



**JAMAICA
STOCK
EXCHANGE**

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

ANNUAL REPORT 2010

**LASCO MANUFACTURING
LIMITED**

**CARGO HANDLERS
LIMITED**

**ACCESS FINANCIAL
SERVICES LIMITED**

**BLUE POWER GROUP
LIMITED**

**LASCO FINANCIAL
SERVICES LIMITED**

**DOLPHIN COVE
LIMITED**

**JAMAICAN TEAS
LIMITED**

**LASCO DISTRIBUTORS
LIMITED**

‘JSE AND SME - A WINNING TEAM’

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‘JSE AND SME - A WINNING TEAM’

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*M*ISSION 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 34th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty Fourth (34th) Annual General Meeting of the Jamaica Stock Exchange will be held at the Jamaica Stock Exchange, 40 Harbour Street, Kingston on **Thursday, June 23, 2011**, commencing at 1:00 p.m. for the following purposes:

1. To Adopt the Audited Financial Statements

To receive, the Audited Group Financial Statements for the year ended December 31, 2010, together with the Directors' and Auditors' Reports.

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

Resolution No. 1

“That the Audited Group Financial Statements for the year ended December 31, 2010, and the Reports of the Directors and Auditors be adopted.”

2. To Elect Directors

The Directors retiring from office by rotation pursuant to Article 103 of the Company's Articles of Incorporation are: Mr. Julian Mair, Mr. Robert Drummond, Mr. Ed McKie, Mr. Curtis Martin and Mr. Donovan Perkins. All the Directors, being eligible, offer themselves for re-election.

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

Resolution No. 2

- (i) *“That Director Julian Mair, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.*
- (ii) *“That Director Robert Drummond, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.*
- (iii) *“That Director Ed McKie, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.*
- (iv) *“That Director Curtis Martin, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.*
- (v) *“That Director Donovan Perkins, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.*

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

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

Resolution No. 3

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

(Continued)

NOTICE OF 34th ANNUAL GENERAL MEETING (Cont'd)

4. To Fix the Fees of the Directors

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

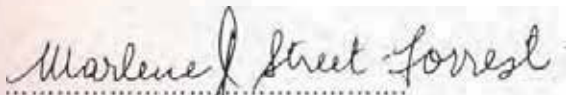
To consider and (if thought fit) pass the following Resolution:

Resolution No. 4

“That the Directors be and are hereby authorized to fix their fees for the fiscal period 2011/2012.”

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

BY ORDER OF THE BOARD



Marlene J. Street Forrest

Secretary

Dated: April 15, 2010

IMPORTANT NOTE FOR MEMBERS WHO ARE NOT ABLE TO ATTEND:

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

DIRECTORS' REPORT

The Directors' submit herewith the 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, 2010.

Operating Revenue for the year was \$199,378M compared to the revenue \$158,971M for 2009, an increase of 25.41%. Investment Income was \$33,159M, compared to \$104,416M, a decrease of 68.24%, over 2009.

Total expenses for the year declined by 18.71%, to \$230,239M in 2010. There was a deficit from operation of \$17,061M compared to \$84,742M in 2009.

Total assets of the company and its subsidiary as at December 31, 2010 were \$1.136B compared to \$1.210B for 2009. These figures include Compensation Fund Asset of \$564,175M and \$544,281M for 2010 and 2009 respectively. Shareholders equity increase by 4.22% from \$954,127M to \$994,427M.

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**

Mr. Curtis Martin is Deputy Group President of the Capital & Credit Financial Group, as well as President & CEO of Capital & Credit Merchant Bank (CCMB) and Capital & Credit Securities Ltd. (CCSL). He is an Investment Banker with over 29 years experience in the financial services sector. As Bank President, Mr. Martin has responsibility for CCMB's strategic and operational development, and its day-to-day management. Since 2006 he has been appointed Chairman of the Jamaica Stock Exchange.

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

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

Mrs. Rita Humphries-Lewin

Mrs. Humphries-Lewin is a past Chairman of the JSE and is the Founder and Chairman of the Barita Companies which includes Barita Investments Limited and Barita Unit Trusts Management Company Limited. A pioneer of the stock broking industry, she has been at the forefront of Jamaica's financial landscape for over 40 years.

**Mr. Edwin McKie**

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

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



DIRECTORS AND SENIOR MANAGEMENT

PROFILES OF DIRECTORS



**Mr. Donovan Perkins - Deputy
Chairman**

Mr. 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., and the National Insurance Fund. 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. Allan Lewis

Mr. 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 as a member of the Board of Directors of the Mona Preparatory School and Foundation



Mr. Mark Croskery

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

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

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

Mr. Croskery is a Director on the Boards of the Jamaica Stock Exchange (JSE) where he serves on the Compensation, Finance & Audit sub-committees, Island Ice & Beverage Company Limited (IIBC) and is a Member of Young Presidents' Organization (YPO).

Mr. Croskery served on the Boards of The Sugar Company of Jamaica (SCJ) and the Jamaica Racing Commission (JRC).

DIRECTORS AND SENIOR MANAGEMENT PROFILES OF DIRECTORS

Mr. Christopher Berry

Mr. Christopher Berry has been the Chairman of Mayberry Investments Limited since 1993. A former Deputy Chairman of the JSE, he sits on several boards, including the Jamaica Central Securities Depository, Apex Health Care Associates Limited, Apex Pharmacy Limited, Air Jamaica Limited, Jamaica Public Service Company and Access Financial Services Limited. He has over twenty years experience in the securities industry, having joined Mayberry Investments Limited in 1987 when he was responsible for corporate planning and information technology. He subsequently led the company's listing on the Jamaica Stock exchange in 2005.



Mr. Robert Drummond

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

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

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

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



Miss Anya Schnoor

Miss Anya Schnoor is the Chief Executive Officer of Scotia DBG Investments Limited and the Executive Vice President of the Scotiabank Group's Wealth Management & Insurance 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 Investments Limited, Scotia DBG Fund Managers Limited, The Jamaica Stock Exchange and The Scotia DBG Caribbean Income Fund. She is also a member of the HEART NTA Finance Committee and sits on Scotiabank Jamaica's ALCO Committee.



Mr. Julian Mair

Mr. 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

Miss 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.

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

Mrs. Jane George

Mrs. Jane George assumed the role of Corporate Attorney-at-Law and Head of the Legal Department of the Lascelles, deMercado Group of Companies in 2001, becoming the Company Secretary and head of the Corporate Secretariat in 2005. She was admitted as a Solicitor in England and Wales and as an Attorney-at-Law in Jamaica and is a member of the Law Society of England & Wales and the Jamaican Bar Association. Mrs. George, who has approximately 25 years experience in the legal profession in Jamaica and England, joined the Board of the Jamaica Stock Exchange in 2008. She sits on the Regulatory and Market Oversight Committee, the Corporate Governance Committee and the Audit and Finance 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 a 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 former Chairman of the Audit and Finance Committee of the Board of the JSE.



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

Mr. 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.

INDEPENDENT MEMBERS OF THE JSE BOARD OF DIRECTORS

(Cont'd)



Miss Nicole Lambert - Deceased
(Director; June 2009 - June 2010)

Ms. Lambert was a consummate professional with nineteen years experience in various aspects of the practice of law including commercial and conveyancing transactions, litigation and arbitration proceedings and the administration of pension funds, trusts and estates. Her experience of practice in the Private and Public Sectors yielded exceptional technical skills and a

unique value-added perspective supported by influential contacts.

Ms. Lambert held a Bachelor of Laws (Upper Second Class Honours) from the University of the West Indies; a Certificate of Legal Education from the Norman Manley Law School; a Diploma in Business Administration from the Institute of Management and Production, Jamaica; and a Master of Laws (Commercial and Corporate Law) from the London School of Economics and Political Science.

Ms. Lambert's professional experience was as varied as it was accomplished. She was a Consultant Attorney-at-Law in the Commercial Department of *Samuda & Johnson, Attorneys-at-Law* where she acts as Counsel in a variety of commercial and corporate transactions including, corporate acquisitions, loan and corporate financing, commercial real estate and construction development, and the administration of estates and pension funds.



Mr. Dennis George Cohen

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

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

As Deputy Group Managing Director, Mr. Cohen is charged with overseeing a number of the Bank's business segments including retail, corporate banking and insurance business. As CEO of NCB Capital Markets Ltd, he has responsibility for developing wealth management, securities dealership and stock brokerage.

He is a Director of NCB (Cayman) Limited, National Commercial Bank Jamaica Limited, NCB Capital Markets Limited, NCB Insurance Company Limited, West Indies Trust Company Limited, the Jamaica Stock Exchange and Chairman for Mutual Security Insurance Brokers Limited. He is also a member of the Institute of Chartered Accountants of Jamaica (ICAJ).

Mrs. Marlene Street Forrest

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



INDEPENDENT MEMBERS OF THE JSE BOARD OF DIRECTORS

(Cont'd)

**Mrs. Janet Morrison**

Mrs. Janet Morrison was called to the Jamaican Bar in 1978 and has been a partner of DunnCox attorneys-at-law since 1985. Her practice is primarily in the areas of Corporate and Commercial Law. A graduate of the University of the West Indies and the Norman Manley Law School, she also holds a Masters Degree in Commercial and Corporate Law from the University of the West Indies. Janet is a member of the council of the Jamaican Bar Association. She served as the treasurer of the Jamaican Bar Association for over ten (10) years and acted as its representative on the Joint Select Committee of Parliament in deliberations on the Companies Act 2004. Janet has presented at several conferences on Corporate Governance, the Pensions Act and the Companies Act and has contributed many legal commentaries in the Jamaican press and in international journals. She is a member of the Commercial Law Sub-Committee of the Jamaican Bar; a member of the board of Rise Life

Management Services Limited, a charitable organization; chairman of the Justice Reform Committee of the Private Sector Organization of Jamaica (PSOJ), and chairman of the PSOJ Steering Committee on the establishment a Commercial Alternative Dispute Resolution Centre in Jamaica.

Janet Morrison's expertise spans over thirty two (32) years and it includes the reorganization of a major group of companies listed in Jamaica and Trinidad & Tobago; IPO listings on the Jamaica Stock Exchange; advising on receiverships and insolvency matters; advising majority and minority shareholders; acting on behalf of insolvent note holders and creditors in schemes of arrangements; preparing and perfecting security documentation in relation to loans by international lending agencies; securitizations; advising financial institutions on note issues and on the applicable law and practice in relation to the issue of sovereign guarantees. Mrs. Morrison joined the Board of JSE in June 2010.

JSE BOARD COMMITTEES 2010/2011**LISTING & STANDARDS COMMITTEE**

Chairman: Mr. Curtis Martin
Mr. Donovan Perkins
Mrs. Rita Humphries-Lewin
Mrs. Marlene Street-Forrest
Mr. Livingstone Morrison

JSE MEMBERSHIP COMMITTEE

Chairman: Mr. Livingstone Morrison
Miss Dian Black
Mr. Garth Kiddoe
Mrs. Jane George
Mrs. Janet Morrison

COMPENSATION COMMITTEE

Chairman: Mr. Curtis Martin
Mr. Garth Kiddoe
Mr. Mark Croskery
Mr. Dennis Cohen

REGULATORY AND MARKET OVERSIGHT COMMITTEE

Chairman: Mr. Livingstone Morrison
Miss Dian Black
Mr. Garth Kiddoe
Mrs. Jane George
Mrs. Janet Morrison

AUDIT & FINANCE COMMITTEE

Chairman: Miss Dian Black
Mr. Garth Kiddoe
Mr. Ed McKie (or alternate Dr. Derrick McKoy)
Mr. Allan Lewis
Mr. Livingstone Morrison
Mrs. Jane George
Mr. Mark Croskery

CORPORATE GOVERNANCE

Chairman: Mr. Garth Kiddoe
Mr. Ed McKie (or alternate Dr. D. McKoy)
Miss Anya Schnoor
Mrs. Jane George
Mrs. Janet Morrison
Mrs. Marlene Street Forrest

EXECUTIVE COMMITTEE

Chairman: Mr. Curtis Martin
Mr. Donovan Perkins
Mr. Christopher Berry (or alternate Gary Peart)
Mr. Ed McKie
Mr. Julian Mair
Mrs. Janet Morrison
Mrs. Marlene Street Forrest
Mr. Robin Levy

THE MANAGEMENT TEAM



From left to right:

Miss Michelle Sirdar
Mrs. Beulah Johnson
Mr. Robin Levy

Miss Riccalya Robb
Mrs. Marlene Street Forrest
Miss Josephine Lewis
Miss Suzette McNaught
Mrs. Doreen Parsons Smith
Mr. Wentworth Graham
Mrs. Suzette Whyte
Mr. Neville Ellis

- Manager, Registrar Services (JCSD)
- Manager, Equity Operations (JCSD)
- General Manager, JCSD & Deputy General Manager, JSE
- Trading Officer
- General Manager, JSE
- Manager, Trustee Services (JCSD)
- Manager, Information Technology & Systems
- Human Resources Officer
- Chief Regulatory Officer
- Accounting Manager
- Senior Marketing Officer

From the Chairman's Desk



Mr. Curtis Martin
Chairman

Despite the fragile nature of the world financial markets, 2010 has been characterized by a steady rebound in global economic activities. Global output is estimated to have risen by 4.7 per cent in 2010. It is expected that further improvement will take place in 2011. However, the recovery has not been even across the world's economies. Some countries such as China, India and Brazil saw significantly improved economic activities in 2010. While the more developed economies such as Britain, France and the USA were slowly emerging from the recession.

