the latter being a subsidiary of the JSE. We operate, fully electronic trading and settlement platform. We boast the most listings of equity securities within the English Speaking Caribbean.

- We currently have 45 listed companies comprised of thirty-nine (39) Ordinary Securities, nineteen (19) Preference Securities and Nine (9) USD denominated securities. Trading activities are concentrated in the Ordinary and Preference Shares.

The JSE maintains three main indices:

- - (i)The JSE Market Index
  - (ii)The JSE All Jamaican Composite
  - (iii)The JSE Select

The JSE Main Index is a market-weighted index comprising ordinary shares of all listed companies. The All Jamaican Composite Index measures the performance of Jamaican Companies only, while the JSE Select Index measures the performance of the JSE's 15 most liquid securities.

- The JSE is currently developing a Junior Market for small and medium sized companies who wish to raise between \$50 million and \$500 million via the market and whose stated capital will not exceed \$500 million. It is an exciting proposition, which has the full support of the government of Jamaica. The support includes the approval by Cabinet of a total of ten (10) years holiday on statutory earning of these companies.



**2008 Management's Discussion and Analysis (Cont'd)**

**Year Ended December 31, 2008 Compared with Year Ended December 31, 2007**

• **Net Surplus**

The Net Surplus of the JSE Group for the year 2008 of \$ 207.7 million showed an increase of \$163.59 million over the previous year. Income from Operations of \$470.3 million and Investment of \$91.03 million were higher than the previous year by 128.4% and 160.8% respectively.

• **Surplus & Earnings Per Share**

Surplus derived from Operations distributable was \$173.59 million or \$6.19 per common share for 2008 compared with surplus derived from Operation distributable for 2007 of \$18.95 million or \$0.68 per stock unit for 2007. The Company issued 27,500,000 bonus shares in 2008 to reflect a total number of shares now in issue of 28,050,000. This is consistent with the final process of demutualization, which resulted in the conversion of seats to shares.

Due to the large windfall gain from the Lascelles deMercado's acquisition by CL Spirits in 2008, the Surplus derived from Operation and the consequent earnings per share, the performance for 2008 out stripped that of 2007. A similar performance is not expected for 2009 especially in light of the downturn in the economy, which has affected the stock market.

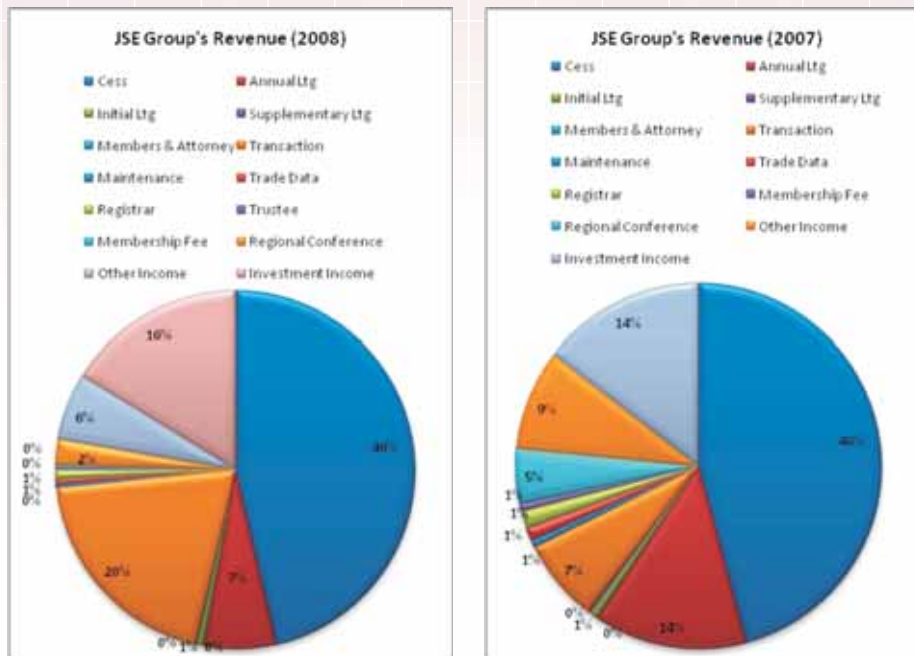
**Revenue**

- The major earnings of the Group is from Cess Revenue but with the JSE Group's strategy of diversification of its revenue streams, Income from seminars, publication and other services such as market data sale are growing income sources.
- The following graphs provide a visual representation of the core business of the JSE Group. We derive income primarily from trading and clearing, listing fees, investment and other related activities.