Locally the full effect of the Jamaica Debt Exchange (JDX) was felt in 2010, with interest rates trending down to hover around the 18% mark, the lowest for over 25 years. There was also a slight dip in the inflation rate which fell from 8.6% to 7% in 2010 and very importantly the value of the Jamaican Dollar stabilized against its major trading partners (the US, Canadian Dollar and the Pound Sterling). However, economic growth still remained anemic at 0.5%, as the world economy slowly emerged from recession, thus affecting the performance of the local economy.

The Junior Market

2010 saw a record seven new listings on the Junior Market which brought the total listings to eight. For 2010, approximately J\$1B was raised from the market, by small and medium sized enterprises. This is very satisfying as the Junior Market since its inception in 2009 has been living up to its expectation. We are expecting for 2011 to list an additional eight companies on the Junior Market. This should bring the total listing on this market to sixteen and would be in line with the JSE's goal to expand opportunities for more businesses to raise equity capital for financing their operations, whether for expansion or retiring debt and by extension increase employment within the country.

Vision 2011

The Stock Exchange will be laying the foundation to offer several new products; towards the end of 2011 the Exchange expects to start trading Futures and Options. We are in the process of changing our platform to allow for these products to be introduced. We have already prepared the foundation for the Caribbean Exchange Network (CXN) and we are looking forward in 2011 to see a fully operational CXN. We are also preparing the Exchange to do short selling to add to our product line. We will be expanding our online training throughout the Caribbean in 2011/12, as we believe that in difficult times the more training that is done within organization is the more prepared the organization is to deal with eventualities and to seize the opportunities that will enable us to bounce back quickly from the recession.

(Continued)

From the Chairman's Desk (Cont'd)

We are still expecting 2011 to be a difficult year as the world economy struggles to recover from the recession. However we are preparing to make full use of the opportunities that will present themselves through 2011 and beyond.

Board Members

As I prepare my final report on behalf of the Board of Directors I will use this occasion to say a big thank you to all the Board Members who have given me their unwavering support over the last five years. The support have been invaluable, as working as a team we were able to make significant achievements over the past five years. Chief among these are:

- ✓ In 2007 we started the process of demutualization;
- ✓ In 2008 full demutualization was completed and the JSE became a listed company;
- ✓ In 2008 we also established the Regulatory and Market Oversight Committee to ensure full separation of the commercial arm from the regulatory arm;
- ✓ 2008 also saw our subsidiary the JCSD, branching out into Trustee Services and the launch of the first National Investor Education Week in Jamaica;
- ✓ In 2009 when we celebrated our 40th Anniversary and proudly launched our Junior Market and the first Automated Surveillance System in the Caribbean for the Regulatory Market Oversight Division.
- ✓ In 2010 we were able to complete the ground work for the Caribbean Exchange Network and;
- ✓ Launched our e-Learning Campus.

None of these significant milestones could have been achieved without the support of all Board Members, Senior Managers and Staff. We have worked well over the past 5 years and I am looking forward for this level of support to be transfer to the incoming Chairman. I know that the work we have started will continue by the incoming Chairman as we look forward to continue to position the Exchange to be the Exchange of choice within the Caribbean.

Financial Highlights

2010 continued to be a very challenging year for the Exchange as the full effect of the JDX was felt as can be seen in the drastic reduction in interest payment to the JSE. In 2010 investment income fell to \$33,159M, compare to \$104,416M in 2009, a decrease of 68.24%. However, there was some very positive news in 2010, the JSE reduced total expenses by 18.71% and shareholders equity increased by 4.22%, moving from \$954,127M in 2009 to \$994,427M in 2010.



.....
Mr. Curtis A. Martin
Chairman
Jamaica Stock Exchange

Chairman's Report, Regulatory & Market Oversight Committee 2010 Market Oversight Report

Theme: Promoting the Independence of the JSE's Regulatory Functions



Mr. Livingstone Morrison
Chairman

The Regulatory and Market Oversight Committee (RMOC) of the JSE continued its work during 2010, to strengthen the regulatory functions of the Exchange. Attention is directed to the fact that by virtue of JSE's Board resolution in 2007, the JSE as part of its demutualization process, created the RMOC to which full and complete responsibility for the regulatory affairs of the Exchange was delegated. The RMOC, which is comprised of the five independent members of the JSE's Board, have worked tirelessly throughout the year, as an independent body, in pursuing its mandate which includes:

1. Assessing complaints by stakeholders;
2. Conducting Disciplinary Proceedings;
3. Monitoring compliance to the Exchange's rules by Member Dealers, Listed Companies and other participants
4. Reviewing and strengthening the Rules of the Exchange,
5. Interpreting Rules of the Exchange, and
6. Structuring and directing the regulatory functions of the Exchange through overseeing activities of its administrative arm, the Regulatory and Market Oversight Division (RMOD).

In discharging its responsibilities the RMOC met (20) twenty times during the year. A 95% attendance rate highlights the commitment of the members of the RMOC to proper oversight of regulatory functions of the Exchange. This commitment is further emphasized by the fact that (8) eight of the (20) twenty meetings were held to consider special cases that were deemed critical in ensuring the integrity and transparency of the Exchange.

Overview of Regulatory Undertakings for 2010

In providing an overview of the regulatory activities pursued by the RMOC during the year, I must mention that much attention was given to rule development and rule enforcement. In this regard, adequate regulatory resources were allocated to the task of developing an appropriate schedule of fines and penalties to serve as deterrents in the process of promoting compliance. In addition, detailed consideration was given to issues relating to the Exchange's Continued Listing Requirements. The Committee also coordinated the creation of rules for the filing of Share Registers for the Junior Market and amended the Managed Accounts rule for the Main Market.

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Chairman's Report, Regulatory & Market Oversight Committee 2010 Market Oversight Report (Cont'd)

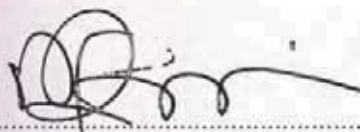
Resulting from the assessment of complaints by stakeholders, disciplinary proceedings were initiated with the formation of a Hearing Panel in keeping with the rules of the Exchange, to consider a matter that is now the subject of an appeal to the FSC. Other activities pursued by the Committee include:

1. Enforcing of timely disclosure requirements as it relates to the impact of the Jamaica Debt Exchange (JDX) on Listed Companies and Member Dealers operation.
2. Effecting oversight of RMOD's activities such as Broker Inspections and assessment of financial statements and market documents.
3. Strengthening the administrative arrangements employed by the RMOD in monitoring compliance with market rules and guidelines.

Given the Committee's responsibility to undertake continued assessment of the Exchange's regulatory performance and effectiveness, the Committee is pleased to announce that based on streamlining of processes within the RMOD there has been increased detection of market surveillance and compliance issues. In addition, the closure rate of cases identified has improved to 98% when compared to 2009, which had a rate of 95%.

In closing, I would like to express appreciation for the support provided to me as Chairman, by all the members of the RMOC during the year. We regret the passing of RMOC member Ms. Nicole Lambert whose wise council was of great value in our deliberations. We are equally grateful for the contributions of our new member Mrs. Janet Morrison.

Stakeholders can rest assured, that with the mix of experience that avails to the RMOC, the Exchange will continue to strive to develop and implement appropriate regulations for promotion of market transparency, integrity and efficiency.



Mr. Livingstone Morrison.
Chairman

Audit and Finance Committee Report

The Jamaica Stock Exchange and Its Subsidiaries

The Audit & Finance Committee continued to build on the foundation that has been laid by the Exchange in fulfillment of its mandate to ensure that there was good oversight and governance of the company's finances through its systems, policies and manpower employed. The Committee's main focus for 2010 was on investments, the budgetary process, financial controls, efficiencies and internal audit reviews, in order to validate the compliance of the company's policy guideline in respect of effective management of the company's resources. Throughout the year the Committee worked assiduously on the strengthening of policies relating to operational controls and risk mitigation strategies. The integrity of the financial statements of the Group, the adequacy of its internal controls and financial reporting systems and procedures and the compliance with legal and regulatory requirements continue to be our focus.

Internal Audit

In light of the more challenging financial position of the Group and within the economy, greater focus was placed on cash flow management, expenditure controls, management of investment portfolios, receivables and new products. The Committee also spent time reviewing the budget process in order to identify any significant variances.

From the standpoint of the strengthening of internal controls, members reviewed and provided their recommendations on the major areas which were the subject of internal audit, namely, IT systems and procedures, human resources management, marketing and promotions and accounting. During the year, non-disclosure agreements and service level agreements were introduced and the finalization of the Disaster Recovery Plan was completed.

Rationalization Programme

The Group benefited from the rationalization measures conducted by the Committee which started the previous year, with the Group enjoying a reduction in operating expenditure of over 11%. This provided a buffer for the Group which positioned it to weather the storm of the global financial meltdown and the problems experienced in the local economy.

In the process of rationalizing expenditure inclusive of management charges, the Committee also examined measures to reward efficiency and recommended the Employees Rewards Payment Plan for the Board's acceptance.

Composition of the Committee

The current members of the Committee are :-

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

Nine meetings were held during the year with satisfactory attendance from all members. The total number of meetings was reduced from sixteen in the previous year. This was also part of the rationalization exercise aimed at cost reduction.



Ms. Dian Black
Chairman

Compensation Committee Report

The Jamaica Stock Exchange and Its Subsidiaries

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

- Mr. Curtis Martin
- Mr. Donovan Perkins
- Mr. Garth Kidoe and
- Mr. Denis Cohen

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

Directors' fee, which is normally paid to non-Executive Members of the Company, totaled \$7.2M during the 2010 period.



Mr. Curtis A. Martin
Chairman
Jamaica Stock Exchange

The JSE GROUP 2010 Management's Discussion and Analysis

Executive Summary

The Jamaica Stock Exchange Group comprises of the Jamaica Stock Exchange Limited (JSE), Jamaica Central Securities Depository Limited (JCSD) and JCSD Trustee Services Limited (JCSCTS). This Management Discussion and Analysis (MD&A) of the JSE Group's financial condition and results of its operations is provided to enable stakeholders to assess the financial health, material changes and results of its operation for the year ended December 31, 2010. It provides information on liquidity and capital resources and gives a comparative examination of the current year under review against the previous year's performance. The MD&A should be read in conjunction with our Audited Financial Statements and must be considered as complimentary information to that which is provided in the audited statements and the accompanying notes thereto. The information presented is based on the best judgment of management, taking into consideration all our internal systems and controls, our plans and the present programmes and policies that are being pursued.

The JSE is a publicly listed company, having listed variable preference shares in June 2008. Jamaica Central Securities Depository with its subsidiary JCSD Trustees Limited complete the companies referred to as the JSE Group. Within 2010 the Group sought to navigate the ongoing turbulent economic tides by reigning in expenditure while continuing to grow and expand the new product lines that had been started over the previous few years. Consequently, the financial statements will reflect improved results in these areas. Our e-Learning income and expenditure, for example, appears as new line items in our financial statements, subsequent to its launch on March 31, 2010.

The financial statements however indicate a decline in the Group's profitability, as primarily caused by the continued decline in trading on the stock market, which is our core business. Lower interest rates, resultant from the Jamaica Debt Exchange (JDX), also significantly impacted the Group's Interest Income.

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

Executive Summary of Vision, Strategies and Priorities:

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

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

Our Priorities:

- **Grow Core Business through Innovation**

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

Through market education the Group aims to retain current investors and attract new investors, as we recognize that expansion will not be successful in the long-term without an expanding pool of educated investors.

2010 Management's Discussion and Analysis (Cont'd)

The JSE is treating as an imperative, the need to introduce new products for both equities and fixed income markets. In this vein, we are collaborating with the Government in exploring the potential of the stock market as a means of establishing and expanding a viable venture capital market.

Industry collaboration, stakeholder inclusion and effective lobbying are the conduits through which the innovations in the market will be best facilitated. We believe that the proposed initiatives will result in more vibrant trading of securities on the stock market as well as a more diversified revenue stream that will augur well for the medium to long-term growth and profitability of the Group.

- **Continued Diversification in Related Business Lines**

We have seen that, despite the bearishness of the market, the new product offerings by the JCSD's Registrar Services Division and the JCSD Trustee Services have met with success and made significant contributions to the bottom line. The Government's recent decision to consider approval of new unit trusts will find JCSD and JCSDTS well placed to capitalize on their reputation as providers of excellent and competitively prices, services and also to expand into the provision of Corporate Secretarial Services.

Summary of Long Term Vision includes:

- Offering Regionally and Globally diversified capital market products
- Commitment to high standards of transparency and governance
- Continuously improving Shareholder Value
- Setting a strong foundation in all critical divisions and subsidiaries to allow for long-term growth and development
- Enhanced attractiveness of the equities market to investors and businesses
- Participate in the development of the Fixed Income Market
- Building strong internal competences
- Being among the top employers of choice in Jamaica
- To be considered a partner that is essential to Nation building
- To forge key regional and global partnerships in furtherance of these goals
- Consistent operational and overall profitability

Summary of Our Performance Measurements

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

2010 Management's Discussion and Analysis (Cont'd)

Market Conditions and Outlook

Regional and Global Capital Markets have not yet recovered from the financial crisis that started in 2008 and locally the market continued to be affected accordingly. While business and consumer confidence have improved marginally, this has not translated into renewed interest in the Stock Exchange, with relatively few new investors entering and few business owners giving consideration to listing their companies on the main market. There were some noted increases in trading volumes and values over prior year, but were noted as still lower than pre-2008 trading activity.

The Junior Stock Market enjoyed success over the year however, with seven new listings, as business owners consider it an excellent vehicle for raising capital and were especially attracted to the market's tax incentives. We believe that the market has excellent prospects with the continued support of the Government and the brokerage community.

The JSE Group's normal operating revenue in 2010, which does include a few large one-off block transactions from activities such as mergers and acquisitions, are highly dependent upon the level of market activities on our exchange. Measure of these activities include volume and value traded, number of transactions, market capitalization of the securities and number of listings on the Exchange. The Exchange benefitted from seven new Junior Market listing during the year. JCSD and JCSDTS lead the way in the diversification of revenue through its registrar and trustee services business divisions, which again registered significant growth in revenue and profitability. We expect both lines of business to continue to grow throughout 2011.

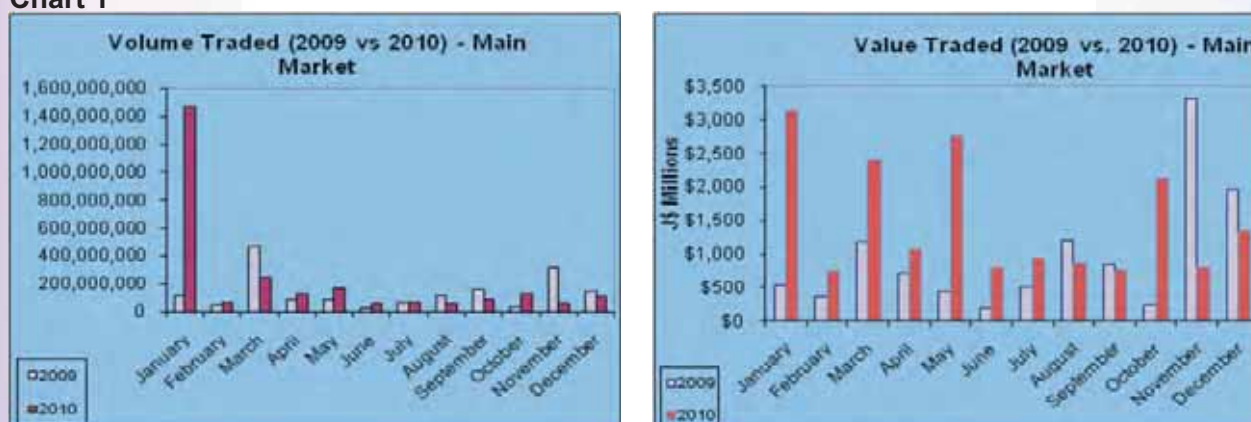
Our expectation is that 2011 will see a marginal improvement in the economy, as facilitated by stable economic conditions. More companies will experience upticks in sales and profits as the global, regional and local economy rebounds but this may not translate into renewed stock market interest until beyond 2011. Accordingly the JSE Group's projections for 2011 speak to only marginally improved activity and profitability.

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

Market Operations & Trading

Over the 252 trading days in 2010, total volume of ordinary units traded amounted to 2.64 billion, as valued at J\$17.35 billion. In comparison to 2009, this was an increase in volume of 979.4 million or 58.9% and an increase of \$5.8 billion or 50.6% in value traded. The total number of ordinary transactions for 2010 was 18,341, an increase of 2,312 trades or 14.4% when compared to the previous year. The tables below reflect the trading activity for 2010 compared to 2009. A significant increase in market activity was experienced in 2010, as is evidenced in the total volume and value for the year which amounted to 3.57 billion units and \$20.83 billion, respectively, on the main market. This included block market activity which registered trade volumes of over 929.6 million units valued at \$3.48 billion.

Chart 1



2010 Management's Discussion and Analysis (Cont'd)

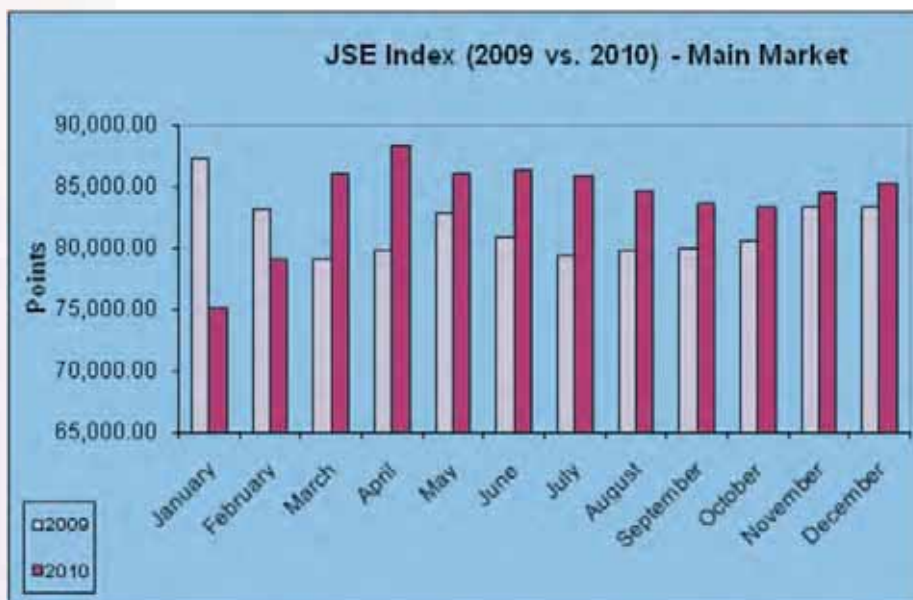
In 2010, market capitalization increased marginally by approximately \$19.8 billion or 3.64% to close at \$564.72 billion in December 2010. The improvement may be attributed to the increased interest to the stock market as a result of declining interest rates. The slight upward trend of 2010 as opposed to the shallower decline of 2009 is quite evident in Chart 2 below.

Chart 2



As at the end of 2010; the JSE Index advanced by 1,898.86 points or 2.28% to close at 85,220.82 points, view Chart 3 below; the All Jamaican Composite Index advanced by 9,798.03 points or 13.8% to close at 80,793.80 points; and the JSE Select Index advanced by 296.14 points or 15.6% to close at 2,192.19 points, while the JSE Cross Listed Index declined by 99.91 points or 10.38% to close at 863.01 points in comparison to the 2009 year end closing indices.

Chart 3



2010 Management's Discussion and Analysis (Cont'd)

The performance of the market for 2010 was also captured in the advance/decline ratio and price appreciation. The advance/decline ratio indicated that a total of 22 ordinary stocks advanced and 14 declined, while one ordinary stock registered unchanged prices. For 2010, price appreciation for ordinary stocks was 3% and two companies experienced price appreciation of more than 50% from the 22 stocks that advanced during the year. Table 1 (below) shows the top advancers and decliners for 2010, while the succeeding Charts indicate the recent five years of JSE trading history of the main market.

Table 1 - Top Advancers and Decliners for 2010

WINNERS	%	LOSERS	%
Berger Paints (Jamaica)	67.50%	Ciboney Group	(70.00%)
Carreras Limited	51.54%	Pulse Investments	(57.72%)
Gleaner Company	46.55%	Pegasus Hotel	(39.92%)
Hardware & Lumber	32.86%	Guardian Holdings Limited	(26.54%)
Scotia DBG Investments	32.37%	Trinidad Cement Limited	(26.39%)
Pan Jamaican Investment Trust	30.58%	Capital & Credit Financial Group	(25.17%)
First Jamaica Investments	30.50%	Montego Freeport	(24.74%)
Kingston Wharves	29.87%	Palace Amusement	(23.33%)
GraceKennedy Limited	25.93%	Caribbean Cement Company	(23.25%)
Mayberry Investments Limited	24.12%	Kingston Properties Limited	(22.00%)

Charts - Recent Five Year History of Trading Data



2010 Management's Discussion and Analysis (Cont'd)



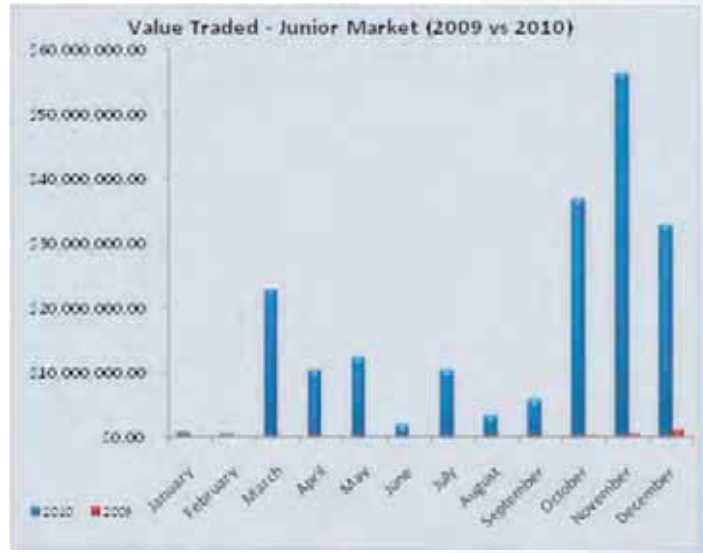
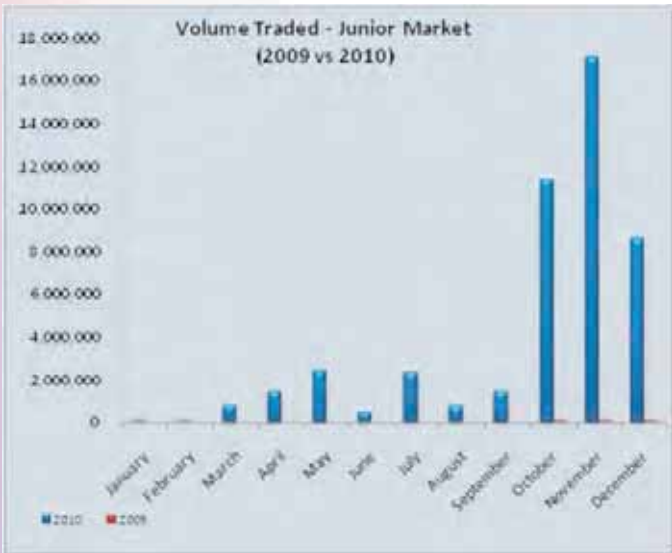
Since becoming active on October 30, 2009, the JSE Junior market has seen a buzz of activities with seven additional listings in 2010. These listings resulted in the sharp 153.26% rise in value of the Junior Market Index which closed the year 2010 at 379.92 points. The Junior Market Index started the year with Access Financial Services being the only listed company then closed the year with a total of eight listed companies. See table 2 for companies that were listed during the year, the amount raised from these listings and the close prices as at December 31, 2010 along with listing prices:

Table 2

Company	Amount Raised	Listing Date	Listing Price	Close Price Dec 31, 2010	% Change Since listing
Blue Power Group Ltd	\$87.90Mill	22/04/2010	\$3.89	\$4.70	20.82%
Cargo Handlers Ltd	\$53.5Mill	17/12/2010	\$12.50	\$13.00	4.00%
Dolphin Cove Ltd	\$240Mill	21/12/2010	\$3.00	\$4.51	50.33%
Jamaican Teas Ltd	\$98.4Mill	12/07/2010	\$3.37	\$4.00	18.69%
Lasco Distributors Ltd	\$160.97Mill	12/10/2010	\$2.50	\$3.50	40.00%
Lasco Financial Services Ltd	\$58.8Mill	12/10/2010	\$2.50	\$2.59	3.60%
Lasco Manufacturing Ltd	\$195.79Mill	12/10/2010	\$2.50	\$5.75	130.00%

2010 Management's Discussion and Analysis (Cont'd)

In light of the additional listings, market capitalization in the Junior Market increased substantially by \$7.71 billion to close at \$8.47 billion, December 2010. Market volume for 2010 amounted to 46,061,871 units valued at \$192.17 million. This reflects a sharp increase on the previous year which recorded 62,248 units valued at \$1.53 million. The number of transactions also improved considerably from 14 in 2009 to 1,191 in 2010. The charts below reflect the trading activity in the Junior Market.