**Revenue for the group for 2007 and 2008**

	\$ 2008	\$ 2007
<b>Cess</b>	260,273,357	110,259,983
Fee Income		
Annual Listing	36,084,823	32,726,700
Initial Listing	3,651,500	1,676,700
Supplementary Listing	699,642	389,091
Members & Attorney	17,500	12,500
Transaction	111,428,422	17,947,404
Maintenance	1,400,650	1,459,515
Trade Data	2,974,779	2,961,478
Registrar	4,409,732	3,682,287
Trustee	1,144,952	
Membership Fee	1,124,000	1,639,800
<b>Other Operating Income</b>		
Regional Conference	13,255,000	11,628,000
Other Income	33,806,000	21,506,000
Investment Income	91,027,000	34,908,000
<b>TOTAL</b>	<b>561,297,357</b>	<b>240,797,458</b>

2008 Management's Discussion and Analysis (Cont'd)



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

- (a) Exchange operations which deal with the operations and regulation of the exchange.
- (b) Depository Services which is involved with the transferring and holding of securities, shares, stocks and bonds.
- (c) Investment Other Income derived from investing activities of the Group.
- (d) Other-Trustee custodianship, company management and other activities. Trustee Services represent the latest addition to the types of services offered. We believe this is a growth area given the synergies to be derived from the depository operation and the increase in demand for trustee services within Jamaica and the Caribbean region.

**Expenditure**

Expenditure in 2008 of \$302.3 million was higher than the \$212.8 million of 2007. This represented a 42% increase over 2007 and was due primarily to the increase in staff costs, advertising and promotion and securities commission fees. Inflation rate of 16.8% also negatively affected expenditure.

**○ Staff Costs**

During 2008, the Group implemented some of the recommendations made by a consulting firm hired to conduct both a Manpower Audit and a Job Evaluation and Compensation Review Audit. This significantly contributed to the movement in staff costs from \$86.5m in 2007 to \$115.2M in 2008 representing an increase of 33.2%. The consultant’s review also helped in equipping executives to better align compensation to performance.



## 2008 Management's Discussion and Analysis (Cont'd)

### ○ **Advertising & Promotion**

Critical to the growth and development of the Group is the education of both investors and listed companies and potential listed companies. As a direct result of our strategy to grow these areas from the single digit involvement of investors in the stock market, the Group is now in an aggressive mode to impart the message of the importance of the capital market and the benefits to be derived by market players.

### ○ **Securities Commission Fee**

This is a function of the level of Cess Revenue earned. The Exchange Levies 0.393% of the value of the transaction and the Financial Services Commission earns 0.08% of this amount. In 2008 the Cess Revenue was \$260.3 million compared to \$110.3 million in 2007, with corresponding Securities Commission Fee of \$59,178 million and \$24 million.

### ○ **Rationalization of Expenditure**

The Exchange continues to relentlessly pursue a course of expense rationalization; ensuring that monies expended provide the highest return on investment.

### ○ **Revenue Reserves**

The Groups Revenue Reserves decreased in 2008 to \$272.3 million from \$373.8 in 2007 due to the declaration of and provision for dividend of \$220 million. This represents the first declaration of dividend payment to Ordinary Shareholders since the inception of the Jamaica Stock Exchange. Payment which will be made to shareholders on records as at December 22, represents a \$7.84 per stock unit and is payable on January 2, 2009. In 2008, the Company also finalized its Dividend Policy that allows the Group to pay dividend annually based on the following conditions:

*“The Board of Directors of the Jamaica Stock Exchange intends to distribute as an annual dividend to Ordinary Stockholders not less than 20% of the annual net profit of the Group, in respect to profit, net of extra-ordinary item, of the prior year. The dividend payment is however subject to the needs of the Company for reinvestments of profit to facilitate growth, expansion and development.*