Overview of the Business

Both the Jamaica Stock Exchange and its subsidiary, the Jamaica Central Securities Depository, are licensed by the Financial Services Commission to operate. The JSE and JCSD operate electronic trading and settlement platforms respectively through a service licensing agreement with reputable exchange service providers NASDAQ/OMX. However, in latter half of 2011 the Group intends to migrate to new trading and settlement platforms which will allow for greater product offering and will enable us to maintain competitive pricing for the services that we provide to the market place. The JSE boasts the most listings of equity securities within the English-speaking Caribbean.

2010 Management's Discussion and Analysis (Cont'd)

51 listed companies offering forty six (46) Ordinary Securities (38 listed on the JSE Main Market and 8 listed on the JSE Junior Market) and seventeen (17) Preference Securities. Trading activities are concentrated mainly around the Ordinary Shares.

- The JSE is the primary venue for the raising of equity capital in Jamaica. The total market capitalization as at December 2010 was J\$564.72 billion. The top five stocks were in the banking and insurance sectors and represented 65.1% of overall market capitalization.
- The JSE maintained five indices during 2010:
 - (i) The JSE Market Index
 - (ii) The JSE All Jamaican Composite
 - (iii) The JSE Select
 - (iv) The JSE Cross-Listed Index
 - (v) The JSE Junior Market Index

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

- The JSE launched its Junior Market for small and medium sized companies that are seeking to raise between \$50 million and \$500 million via the market and whose stated capital will not exceed \$500 million. This exciting proposition has enjoyed the full support of the Government of Jamaica as evidenced by Cabinet approval of a total of up to ten (10) years of tax exemptions on the corporate profits of these companies. An amount of \$995.36 million has been raised on the market at the end of 2010.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

• Net Surplus

The Net Surplus of the JSE Group for the year 2010 of \$ 37.4 million represented a decrease of \$5.6 million against the previous year. Income from Operations of \$199.3 million was higher than the previous year's \$159.0 million because Cess income from trading activities and Other Operating income improved. Fee Income was marginally lower at \$74.5 million compared to \$75.3 in 2009. The JSE e-Campus which was started in September, contributed \$1.5 million to the overall revenue. Of major significance is Investment Income which registered a steep decline of 68 % moving from \$104.4 million in 2009 to \$33.2 million in 2010. This was due to reduced interest rates that resulted from the Jamaica Debt Exchange Programme (JDX) in the first quarter of 2010 in which the Group participated. The decrease in interest on the securities resulted in the dramatic fall of interest Income for the year.

Surplus & Earnings Per Share

- Net Surplus derived from Operations was \$8.7 million in 2010 up from a deficit of \$17.03 million in 2009. This translated to earning per share of \$0.31 per common share as compared with -\$0.61 per common share in 2009.

Revenue

- o A major portion of the earnings of the Group is from Cess Earnings, but with the ongoing strategy of the JSE Group towards diversification of the revenue stream, Income from seminars, publications, registrar, trustee and other services, such as market data sale, is increasingly becoming a significant factor.

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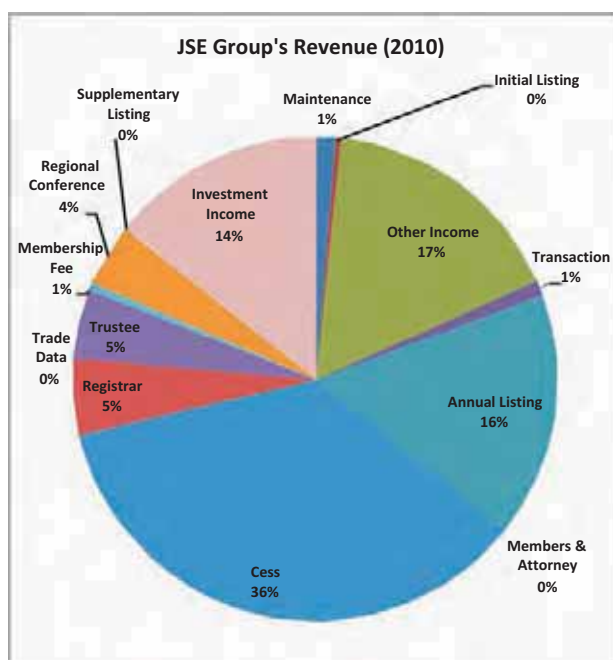
2010 Management's Discussion and Analysis (Cont'd)

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

Table 3 JSE Group Revenue 2007 through 2010

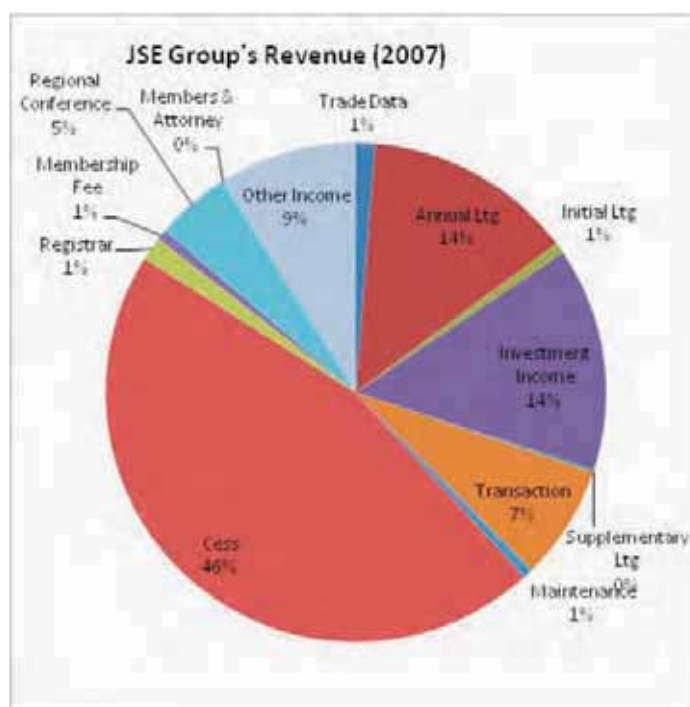
	2010	2009	2008	2007
CESS	82,624,000	50,240,333	260,273,357	110,259,983
Fee Income				
<i>Annual Listing</i>	37,957,109	40,805,566	36,084,823	32,726,700
<i>Initial Listing</i>	809,845	563,371	3,651,500	1,676,700
<i>Supplementary Listing</i>	218,126	154,928	699,642	389,091
<i>Members & Attorney</i>	7,500	7,500	17,500	12,500
<i>Transaction</i>	2,521,918	16,416,667	111,428,422	17,947,404
<i>Maintenance</i>	3,021,180	1,390,500	1,400,650	1,459,515
<i>Trade Data</i>	10,000	2,662,436	2,974,779	2,961,478
<i>Registrar</i>	11,974,684	6,373,902	4,409,732	3,682,287
<i>Trustee</i>	10,514,000	5,566,008	1,144,952	N/A
<i>Membership Fees</i>	1,178,500	1,325,000	1,124,000	1,639,800
Other Operating Income				
<i>Regional Conference</i>	9,776,745	12,180,000	13,255,000	11,628,000
<i>Other Income</i>	38,764,393	21,285,000	33,806,000	21,506,000
<i>Investment Income</i>	33,159,000	104,416,000	91,027,000	34,908,000
TOTAL	232,537,000	263,387,211	561,297,358	240,797,458

Chart 4a



2010 Management's Discussion and Analysis (Cont'd)

Chart 4b



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

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

Trustee Services represents the latest addition to the number and types of services offered and we believe this is a growth area given the synergies to be derived from the Exchange and Depository operations and from the increase in demand for trustee services with Jamaica and the Caribbean region.

Expenditure

A major priority for sustainability is that of keeping a tight rein on expenditure. Management has succeeded in reducing the Group's over-all expenditure year-over-year, in keeping with the need to rationalize expenditure. During the year, there was no salary increases and new hires were only in mission critical or new areas of business. All other key areas of expenditure were examined to ensure that the best method of achieving the result at the lowest cost. Operating Expenditure in 2010 of \$216.4 million was lower than 2009's \$243.7 million. This represented an 11.2% decrease when compared with 2009 and also represented a cut in expenditure in real terms, given the year's prevailing inflation rate. An area of significant decrease is staff costs which showed a reduction of \$35,259 million or 29.4% and represents gains from restructuring activities which

(Continue on next page)

2010 Management's Discussion and Analysis (Cont'd)

represents gains from restructuring activities which commenced in 2009. Lower expenditure was also seen in the areas of Advertising & Promotion and Professional Fees. Securities Commission Fee showed an increase of \$6,910 or 67.6% and is commensurate with the increase in Cess Revenue from which Securities Commission Fee is determined.

o **Securities Commission Fee**

This is a function of the level of Cess Revenue earned. The Exchange Levies 0.393 of 1% of the value of each transaction on the market and the Financial Services Commission (FSC) earns 0.08% of this amount. In 2010, the Cess Revenue was \$82,624 million compared to \$50,240 million in 2009, which gave rise to the increase in the amount paid to the FSC from \$10,219 million in 2009 to \$11,823 million for the current year under review.

o **Rationalization of Expenditure**

The Exchange plans to continue to relentlessly pursue a course of expense rationalization; ensuring that monies expended provides the highest return on investment. The Group sees this drive to efficiency as one of the major lynchpins of our operations.

o **Revenue Reserves**

The Group's Revenue Reserves improved in 2010 to \$264.0 million from \$255.3 million in 2009 due to a net surplus from operation of \$8.7 million derived from operations.

Five Year Financial Highlights

The table below shows yet another drop in revenue in 2010 when compared to 2009, after an increase in 2008 and consecutive declines in 2006 and 2007. This is due primarily to the decline in investment income as revenue from market operations and other operating income showed an increase. Income other than that derived from interest showed an increase of \$40m or 25.2%.

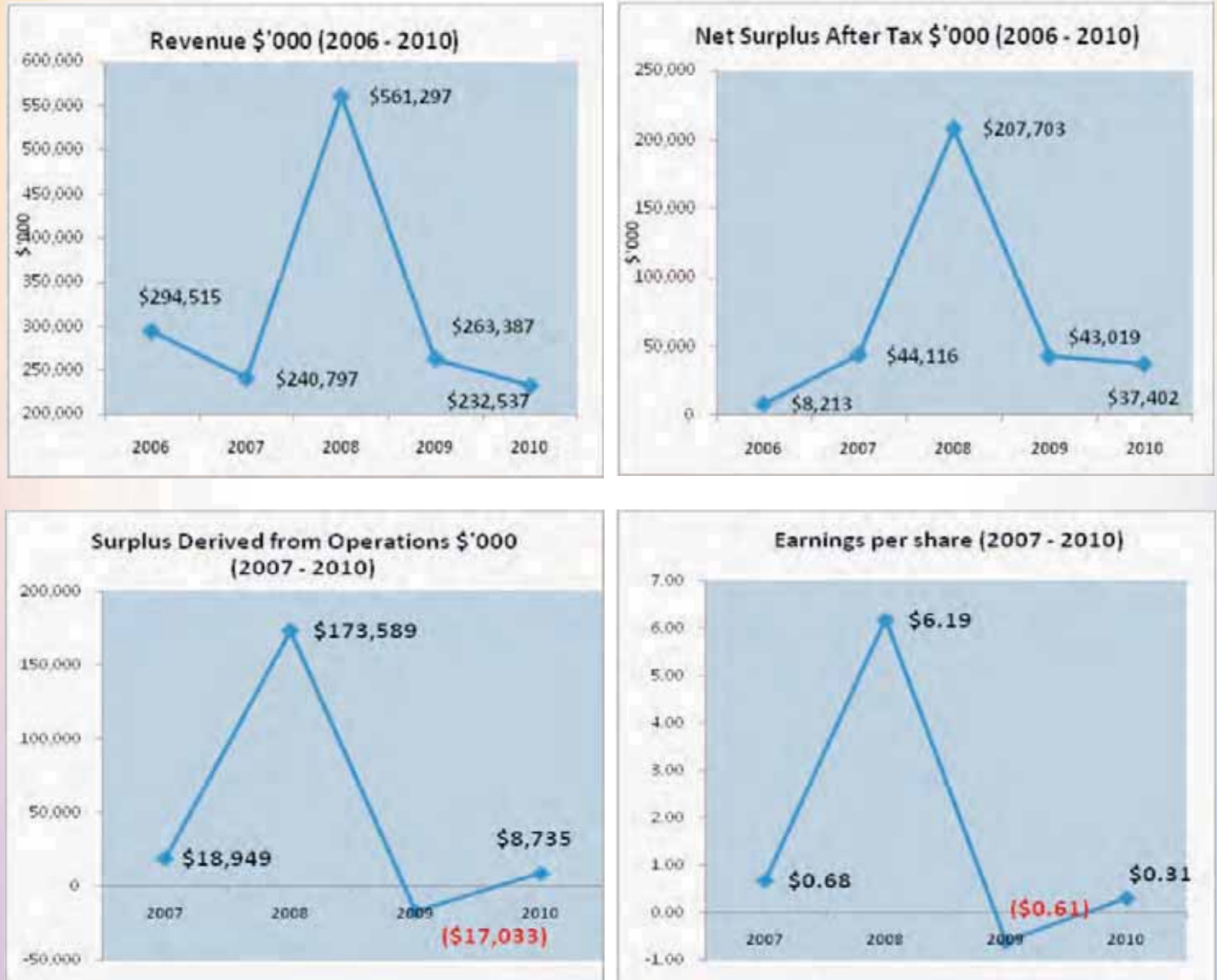
One-off transactions in 2006 and 2008 resulted in lower and higher than normal surplus of \$8.2m and \$207.7m respectively. The other years of 2007 and 2009-2010 show that the Group's surplus continues to decline. Please refer to table and graphs below:

Table 3 Five Year Financial Highlights

	2006	2007	2008	2009	2010
Revenue (\$000)	294,515	240,797	561,297	263,387	232,537
Surplus/(Deficit) *	8,213	44,116	207,703	43,019	37,402
Surplus derived from Operations		18,949	173,589	(17,033)	8,735
Earnings per share \$		0.68	6.19	(0.61)	0.31

2010 Management's Discussion and Analysis (Cont'd)

Chart 5



• Risk Management

A review of The Group's overall risk management strategies shows that JSE continues to be responsive to changes in our environment, both internal and external and that our practices, policies and procedures are robust. We continue to update our overall risk management systems and are responsive to recommendations made for improvements by our Internal Auditors.

The sustainability of the Group and especially the Exchange rests with the ability of the Group to drive income from operations. A dependence on interest income to improve the bottom-line is no longer an options therefore the imperative is to continue the process of diversification of our revenue while creating new products for the Group and an interest in increasing listings on our markets.

2010 Management's Discussion and Analysis (Cont'd)

- **Investments**

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

Other Operational Risk Mitigation Strategies

- o **IT Risk Management and Compliance**

The Company's principal business activities rely heavily on information technology and consequently are a critical issue for senior management and the board of directors. Since the company is subject to various risks including systems downtime, which may result in damage to the company's reputation, loss of revenue and confidence in the market, these risks must be continually managed.

Consequently, robust policies and operational procedures are in place and are monitored by the relevant management personnel. Risk-based quarterly internal audits and follow-ups are also conducted to ensure compliance with established policies and international standards. Additionally, there are also system redundancies, data protection, business continuity and physical and virtual security measures in place to ensure the systems are resilient, allowing for 100% availability during business hours.

JSE's IT Governance structure incorporates:

1. IT Governance Framework, Cobit 4.1, which ensures that IT and business strategies are aligned
2. Administrative controls effected through the relevant committee (Audit and Finance)
3. Organizational controls effected through segregation of duties, requisite training and adherence to implemented polices.
4. Employee training and continuing to increase awareness and ensure compliance

Business Continuity:

As part of its Business Continuity strategy, the JSE continues to ensure that its hot site facilities remain current in order to provide redundancy for its core and other supporting systems.

Additionally, the JSE's business recovery plan is continually updated to ensure effective and efficient recovery processes in the event of disasters and other disruptions. The business recovery plan outlines the response to be undertaken and indicates the minimum resources required to facilitate continuity of key business units.

It is worth noting that during the real life test of our business continuity plans that resulted from the widespread business disruptions of May 2010, the stock market operations were largely unaffected. The market opened, closed and settled on time every day even as downtown Kingston was locked down for over a week.

2010 Management's Discussion and Analysis (Cont'd)

Group Medium and Long Term Strategies

The lingering effects of the global financial meltdown and the negative impact of the unregulated schemes on the Jamaica economy in prior years continued to affect companies' results and investor confidence in the market during 2010. The Exchange continues to be faced with the significant challenge of attracting new entrants to the market and retaining current market players at least well into 2011. We believe however, that investors have come to appreciate the need for greater market information, education and regulation and are therefore better prepared to look towards a well-regulated stock market than was previously the case. Similarly we believe business owners are more inclined to consider more formally structured means of raising capital and treating with stakeholders. Accordingly our expectation is that the Exchange must remain poised to fill those needs and capitalize on a likely renewed interest within the next two to three years. To this end, the Group's focus will be on the following activities:

- Increased market educational activities through companies' and investors' outreach, school programmes and training of market intermediaries.
- The continued 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 was a welcome addition to the slate of tools used by this division.
- More product offerings: through the sale of market data; the development of and maintenance of new indices; and derivative products.
- Growing the Junior Market for the Small & Medium Sized Companies.
- Expansion and Growth of Registrar and Trustee Services, to possibly include Corporate Secretarial Services
- The operational integration of our regional exchanges through the Caribbean Exchange Network
- Utilization of Information Technology to facilitate greater efficiencies in cost reduction and new product introduction.

GENERAL MANAGER'S REPORT - JSE



Mrs. Marlene Street Forrest
General Manager
Jamaica Stock Exchange

The year 2010 was a year in which the Jamaica Stock Exchange (JSE) experienced mixed fortunes. The main market continues to fluctuate between 83,000 and 85,000 points, while new initiatives that were implemented began to bear fruit. Long-term programmes designed to improve market usage, acceptability, confidence and product diversification have started to gain traction by investors and other market participants.

Despite the continued impact of the global crisis and our own local economic difficulties, the JSE experienced some positive outcomes.

ENVIRONMENTAL FACTORS

Limited production output, increase in unemployment, rising oil prices and the global recession extended the slowdown of the Jamaican economy in 2010. During the year, the country was also faced with additional disruptions from civil unrest and severe weather conditions that further contributed negatively to the economic performance. Reduction in consumption and disposable income coupled with investors' perception of uncertainty within the economy, contributed to a lackluster market. Nevertheless, with the reduction in interest rates and the continued stabilization of the Jamaican Dollar relative to the US Dollar, it is expected that there will be increased market activity in 2011.

The JSE expected that the reduction of interest rates on government papers, resulting from the Jamaica Debt Exchange Programme (JDX) which was implemented in February 2010, would have had a small but positive impact on the market. There is no evidence that the secondary market has responded to this initiative. We believe that there may be a lag time, possibly no correlation between the two or that there are other factors which have impacted on the return of investors to the market. The strengthening of investors' confidence in the economy and the market and other positive indicators imparting on growth in the economy and improvement in employment will translate into the positive movement in the stock market.

JSE PERFORMANCE IN 2010

As a direct result of environmental factors, the stock market continued to experience decline in stock prices. There were increase levels of trading throughout 2010 when compared with activities in 2009. While secondary activities on the main market improved, the Exchange saw growth in listings on the Junior Market. There were seven listings via Initial Public Offering (IPO) on the Junior Market. This resulted in an increase in the index of 150.01 points in the 2009 to 379.92 points in 2010. Interestingly, investors were receptive to investments in new listings.

Another element of the Company's diversification strategy was also accomplished when in September the e-Learning Campus received its first cohort for the one year Post Graduate Diploma in Financial Management Services.

The Company continued to make efforts to increase efficiencies and reduce expenditure. This was even more important in light of the reduction in revenue due to the further down-turn in market and also the lower yields in interest income especially given that the latter comprised a significant

(Continued)

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

percentage of the Company's overall income. The JSE and its subsidiary, the Jamaica Central Securities Depository (JCSD), both experienced sharp declines in revenue and profitability. Notwithstanding this, the JCSD Trustee Services Ltd., the newest subsidiary formed in 2008 and the Registrar Services experienced growth in the number of clients and in profitability.

The Stock Exchange understands the importance of market education and has continued an intensive marketing programme to educate and encourage companies to explore the route of the Main and Junior Markets to raise new and additional equity capital for their businesses. Emphasis has also been placed on educating the public on investing in the equities market. It is conceivable that based on the information currently in the market place and despite lower loan rates, more companies will be pursuing the avenue of raising equity capital and listing on the JSE within 2011 and beyond.

The long awaited Caribbean Exchange Network (CXN) continued as a 'work in progress', despite the fact that all technical and infrastructural support are in place. We continue to pursue this initiative, as we believe this will redound to growth of the Regional Capital Markets. This initiative however will only be successful if member-dealers within the region are convinced that this will enhance their business and will take the necessary steps to pursue this initiative and on the other hand if regulators will put the necessary provisions in place to reduce regulatory hurdles.

In our pursuit to make the JSE attractive to more participants we have determined that it is necessary to introduce new products to the market, improve our service delivery and to communicate more effectively with our stakeholders. Work is continuing in these areas and we urge you to look forward to improvements in these areas as we migrate to new trading and settlement platforms in 2011 and we seek to roll-out a diversified suite of products from which investors can choose.

OPPORTUNITIES

While we look forward to seize new opportunities in 2011, we will work to consolidate our gains. Having successfully launched the Junior Stock Market and worked with many companies seeking to list on the market, it is necessary to continue to pursue this avenue. In 2011 we plan to implement a new index to allow greater exposure for the Junior Market Companies and seek avenues in which listed companies and by extension investors can benefit from listing on the market. There are several opportunities that exist in the area of venture financing and fixed income trading that will be explored in 2011.

The Stock Market Game aimed at capturing the imagination of young people within the Secondary Schools and so far has been successful. The plan is to broaden this programme in the upcoming year, reaching out to the wider adult population, to allow the adults to get a better understanding of how to trade in equities.

Sustainability is important to the Exchange. Therefore, we are proud to report that the initiatives that have been launched over the decade, such as electronic trading and the implementation of new products and services such as our website, the Stock Market Game and the Investment & Capital Markets Conference and the newest addition, the e-Learning Campus show potential for enhancing stakeholder value and have all been maintained and enhanced through the dedication of our internal and external teams.

There is always merit in introducing new blood to the market place through additional member-dealers. The timing was not right for the auctioning of member dealer license in 2010. With the likely improvement in the market in 2011, the Exchange will be pursuing this agenda as this remains an integral part of our strategic plan but must be effected at the most opportune time.

STAYING THE COURSE

Our vision remains focused on improving the capital market by creating products that will enhance investment experience and encourage new companies to list on either the Main or the Junior Market and create new markets from which investors will participate. We must continue to seek new avenues to provide greater value to our listed companies by identifying areas in which we can reduce their costs while at the same time provide our shareholders with real return on their investment.

The year 2010 has been the most challenging in the past decade. However, this period was well spent in reviewing our systems, processes and procedures in order to improve efficiencies, increase our product offering and to fulfill our mandate of fostering growth and development of the market through efficiency and transparency.

(Continued)

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

JSE OPERATING PLATFORMS

Our trading and settlement software and hardware platforms remained robust in 2010. We experienced no significant downtime and have even improved on the previous year's performance. Despite this, we continue to examine new products that we have committed to offer to the market. The JSE will explore the possibility of migrating to new trading and settlement platforms in 2011. We anticipate that with this move we will be able to have one of the best trading and settlement platforms for excellent service delivery at the most competitive rates.

JSE CORPORATE ACTIVITIES AND NEW INITIATIVES

Ongoing Activities

- ❖ Upgrades and Enhancement of trading platform for efficient market delivery
- ❖ Upgrades of other supporting systems to ensure relevance and compliance
- ❖ Website Enhancement including Stock Market Game geared at market education at high school & tertiary level
- ❖ Staff training
- ❖ Continued Development of internal processes for CXN
- ❖ JSE e-Learning Campus and
- ❖ Public Stock Market Game

DEPARTMENTAL HIGHLIGHTS

MARKETING ACTIVITIES

In keeping with the organization's goals and objectives, our Marketing Department worked assiduously at 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 this objective the JSE were engaged in the following programmes:

(i) Conference 2010

The Investments and Capital Markets Conference is now a calendar event and is held ever January. The conference is designed to bring together persons in the Caribbean, North America and Europe to discuss the different industries and the way forward for the economies and businesses for the rest of the year. Conference 2010 has been the most successful so far since the inception.