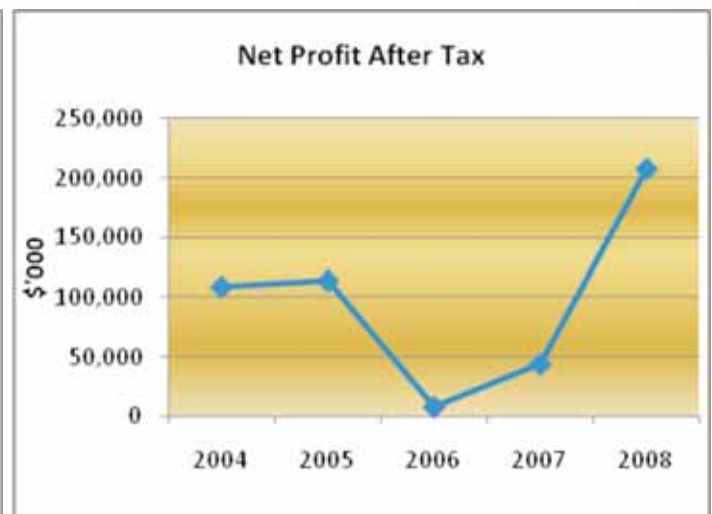
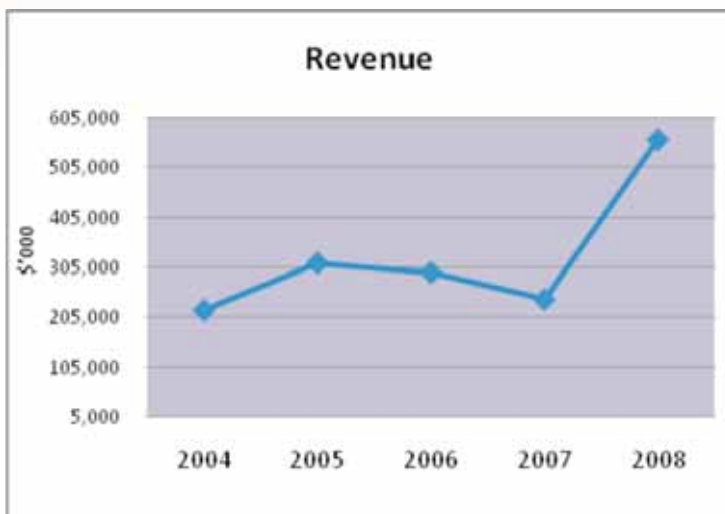
*The Dividend Policy is subject to review, from time to time, by the Company's Board.”*

2008 Management's Discussion and Analysis (Cont'd)

**Five Year Financial Highlights**

Five Year Financial Highlights shows the steep rise in revenue in 2008 after consecutive declines in the two years prior. Net Profit After Tax improved in 2008 over 2007 and in 2006 which reflected the significant write off of the Fixed Income Software Development. Refer to chart and graphs below:

	2004	2005	2006	2007	2008
Revenue (\$'000)	219,395	313,590	294,515	240,797	561,297
Net Profit (\$'000)	109,001	114,213	8,213	44,116	207,703



• **Risk Management**

The Group's overall risk management strategies remain unchanged from 2007.

○ **Investments**

Management, through the Group's Investment Committee, continues to review its investment portfolios in line with the Investments Policy Guidelines, which are also reviewed by the Audit & Finance Committee of the Board. The Investment Management Committee receives and reviews data on current market conditions and economic outlook; reviews various risk reports submitted including fair value, interest risk, liquidity risk, currency risk and market risk. Meetings are held at a minimum on a monthly basis.

**Other Operational Risk Mitigation Strategies**

○ **IT Risk Mitigation Strategies**

The Company's principal business activities rely on trading activities in the Market and by nature are subject to various risks including systems downtime, which may result in loss of productivity, revenue and confidence in the market. Consequently, there are redundancies, data protection measures, security measures, and policies in place to ensure a more resilient and secure system, which would have 100% availability during business hours.

IT risks are also minimized through separation of duties, requisite training, and adherence to implemented policies, internal audits, a continuing review and update of policies and close management oversight.



## 2008 Management's Discussion and Analysis (Cont'd)

The JSE has adopted the IT Governance Framework, Cobit 4.1, which ensures that IT and business strategies are aligned to achieve the following objectives:

- Use of IT to enable the organization by exploiting opportunities and maximizing benefits;
- Responsible use of IT resources;
- Appropriate management of IT related risks

### **Group Medium and Long Term Strategies**

Due to the global financial meltdown, the negative impact of the unregulated schemes on the Jamaican economy, the current high interest rate regime and the reduction of investor confidence in the market, the group is faced with the significant challenge of attracting new entrants to the market and retaining current market players. Market uncertainties have created new challenges but within them new opportunities. We believe that all our stakeholders have come to appreciate the need for greater market information, education, regulation and product diversification. To this end, the focus will be on the continuation of the following activities:

- Increased market educational activities through companies and investor outreach, school programme and training of market intermediaries.
- The continued focused through the JSE independent Regulatory and Market Oversight Division of Market Surveillance and Member Dealer Inspection. The implementation of the State of the Art Surveillance System in 2009 will be a welcomed addition to the slate of tools used by this division. More product offering through the sale of market data, development of and maintenance of new indices and derivative products.
- Creation of Junior Market for the Small & Medium Sized Companies.
- Expansion and Growth of Registrar and Trustee Services.
- The Integration through Network of our regional exchanges.
- Utilization of Information Technology to drive the growth & development of the Group.

## DIRECTORS AND SENIOR MANAGEMENT PROFILES OF DIRECTORS (Cont'd)



**Mr. Robert Drummond**

Robert Drummond was appointed President of First Global Financial Services Limited, effective November 1, 2008. Prior to his appointment, Mr. Drummond was the CEO of FG Funds Management (Cayman) Limited, GraceKennedy's mutual funds management business. In addition, he also functioned as Principal of GK Investments, developing, executing and integrating mergers, acquisitions and new business ventures.

Robert Drummond joined GraceKennedy Limited in February 2005 as Group Business Development Manager. He joined the Board of the JSE in October 2008.



**Julian Mair**

Julian Mair is the Chief Investment Strategist at Jamaica Money Market Brokers and has over 16 years of experience in the Jamaican financial sector. Mr. Mair has held positions at leading Jamaican financial institutions including Head of Treasury and Investment services at Dehring, Bunting and Golding and Senior Trader and Cambio Manager at JMMB. In addition, Mr. Mair was formerly the Managing Director of Lets Investment Ltd. He is a founding member of the Jamaica Securities Dealers Association. He serves as a Director of JMMB Securities Limited, JMMB International and JMMB BDI America.

## INDEPENDENT MEMBERS OF THE JSE BOARD OF DIRECTORS

**Miss Dian Black**

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



**Miss Hilary Phillips Q.C.**

Hilary Phillips is a Partner in the law firm, Grant, Stewart, Phillips and Company where she has practised for approximately 30 years. She was elevated to the rank of Queen's Counsel in 1998 and has been the President and Vice President of the Jamaican Bar Association. She has served as the Vice President of the Organisation of Commonwealth Caribbean Bar Associations since 2003-2007. Miss Phillips is the Chairman of the Conduct Review Committee and the Regulatory & Market Oversight Committee of the JSE.



INDEPENDENT MEMBERS OF THE JSE BOARD OF DIRECTORS  
(Cont'd)

**Mr. Jane George**

Mrs. Jane George assumed the role of Corporate Attorney-at-Law and Head of the Legal Department and Corporate Secretariat of the Lascelles, deMercado Group of Companies in 2001. She is a member of the Law Society of England & Wales and the Jamaican Bar Association.

Mrs. George, who has approximately 20 years experience and expertise in the legal profession in Jamaica and the United Kingdom, joined the Board of the Jamaica Stock Exchange in 2008. She sits on the Regulatory and Market Oversight Committee and the Conduct Review Committee of the Board.



**Mr. Garth Kiddoe**

Mr. Kiddoe is the former Dean of the Faculty of Business and Management at the University of Technology, Jamaica and previously the Chief Financial Officer at the Jamaica Public Service Company Limited. He is the immediate past President of the Institute of Chartered Accountants of the Caribbean as well as its representative on the Board of Trustees of the Caribbean Court of Justice Trust Fund. He is a Past President of the Institute of Chartered Accountants of Jamaica and of the Jamaica Institution of Engineers. Mr. Kiddoe is the Chairman of the Audit and Finance Committee of the Board of the JSE.