(ii) Stock Market Game

The Jamaica Stock Exchange (JSE) continues to provide creative, innovative and entertaining ways to introduce elements of the stock market to students and teachers in our schools. The Stock Market Game is a competitive, investment simulation exercise that pits students and schools against each other for cash and other prizes. The game utilizes computer-based software to act as an educational tool that allow schools to enhance the classroom learning experience in understanding how investments work, performing financial analysis and managing all aspects of an equities portfolio that is evaluated monthly. Stockbrokers mentor the participants on the science and art of investing.

(Continued)

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

The Winner of the JSE Stock Market Game for 2010 was Calabar High School, Campion College was the second runner up and Bellfield High School was the first runner up. The individual winners were:

- Dexter Smith of Calabar first place
- Shawn Parker of Bellfield in second place and
- Matthew Williams of Campion third place winner.

(iii) **Market Research Competition**

The JSE congratulates Mr. Richard Gordon, Research Analyst at NCB Capital Markets Limited who copped the 2009/10 Market Research Competition Awards. The Market Research Competition was established in 2004 by the JSE with the main objective of increasing the interest and involvement of analysts and observers in the Jamaican Stock Market through in-depth analyses of the performance of listed companies. In addition, the competition seeks to enhance the research, analysis and presentation skills of the entrants, enabling them to better understand the market, improve their communication skills and in the case of broker representatives, to better advise their clients.

(iv) **High School Education Programme**

This programme is geared towards exposing High School Students that are doing CSEC and CAPE exams, to understand the roles and functions of Stock Exchanges and to allow students to develop an appreciation for investments. In 2010 a record 45 schools visited the Exchange and participated in the programme. The programme is also a medium through which the JSE generates awareness of the Exchange and tries to build the base of investors through educating the youngsters and encourages schools to participate in the Stock Market Game.

(v) **Workshops**

The JSE recognizes that as the world continues to grow more complex, careers are becoming more specialized and require continuing education to allow specialists to make informed decisions. This is especially true in the financial field. In 2010 the JSE hosted five (5) workshops to allow participants to continue to develop the skills necessary for today's changing environments. Among the workshops were:

- ✓ Company Valuation
- ✓ Corporate Finance
- ✓ Risk Management
- ✓ Corporate Secretary &
- ✓ Taxation

(vi) **JSE's Public Investor Outreach**

There were four (4) Public Investor Outreaches held across the Island in 2010. The Public Investor Outreach is geared towards educating the Public on the Stock Market and to update the public on any new development on the market. Investors were very receptive and record numbers of persons participated.

(vii) **Corporate Outreach**

The JSE also seek to educate workers in the different organization on investing in the market, through its Corporate Outreach programme a total of 18 corporations were visited by the JSE's in 2010.

(viii) **Teacher Education Programme**

The JSE appreciates that education will play a major role in developing the market. Therefore over the last 2 years we have developed the Teacher Education Programme, where the JSE's staff visits the various schools to inform the teachers about the Exchange, its role and function and how to invest in the market. This training the trainer approach is working well at educating the future investors.

(Continued)

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

(ix) **Best Practices Awards**

The JSE Best Practices Awards were established in 2004 by the Jamaica Stock Exchange as a medium to encourage listed companies and stockbrokers in the securities industry to adopt and uphold best practices standards and to enhance the relationship between the JSE and its stakeholders. This event has become a calendar event, the 2009/10 awards were held at the Pegasus Hotel on December 8, 2010 and National Commercial Bank walked away with the prestigious Governor General trophy.

(x) **Lets Talk Wealth**

This programme is aired on television and explores the various avenues of wealth creation. It allows investors to become more aware of savings and investments, especially through the Stock Exchange. Through this programme which is aired on one of the local television station, we hope investors and potential investors will become more financially savvy

(xi) **Publications**

Along with the various marketing activities the JSE provides a series of publications to assist investors and potential investors make more informed decisions and reduce risk when making their equities investment decisions. These publications are:

1. The Stock Market Review
2. The Pocket Book
3. The Year Book
4. CEO's Report

(xii) **Young Investors**

The JSE also collaborate with other entities to get the message out regarding the Stock Market. Since 2009 we have partnering with Mr. Owen James of All Media Services to bring to the public the Young Investors. The Young Investors' programme is aired at 1:00 p.m. on TVJ every Sunday during the programme “On a Personal Note” hosted by Mr. Owen James. In this game, young persons are given \$100,000.00 in virtual money to trade in the market and compete against each other.

The JSE through its Marketing and Communication's Department is committed to the process of dialoguing and educating all the players in the market to allow all to operate at international standards.

INTERNAL AUDIT

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

INFORMATION TECHNOLOGY

The JSE continues to implement and utilize information technology systems to support and enhance its strategic objectives. During the year, the team has worked assiduously to improve the infrastructure while ensuring that the following objectives are met.

1. Alignment of IT activities with the JSE strategic objectives
2. Implementation of IT best practices for better risk management and compliance
3. A more stable IT infrastructure to better enable business continuity

In an effort to mitigate against the various IT risks, maintain compliance and business continuity. The IT Department as part of its mandate, will continues to keep abreast of emerging trends and implement new technology where required.

(Continued)

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

Other successful initiatives in 2010

1. Implementation of an online Learning Management System - the objective of which will offer online training to players in the financial industry. The system dubbed 'The JSE e-Learning Campus' was launched in the third quarter of 2010 and has so far proven to be an exciting addition not only to education but also to the JSE's many services offerings.
2. Enhanced technology platform to better respond to changing business needs.
3. With the introduction of the Junior Market and Bond Indices reporting our website remains a very valuable resource for information to investors, financial analysts, researchers, students, and other visitors.

Focus for 2011

In 2011, the JSE will be implementing a new trading and settlement platform. This new platform will provide increased trading capacity with the ability to implement new products in a short time, scalability, improved reporting capabilities, improved member connectivity and reduced maintenance costs.

The Stock Market Game for high schools has been a tremendous success over the years and consequently the JSE will be introducing this product (Online) to the investing public.

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

HUMAN RESOURCES 2010

At the JSE we recognize that our employees are our greatest assets and as such we continue to invest in their development through various training programmes and workshops, our education assistance programmes and in-house engagements.

The year saw the introduction of the JSE Group Contributing Staff Welfare Fund which is owned by contributing staff members of the JSE Group. This Fund came about as we recognize that there are times when employees might be faced with extreme difficulties that extend beyond normal benefits already provided by the Company. The purpose of this fund is to provide additional monetary support to staff members in times of challenging emergencies. This Fund is supported by staff contributions and fundraising activities put on by staff members.

The introduction of our 'Chat-In Sessions' became necessary to support staff in areas that would affect their lifestyle such as budgeting, retirement and financial planning. These sessions are held once monthly to allow for staff engagements with representatives in specialized fields.

In going forward, some of the training areas we will be focusing on are:

- ✓ Leadership Development & Coaching
- ✓ Presentation & Communication and
- ✓ Teambuilding,

Also there will be in-house rotation of staff members to different departments and a wellness programme to promote healthy lifestyle.

Despite the financial challenges affecting the Exchange during the year, the JSE team-members demonstrated their resilience and commitment by continuing to make positive contributions to the achievement of our strategic objectives.

(Continued)

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

CORPORATE SOCIAL RESPONSIBILITY

Despite the challenges faced during the year, the Group continued to make a difference in the lives of others through our corporate outreach programmes. Looking towards the future generation, we maintained ties with St. Michael's Primary School through the Breakfast Feeding Programmes that has positively impacted on the lives of the students. We understand that more students are in school and reporting early for classes as a result of the feeding programme.

Other commitment to education and development of our youth is maintained through JSE's Scholarships for students of both the University of the West Indies and University of Technology. We also continue to provide work experience programmes for student from UWI, UTECH, EXED and other learning institutions. We are also committed to United Way and other charitable organizations.

FORECAST - 2011

We will continue to build on the gains we have achieved in 2010 such as the interest in the Junior Market and e-Learning Campus. The Registrar Division of the JCSD and the Trustee Services are areas that we intend to grow. Focus will be placed on garnering market intelligence that will allow the Exchange to respond to the needs of potential listed companies. Partnering with and lobbying of government for incentives and programmes to encourage the expansion of small, medium and venture companies will also be part of the Exchange's agenda for 2011.

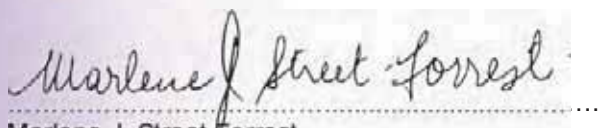
As part of the Group's short, medium and long-term strategies, several other business initiatives, are being pursued which include:

- ❖ An exchange traded (ETF) fund market
- ❖ New Exchange Indices
- ❖ Market Data Messaging Services
- ❖ Listing of Foreign/International Companies
- ❖ The Fixed Income Trading Platform

We wish to thank all our listed companies, investors and others, whose continued support and provide feedback that has enable us to continue our growth path. While we experience challenging times we are aware that this is the same for many who continue to support the market with their time, finances and effort, understanding that many of the gains that will be made will be visible in the long term.

We appreciate the sterling job of the members of our Best Practices Awards and our Market Research Competition Committees. Without them these market education programmes would not be successful. We extend special thanks to the dedicated Committee members who volunteer of their expertise and themselves to the oftentimes challenging and time consuming tasks necessary for ensuring high standards of execution.

We know that employees retention and job satisfaction are essential to our continued future success in product and service delivery. I wish personally to commend the time, efforts, and enthusiasm displayed by our staff member in the execution of their duties, often above and beyond the call of duty, throughout the year. It has been a challenging year for them as well but they have remained focused to the goal of developing a vibrant stock market.



Marlene J. Street Forrest
General Manager, JSE

The Regulatory & Market Oversight Division's 2010 Year In Review of JSE's Regulatory Activities



Mr. Wentworth Graham
Chief Regulatory Officer

In 2010 the local stock market showed a rebound when compared with the previous year. During the period there was growth in the number of transactions, volume, value and the indices of the Jamaica Stock Exchange. Equally, the JSE's regulatory activities saw positives outturns for the year under review.

International Comparisons and Rankings

For purposes of this review it is fitting to highlight the 2010/2011 World Economic Forum Global Competiveness Report, where Jamaica featured well in certain categories, which it could be said the JSE was a contributory agent. In the report, under Regulation of Securities Exchange, Jamaica ranked 23 out of the 139 countries surveyed. At this ranking, Jamaica was one (1) notch below Canada, and a few below countries such as France, India and Brazil. Under the same category the Agency ranked Jamaica above all its Caribbean counterparts, as well as other countries, such as United Arab Emirates, Germany and the United Kingdom.

Summary Accomplishments

Other accomplishments by the Regulatory & Market Oversight Division (RMOD) in 2010 are as follows:

- 1) Realizing a 2% ratio in Outstanding/Brought Forwarded Cases at the end of the year. This was 3 percentage points below 2009;
- 2) Treating with 133 Market Surveillance and Compliance Issues; which was 8% above the 123 issues for the year 2009;
- 3) Developing three (3) new rules that furthered JSE's commitment to embracing Best Practices and International Standards;
- 4) Having “face-to-face” meetings with Listed Companies to discuss specific and general regulatory concerns;
- 5) Completing the 2010 member-dealers' Inspections Plan;
- 6) Participating in island-wide public outreach sessions with the Exchange, and other associated organizations such as the Financial Services Commission;
- 7) Hosting “Rules Orientation” sessions for officers of all new listings that were brought to market in 2010; as well as newly appointed officers of existing Listed Companies

Concluding Summary

In 2010 the RMOD engaged in significant activities, which were controlled and well managed. These activities, undoubtedly, buttressed the Exchange's core value of “Promoting a Fair, Efficient, Ethical and Transparent Stock Market,” and underscored the RMOD's motto of: “Safe Guarding Market Integrity.” The RMOD's accomplishments in 2010 would not have been realized without the oversight and guidance by the Regulatory & Market Oversight Committee (RMOC), which is Chaired by Mr. Livingstone Morrison. The RMOC is comprised of only Independent Directors of JSE's Board. During the year a member of the RMOC transitioned to the other side, and as result there was the appointment of Mrs. Janet Morrison, as the new representative for the Bar Association of Jamaica on JSE's Board. Mrs. Morrison is therefore the new member of the RMOC replacing Miss Lambert.

(Continued)

The Regulatory & Market Oversight Division's 2010 Year In Review of JSE's Regulatory Activities (Cont'd)

In closing, it has to be highlighted that RMOD has a team that has camaraderie, skills and talent; and that each member directly contributed to the year's positive performance. On this score it is fitting to express Thanks to the team for zeal, tenacity, commitment and professionalism. An expression of appreciation is also worthy for wider management and staff of the Exchange who undertook functional activities to reinforce the relevance and necessity of the RMOC and the Division. And, warm regards have to be handed to all supporting organizations and resource persons, both locally and otherwise, who provided invaluable assistance to the Division in its undertakings. The New Year marks a new chapter for the RMOD to make its activities be representative of its mandate and objectives.



JSE CORPORATE HIGHLIGHTS 2010



JSE CORPORATE HIGHLIGHTS 2010

The Best of The Best Took Centre Stage At The Jamaica Stock Exchange Best Practices Awards Banquet

On a picture perfect night, Jamaica's best and brightest minds in the financial industry gathered at the Jamaica Pegasus to receive or congratulate colleagues and friends who would receive coveted Best Practices Awards from the Jamaica Stock Exchange. The ceremony took place against a fabulous backdrop of red, blue and gold. There was an atmosphere of anticipation as a record number of guests looked forward to a splendid evening. The Guest Speaker of the night was Dr. Henry Lowe, C.D., J.P., PhD, F.R.S.H., A.R.I.C.; Founder and Chairman of the Biotechnical Institute. Custos of St. Andrew, the Honourable Marigold Harding brought greetings on behalf of the Governor General, His Excellency Sir Patrick Allen, under whose patronage the banquet was held.

Mrs. Marlene Street Forrest, General Manager of the Jamaica Stock Exchange started the evening's proceedings by welcoming guests to the event. She remarked: "we are pleased with the continued interest that these Awards stimulate and each year we look forward to celebrating with you the achievements of the companies represented here tonight at this premier event. We note that not only are the listed companies and stockbrokers interested in these Awards but so are the investors".

After her address, the JSE's Chairman Mr. Curtis Martin took the opportunity to announce the launch of the Caribbean Exchange Network (CXN). He stated the CXN "...will be launched on January 14, 2010. This will provide investors with access to the 100+ stocks that are traded in Trinidad & Tobago, Barbados and Jamaica seamlessly through participating brokers. It will mean the establishment of a truly



2010 Governor General's Award for Excellence: Mr. Patrick Hylton, Group Managing Director, National Commercial Bank Jamaica receives the prestigious award on behalf of his company, from Custos Marigold Harding.

regional index and may be considered an important first step to the establishment of a truly regional market space".

The Guest Speaker, Dr. Henry Lowe, commented in his speech: "[I must] make it absolutely clear that everything we do in business, as in science & technology; must ensure that effective quality and standards are established, maintained and rigorously policed. This is why I support and endorse the work of regulatory organizations such as the Financial Services Commission, as well as the efforts of the Jamaica Stock Exchange, to ensure that Jamaican listed companies comply with established standards and reporting guidelines, as well as best practice corporate governance policies. These will enable them to provide transparent and timely information to the investment public and the Jamaican populace on a whole. To be sure, accountability and good governance are essential to the long-term sustainability of any enterprise".

It was then left to the Chairman of the Best Practices Committee Professor Neville Ying, to speak to the 2009 competition and announce the winners. In his address he stated, "there are four ties for the 2009 awards, for different categories. This is a record and it shows that companies are very serious about ensuring that their companies meet and exceed international standards and can compete in the international arena. Therefore, every year they refine their product, services and organization to ensure that they keep up with international standards. Therefore it is getting more difficult to separate most companies. This is reflected in the scores obtained as most times companies are separated by very small margins". He then went on to announce the winners for each category.

small margins". He then went on to announce the winners for each category.

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JSE CORPORATE HIGHLIGHTS 2010

The Best Practices Annual Report Award Committee chaired by Mr. Alvaro Casserly, encourages public listed companies to produce comprehensive, more reader-friendly annual reports and to provide greater insight into companies' financial affairs, governance practices and business activities. In the area of Best Annual Report, **third place went to JMMB, the runners up were PanCaribbean Financial Services Limited and the company to walk away with the winning award in this category was National Commercial Bank Jamaica Limited.**

The Jamaica Stock Exchange Best Practice Corporate Disclosure and Investor Relations Award recognizes companies that make timely and accurate reports and announcements to the JSE. This award also encourages them to maintain good investor relations with the wider investing public. This Committee was chaired by Mr. Christopher Bovell. **The 1st runners up were Scotia Group Jamaica and Sagicor Life Jamaica. The winners were**

National Commercial Bank Jamaica Limited and PanCaribbean Financial Services Limited.

The Jamaica Stock Exchange Best Performing Company Award seeks to identify and recognize outstanding performance by listed companies that enhance shareholder value in the areas of return on capital, improved profitability and direct return on shareholdings. The Chairman of this Committee was Dr. Noel Reynolds. **In third place was Salada Group Limited, the runner up was Carreras Ltd and the winner, First Jamaica Investments.**

The Best Practices Investor Relations (Stockbrokerage) Award Committee, chaired by Dr. Brian Langrin, recognizes excellence in the services provided by stockbrokerages to investors, and was designed solely for the Brokerage Community. **The 1st runner up was Mayberry Investments Limited. The winners in this category were Barita Investments Limited and PanCaribbean Financial Services Limited.**

The Jamaica Stock Exchange Best Practices Website Award is

divided into two categories; the Jamaica Stock Exchange Website Award for Brokerages and the the Jamaica Stock Exchange Best Practices Award for Listed Companies. This category was designed to encourage listed companies and stockbrokerages to raise the quality and efficiency of the dissemination of information to the investing public via their website. The Chairman of this committee was Mr. Errol Anderson. The following companies won awards in the Listed Companies category: **1st runners up were Guardian Holdings Limited and Capital & Credit Group and the winner was Trinidad Cement Limited.**

In the Brokerages category, **in third place was Scotia DB&G Ltd with 1st runner up First Global Investments Limited and the winner, NCB Capital Markets Limited.**

The final category was the PSOJ/JSE Corporate Governance Award, which honours companies that demonstrate and practice outstanding corporate governance. **Third place went to Scotia Group Jamaica, the 1st runner up was Sagicor Life of Jamaica and the winner was National Commercial Bank.**

The evening climaxed with the presentation of the prestigious Governor General Award by the Hon. Marigold Harding, Custos of St. Andrew, on behalf of the Governor General. The company that emerged the overall winner was **National Commercial Bank Jamaica Limited.**



Mr. Patrick Hylton, Group Managing Director, National Commercial Bank Jamaica Ltd., accepts the JSE/PSOJ 2010 Corporate Governance Award from Ms. Greta Bogues, JSE/PSOJ Corporate Governance Chairman.

Continued on next page

JSE CORPORATE HIGHLIGHTS 2010



Ms. Marcia Osborne, Human Resource Manager, First Jamaica Investments Ltd accepts the award for the Best Performing Company category from Mr. Curtis Martin, Chairman, Jamaica Stock Exchange.



Mrs. Donette Johnson, Senior Equity Trader of Jamaica Money Market Brokers Ltd accepts the second runner award in the category of Annual Report from Mrs. Marlene Street Forrest, General Manager, JSE.



Mrs. Michelle Wilson Reynolds, Senior VP, Group Marketing & Corporate Affairs, Capital & Credit Financial Group, accepts the award for joint second place in Website (Listed Company) from Mr. Leo Williams, Director Jamaica Central Securities Depository (JCSD).



Miss Joanna Banks (left), Assistant Manager, Structured Products- PanCaribbean Financial Services Ltd receives the joint first place award for Corporate Disclosure & Investor Relations from Mrs. Janet Morrison, Director-Jamaica Stock Exchange.



Mr. Ian McNaughton (left) Company Secretary of Barita Investments Ltd., receives the joint first place award in the category Investor Relations Stockbrokerage on behalf of his company from guest speaker Dr. Henry Lowe.

Continued on next page

JSE CORPORATE HIGHLIGHTS 2010

Best Practices Awards (cont'd)



All smiles at the Jamaica Stock Exchange's 6th Annual Best Practices Awards Banquet (from left) Mrs. Marlene Street Forrest, Dr. Henry Lowe, Professor Neville Ying, Custos Marigold Harding and Senator Oswald Harding.



Best Practices 2009 Awardees.

Market Research Competition



(Left to right) Members of the Jamaica Stock Exchange's Market Research Committee (MRC) Mr. Lloyd Vermont, Professor Claremont Kirton (Chairman - MRC) Mr. Robin Levy and Mr. Marcus James (Special Judge) at the JSE's Combined Market Research and Stock Market Games Ceremonies held on July 15, 2010.

JSE CORPORATE HIGHLIGHTS 2010

Market Research Competition



Professor Kirton (centre) with the two finalists of the Jamaica Stock Exchange's 2009 Market Research Competition Ms. Simone Hudson and Mr. Richard Gordon.

Mr. Richard Gordon receives the winning trophy for the Jamaica Stock Exchange's Market Research Competition 2009, from Ms. Allison Peart, Guest Speaker at the function.



Stock Market Game for High School



Mr. Dexter Smith winner of the Jamaica Stock Exchange's 2009-10 Stock Market Game for High Schools sponsored by the Gleaner Company and LIME Jamaica Ltd.

JSE CORPORATE HIGHLIGHTS 2010

Market Listing



Mr. Wentworth Graham, Chief Regulatory Officer (CRO) of the Regulatory and Market Oversight Division (RMOD) of the Jamaica Stock Exchange, engages President and Chairman of Dolphin Cove Limited (DCL), Mr. Stafford Burrowes, O.D., during his presentation of the JSE's Junior Market Rule Book. Looking on from right is Mrs. Marlene Street Forrest, General Manager, JSE and Mr. Noel Levy, Non-Executive Director of Dolphin Cove. The occasion was the Company's Listing Ceremony which was held at the JSE on December 21, 2010.

Mr. Mark Hart, CEO, Cargo Handlers Limited positions his company's strip onto the Junior Market board at the listing ceremony held at the Jamaica Stock Exchange headquarters on December 17th. In the foreground from left is Mr. O'Neil Allen, Market Surveillance & Compliance Officer in the Regulatory & Market Oversight Division of the JSE; Mrs. Marlene Street Forrest, General Manager, JSE; Mrs. Tania Waldron Gooden, Head of Research & Special Projects, Mayberry Investments and Mr. Gary Peart, CEO, Mayberry Investments Limited.



JSE CORPORATE HIGHLIGHTS 2010

Market Listing (Cont'd)



Mr. Wentworth Graham, Chief Regulatory Officer (CRO) of the Regulatory & Market Oversight Division (RMOD) of the Jamaica Stock Exchange (JSE) delivers a concise yet informative presentation at the Listing ceremony of LASCO Distributors Limited, LASCO Financial Services Limited and LASCO Manufacturing Limited at the JSE on October 12, 2010. The presentation was centered on the regulatory framework of the Equities Market in Jamaica and was precursory to the handing over of the JSE's Rule Book to the company's Executive Chairman, Hon. Lascelles Chin, OJ, CD and Managing Director, LASCO Financial Services Mrs. Jacinth Hall-Tracey.

Looking through the JSE's Rule Book after the listing of Jamaican Teas Limited, on JSE's Junior Market (July 12, 2010) are:(from left to right) Mrs. Marlene Street Forrest, General Manager, Jamaica Stock Exchange, Mr. Gary Peart, Chief Executive Officer, Mayberry Investments Ltd, Mr. John Mahfood, Chief Executive Officer, Jamaican Teas Ltd and Mrs. Mahfood.