**Mr. Livingstone Morrison**

Livingstone Morrison is the Deputy Governor of the Bank of Jamaica with responsibility for Finance and Technology, Payment Systems, Investment and Risk Management.

Mr. Morrison joined the staff of the Bank of Jamaica in 1982 and worked for several years in the Financial Institutions Supervisory Division.

Between 1998 and 2002, Mr. Morrison served as the Division Chief of the Finance and Technology Division, with core responsibilities for strategic management of the accounting, finance, and information and communication technology functions of the Bank. Mr. Morrison is also a Director of the Jamaica Central Securities Depository.



JSE BOARD COMMITTEES 2008/2009

**LISTING STANDARDS COMMITTEE**

- Chairman: Mr. Curtis Martin  
Miss Sandra Shirley  
Mrs. Rita Humphries-Lewin  
Mrs. Marlene Street Forrest  
Mr. Christopher Williams  
Mr. Livingstone Morrison

**REGULATORY AND MARKET OVERSIGHT COMMITTEE**

- Chairman: Miss Hilary Phillips, Q.C.  
Miss Dian Black  
Mr. Garth Kiddoe  
Mr. Livingstone Morrison  
Mrs. Jane George

**CONDUCT REVIEW COMMITTEE**

- Chairman: Miss Hilary Phillips, Q.C.  
Mr. Livingstone Morrison  
Miss Dian Black  
Mr. Garth Kiddoe  
Mrs. Jane George

**AUDIT & FINANCE COMMITTEE**

- Chairman: Mr. Garth Kiddoe  
Miss Hilary Phillips, Q.C.  
Miss Dian Black  
Mr. Ed McKie (or alternate Dr. Derrick McKoy)  
Mr. Allan Lewis  
Mr. Livingstone Morrison  
Mr. Julian Mair

**COMPENSATION COMMITTEE**

- Chairman: Mr. Curtis Martin  
Mr. Garth Kiddoe  
Miss Hilary Phillips, Q.C.  
Mr. Donovan Perkins  
Mr. Mark Croskery

**CORPORATE GOVERNANCE**

- Chairman: Mr. Ed McKie (or alternate Dr. D. McKoy)  
Mrs. Marlene Street Forrest  
Mr. Garth Kiddoe  
Miss Sandra Shirley  
Miss Anya Schnoor

**NOMINATING COMMITTEE**

All Board Members

**THE MANAGEMENT TEAM**



**From left to right:**

- |                             |   |   |
|-----------------------------|---|---|
| Miss Michelle Sirdar        | - | Manager, Registrar Services (JCSD)                  |
| Mrs. Beulah Johnson         | - | Manager, Equity Operations (JCSD)                   |
| Mr. Robin Levy              | - | General Manager, JCSD & Deputy General Manager, JSE |
| Miss Riccalya Robb          | - | Trading Officer                                     |
| Mrs. Marlene Street Forrest | - | General Manager, JSE                                |
| Miss Josephine Lewis        | - | Manager, Trustee Services (JCSD)                    |
| Miss Suzette McNaught       | - | Manager, Information Technology & Systems           |
| Mrs. Doreen Parsons Smith   | - | Human Resources Officer                             |
| Mr. Wentworth Graham        | - | Chief Regulatory Officer                            |
| Mrs. Suzette Whyte          | - | Accounting Manager                                  |
| Mr. Neville Ellis           | - | Senior Marketing Officer                            |

## From the Chairman's Desk

### The Jamaica Stock Exchange (JSE) weathers the storms.

The word that best describes the year 2008 is **challenging**. This is the year when we experienced a major downturn in the global economy resulting from the US subprime debacle. This was compounded by the increase in oil prices and the collapse of some of the major US corporations. This caused many tremors in the Jamaican economy, with a worsening of the country's current account deficit, a decline in the Net International Reserve (NIR) and a 13.68% decline in the Jamaican dollar, 2007. These shocks are not immediately noticeable in our financial results as we were buoyed by a few large volume and value transactions on the Exchange.

Based on the global and local challenges within the financial sector, normal market activities registered signs of a further slow down. However, in spite of all these challenges, the Jamaica Stock Exchange was able to achieve several of its objectives set out for the 2008/9 period, which were in keeping with its strategic direction. Three major objectives that the JSE achieved during the year were:

#### 1. Demutualization

As I indicated in 2007, the JSE would have moved with alacrity to be demutualized. I am indeed pleased to report that we completed the final phase of the demutualization process on April 2, 2008. Consequently, the independent Regulatory Market and Oversight Committee (RMOC) and Division (RMOD) was created. Mr. Wentworth Graham, Chief Regulatory Officer, manages this Division. The Regulatory Market and Oversight Committee, which is comprised of independent members of the Board and chaired by Miss Hilary Phillips, Q.C. is responsible for the oversight of this Division. These improvements will result in stronger regulatory oversight and greater market transparency.

#### 2. Listing of the JSE

On June 30, 2008, we experienced another major milestone when the JSE's Preference Shares were listed on its own Exchange. This achievement is the first of its kind within the Caribbean Region and we have joined Exchanges such as the New York Stock Exchange and the London Stock Exchange in taking this path.

We must express our gratitude to the public for the tremendous support of our Initial Public Offering in which we raised J\$66M. The Offer was oversubscribed by approximately 200%.

(Continued)



**Mr. Curtis Martin**  
Chairman



## From the Chairman's Desk (Cont'd)

### 3. Drafting of Documents for the Introduction of the Junior Market

Small and Medium sized businesses are the engine of growth in any economy as they are able to create employment and usually generate good value for their owners. In keeping with its vision, the JSE saw the need to introduce the Junior Market to accommodate small and medium sized businesses to access equity capital. Consequently, the JSE made a proposal to the Government on the essential platform and arising from this, in October 2008 Cabinet signaled its support for the Junior Market by approving certain tax benefits. The JSE will be launching the Junior Market by the first quarter of 2009.

### Board Members

The Members of the Board worked assiduously in 2008, to ensure that the JSE continues its mandate to provide a fair, efficient and transparent stock market to its stakeholders. The Board's special focus during the year was the process of demutualization, the preference share issue and the process which will ultimately lead to the establishment of the Junior Market. I am extremely grateful to the members for their contribution throughout 2008.

I would also like to thank the management and staff of the JSE for their invaluable efforts during the year.

### Going Forward

The JSE will maintain its partnership with its key stakeholders in ensuring the continued development of a viable stock market. We are looking forward to forging deeper alliances with our Caribbean neighbours to ensure that the Exchanges remain relevant and are able to withstand the challenges associated with the global financial meltdown, which, from all indications will worsen in 2009. We will be looking at ways that will enable us to improve regulation of the market so as to boost investors' confidence and most importantly expand the market.

While we are expecting a very difficult 2009/10 period as the fallout continues in the global market place, we remain committed to provide a fair, efficient and transparent stock market as an integral part of the growth of the capital market in Jamaica.

### Financial Highlights

In spite of the challenges in 2008, the JSE was able to weather the storm. The year ending December 31, 2008 saw all areas of income increase over the previous year (2007). This is due primarily to the Lascelles/CL Spirits Transaction, which positively affected Cess Revenue, Fee Income and Investment Income. This is reflected in the Company's Consolidated Financial Statements. The Company's Financial Statements show that Operating Income for 2008 was \$470.3 million representing a remarkable increase of \$264.4 million or 128.4% over the figure of \$205.89 million recorded for the previous year. Surplus from Operations of \$173.9 million increased by \$181.9 million or 2,302%, when compared to the performance in 2007.

Net surplus for 2008 was \$207.7 million, up significantly from \$44.1 million in 2007 which is an increase of \$163.6 million or 370.81%. Investment Income was \$91.03 million compared to \$34.91 million in 2007.

.....  
Mr. Curtis A. Martin  
Chairman  
Jamaica Stock Exchange  
May 21, 2009



PROXY FORM

Postage  
Stamp Box

I/We .....

of.....

being a Member of the Jamaica Stock Exchange, hereby appoint

.....

Of.....

or failing him/her .....

of.....

as my/our proxy, to vote for me/us on my/our behalf at the Annual General Meeting of the said company to be held on the 25<sup>th</sup> day of June, 2009 and any adjournment thereof.

Signed this.....day of.....2009

.....  
Signature

**NOTES:**

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