SHAREHOLDINGS

Top 10 for Jamaica Stock Exchange As at December 31, 2010

Name Account(s)	Joint Holders	Volume	Percentage
DOUGLAS HALSALL 77630703		<u>2,125,615.00</u> 2,125,615.00	<u>6.44</u> 6.44
FIRST JAMAICA INVESTMENTS LIMITED 34280557 14523713		<u>1,249,511.00</u> <u>507,809.00</u> 1,757,320.00	<u>3.79</u> <u>1.54</u> 5.33
FIRST GLOBAL FIN. SERV. LTD-TRADING A/C 81557264		<u>1,408,803.00</u> 1,408,803.00	<u>4.27</u> 4.27
DEREK DEMERCADO 66757220		<u>1,254,489.00</u> 1,254,489.00	<u>3.80</u> 3.80
WILFORD REID 44078249	Ronton Constantine Schrouder	<u>1,249,511.00</u> 1,249,511.00	<u>3.79</u> 3.79
CHARLES LEIBA 65200723		<u>1,200,000.00</u> 1,200,000.00	<u>3.64</u> 3.64
BERRIST ALFANZO PHILLIPS 58221184	Cherrie Evadney Phillips	<u>1,000,618.00</u> 1,000,618.00	<u>3.03</u> 3.03
WINSTON COLE 49364113		<u>922,771.00</u> 922,771.00	<u>2.80</u> 2.80
VICTORIA MUTUAL BUILDING SOCIETY 46352585		<u>761,747.00</u> 761,747.00	<u>2.31</u> 2.31
ONIS JOHNSON 91722027	Monica Johnson	<u>751,725.00</u> 751,725.00	<u>2.28</u> 2.28

Executives Holdings for Jamaica Stock Exchange As at December 31, 2010

Name Account(s)	Joint Holders	Volume	Percentage
MARLENE STREET-FORREST 58965921 2100230	Keena Street	<u>8,333.00</u> <u>20,000.00</u> 28,333.00	<u>0.03</u> <u>0.06</u> 0.09
ROBIN LEVY 47840275		<u>25,000.00</u> 25,000.00	<u>0.08</u> 0.08

SHAREHOLDINGS Cont'd

Executives Holdings for Jamaica Stock Exchange As at December 31, 2010

Name Account(s)	Joint Holders	Volume	Percentage
SUZETTE MCNAUGHT 8393311	Minette McLeish	<u>25,000.00</u> 25,000.00	<u>0.08</u> 0.08
DOREEN PARSONS-SMITH 8623243		<u>8,333.00</u> 8,333.00	<u>0.03</u> 0.03
SUZETTE WHYTE 10195781	Felix Whyte	<u>10,000.00</u> 10,000.00	<u>0.03</u> 0.03
NEVILLE ELLIS 74045793		<u>8,333.00</u> 8,333.00	<u>0.03</u> 0.03
JOSEPHINE LEWIS 99209426		<u>25,000.00</u> 25,000.00	<u>0.08</u> 0.08

Directors Holdings for Jamaica Stock Exchange As at December 31, 2010

Name Account(s)	Joint Holders	Volume	Percentage
RITA HUMPHRIES LEWIN 86083601		<u>19,978.00</u> 19,978.00	<u>0.06</u> 0.06
EDWIN MCKIE 94165455	Beulah McKie	<u>49,846.00</u> 49,846.00	<u>0.15</u> 0.15

SHAREHOLDINGS Cont'd**Ordinary Shareholdings for Jamaica Stock Exchange
As at December 31, 2010**

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

FINANCIAL & STATISTICAL HIGHLIGHTS

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenue (\$)	232,537,000	263,387,000	561,297,000	240,797,000	294,515,000	313,590,000	219,395,000	160,997,000	76,612,000
Expenses(\$)	230,239,000	283,248,000	302,306,000	212,796,000	323,349,000	180,099,000	135,495,000	101,216,000	70,586,000
Income Before Taxes (\$)	2,298,000	-19,861,000	258,991,000	28,001,000	Ø-28,834,000	133,491,000	83,900,000	59,781,000	6,026,000
Net Income After Tax (\$)	37,402,000	43,018,000	207,703,000	44,116,000	8,213,000	114,213,000	109,001,000	77,313,000	25,753,000
Compensation Fund (\$)	564,125,000	544,281,000	510,134,000	463,759,000	434,686,000	404,253,000	378,839,000	331,517,000	280,604,000
Members' Equity (\$)	434,609,000	423,931,000	436,956,000	486,273,000	465,872,000	484,043,000	403,770,000	287,029,000	244,717,000
Reported Share Volume (Millions)* (Units)	3,617.26	1,764.89	2,953.01	2,433.48	5,639.39	2,498.03	5,194.56	4,290.43	1,604.59
Daily Average Share Volume (Millions)* (Units)	10.66	6.98	11.81	9.73	22.55	9.91	20.45	17.09	6.39
Reported Dollar Value (Millions)* (\$)	21,020.82	12,189.89	67,026.87	29,047.42	37,041	40,747	35,994.85	24,237.33	7,636.88
Daily Average Dollars Value (Millions)* (\$)	69.6	48.12	268.10	116.18	148.16	161.69	141.71	96.53	30.43
JSE Market Index as at December 31,	85,220.82	83,321.96	80,152.02	107,968.00	100,678	104,510	112,655.51	67,586.72	45,396.21
JSE Junior Market Index as at December 31,	379.92	150.01							
Member Organizations	11	11	11	11	11	11	11	10	10
New Listed Companies/Securities*	8/10	1	9	1	3	1	Nil	2	Nil
Total Listed Companies*	51	44	45	44	44	41	40	41	40
Total Shares Listed (Billions)	47.65	47.16	47.49	47.16	49.23	46.19	42.28	41.88	35.77
Market Capitalization as at December 31: (Billion) (\$)	564.72	544.88	597.28	876.69	822.86	839.85	879.30	512.88	292.3

*Includes Junior Market

△ Restated

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



AND ITS SUBSIDIARY

AUDITORS' REPORT & FINANCIAL STATEMENTS

Deloitte.

Deloitte & Touche
Chartered Accountants
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Kingston Gardens
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INDEPENDENT AUDITORS' REPORT

To the members of

THE JAMAICA STOCK EXCHANGE LIMITED

Report on the financial statements

We have audited the financial statements of The Jamaica Stock Exchange Limited (the Company) and the financial statements of the Company and its subsidiaries (the Group), set out on pages 59 to 114, which comprise the Group's and the Company's statements of financial position as at December 31, 2010, the Group's and the Company's statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Companies Act, 2004 of Jamaica. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Cont'd on next page

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2010 and of the Group's and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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

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



Chartered Accountants


Kingston, Jamaica,
February 23, 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2010

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

The notes on Pages 67 to 114 form an integral part of the financial statements.

The financial statements Pages 59 to 66 were approved and authorized for issue by the Board of Directors on February 23, 2011 and are signed on its behalf by:



.....
Director



.....
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2010

	<u>Notes</u>	<u>2010</u> \$'000	<u>2009</u> \$'000
Income			
Cess		82,624	50,240
Fee income		74,476	75,266
E-campus		1,464	-
Other operating income	21	<u>40,814</u>	<u>33,465</u>
		<u>199,378</u>	<u>158,971</u>
Expenses			
Staff costs	22	84,863	120,122
Property expenses		49,013	47,015
Depreciation and amortisation		13,883	13,564
Advertising and promotion		21,845	26,879
Professional fees		16,088	18,469
Securities commission fees		17,129	10,219
Allowances for doubtful debts		444	(256)
E-campus		1,911	-
Other operating expenses		<u>11,283</u>	<u>7,701</u>
		<u>216,439</u>	<u>243,713</u>
DEFICIT FROM OPERATIONS		(17,061)	(84,742)
Investment income	23	33,159	104,416
Compensation Fund income (net)	24	32,276	84,669
Finance cost	25	<u>(13,800)</u>	<u>(39,535)</u>
SURPLUS BEFORE TAXATION	26	34,574	64,808
Taxation	27	<u>2,828</u>	<u>(21,790)</u>
NET SURPLUS	28	<u>37,402</u>	<u>43,018</u>
OTHER COMPREHENSIVE INCOME			
Net gain arising on revaluation of available-for-sale financial assets - contingency reserve	16(b)	955	1,134
Net re-classification adjustments related to available-for-sale financial assets disposed		-	(4,242)
Net gain arising on held-to-maturity financial assets reclassified to available-for-sale during the year	14	<u>1,943</u>	<u>-</u>
Other comprehensive income for the year, net of taxes		<u>2,898</u>	<u>(3,108)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>40,300</u>	<u>39,910</u>
Net surplus (deficit) derived from operations - distributable		8,735	(17,033)
Net surplus of Compensation Fund - transferred to contingency reserve	16(a)	<u>28,667</u>	<u>60,051</u>
		<u>37,402</u>	<u>43,018</u>
Earnings per share	29	<u>\$0.31</u>	<u>(\$0.61)</u>

The notes on Pages 67 to 114 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2010

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

The notes on Pages 67 to 114 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010

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


The notes on Pages 67 to 114 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2010

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

The notes on Pages 67 to 114 form an integral part of the financial statements.

The financial statements Pages 59 to 66 were approved and authorized for issue by the Board of Directors on February 23, 2011 and are signed on its behalf by:



.....
Director



.....
Director

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2010

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

The notes on Pages 67 to 114 form an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2010**

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

The notes on Pages 67 to 114 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010

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

The notes on Pages 67 to 114 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

1 GROUP IDENTIFICATION

1.1 The Jamaica Stock Exchange Limited (the Company) is incorporated in Jamaica as a public limited liability company. The main activities of the Company are the regulation and operation of a stock exchange and the development of the stock market in Jamaica. The registered office of the company is 40 Harbour Street, Kingston, Jamaica.

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

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

These financial statements are expressed in Jamaican dollars.

1.2 ***Principal Activities***

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

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

Both the JCSD and its subsidiary are incorporated in Jamaica.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of *Improvements to IFRS* issued in 2009)

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

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

Amendments to IAS 1
*Presentation of Financial
Statements* (as part of
Improvements to IFRS issued
in 2009)

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.

This amendment has no impact on the Group's financial statements as the Group had no such transaction.

Amendments to IAS 7
Statement of Cash Flows (as
part of *Improvements to IFRS*
issued in 2009)

The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. This amendment has no impact on the financial statements as it was always the Group's policy to classify such expenditures as investing activities.

IAS 17 (Revised), Leases

Amendments resulting from April 2009 Annual Improvements to IFRS issued (effective for annual periods beginning on or after January 1, 2010) reflected the deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17.

IAS 27 (revised in 2008)
*Consolidated and Separate
Financial Statements*

The adoption of IAS 27 (2008) results in changes in accounting for changes in ownership interests in subsidiaries.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the company to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

The adoption of these amendments has no impact on the financial statements as the Group has no subsidiary that was disposed of during the year.

IAS 28 (revised in 2008)
Investments in Associates

The principle adopted under IAS 27 (2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

This change in policy has not affected the financial statements as the Group has no investments in associates.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

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

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

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

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

- Amendment specifically to *IAS 1 and IFRS 7* resulting from the May 2010 Annual Improvements to IFRS is not expected to have any significant impact on the Group's financial statements on adoption at their respective effective dates.
- *IAS 24 (Revised 2009) Related Party Disclosures* – Amendment to IAS 24 allows for a partial exemption from the disclosures requirements for transactions between a government – controlled reporting entity and that government or entities controlled by that government. The revision also resulted in an amendment to the definition of related party. On adoption at its effective date, the revised standard is not expected to have a significant impact on the Group's financial statements.
- The amendments to IFRS 7 titled *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

3 SIGNIFICANT ACCOUNTING POLICIES**3.1 *Statement of compliance***

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

3.2 *Basis of preparation*

The Group's financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The principal accounting policies are set out below.

3.3 *Basis of consolidation*

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

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

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

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

3.4 *Property and equipment*

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

Properties in the course of construction for supply or administrative purposes, or for purposes not yet determined are carried at cost, less any recognised impairment loss. Cost includes professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Freehold land is not depreciated.

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

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED DECEMBER 31, 2010****3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.5 Intangible assets****3.5.1 Intangible assets acquired separately**

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

3.5.2 Intangible assets in the course of development

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

3.5.3 De-recognition of intangible assets

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

3.6 Impairment of tangible and intangible assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**3.7 *Investment in subsidiary***

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

3.8 *Financial Instruments*

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

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

3.9 *Financial assets*

Financial assets are classified into the following specified categories: 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and de-recognised on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3.9.1 Effective interest method

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

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

3.9.2 Held-to-maturity investments

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

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

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

Listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in Note 33.11. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in fair value reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in the statement of comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is included in surplus or deficit for the period.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**3.9 Financial assets (Cont'd)****3.9.4 Loans and receivables**

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, cash and cash equivalents which are short-term in nature and long-term receivable) are measured at amortised cost using the effective interest method less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.9.5 Impairment of financial assets

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**3.9 *Financial assets (Cont'd)*****3.9.5 Impairment of financial assets (Cont'd)**

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

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

3.9.6 De-recognition of financial assets

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group 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.

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

3.10 *Financial liabilities and equity instruments issued by the Group***3.10.1 Classification as debt or equity**

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

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

3.10.2 Equity instruments

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**3.10 *Financial liabilities and equity instruments issued by the Group (Cont'd)*****3.10.3 Financial liabilities****3.10.3.1 Financial liabilities of the Group are classified as other financial liabilities.**

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

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

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

3.10.3.2 *De-recognition of financial liabilities*

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

3.11 *Employee benefit costs***Pension obligations**

The Group operates a defined benefit pension plan. The cost of providing benefits is determined using the Projected Unit Credit Method with actuarial valuations being carried out at the end of each reporting year. Actuarial gains and losses that exceed 10% of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is 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 statement of financial position represents the fair value of the plan assets, as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and as reduced by the present value of the defined benefit obligation. Any asset resulting from this calculation is limited to the unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED DECEMBER 31, 2010****3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.12 *Taxation***

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

3.12.1 Current tax

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

3.12.2 Deferred tax

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

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

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

3.12.3 Current and deferred tax for the period

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**3.13 Related party transactions and balances**

A party is related to the Group if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with, the Group (this includes parent, subsidiaries and fellow subsidiaries);
 - has an interest in the entity that gives it significant influence over the Group; or
 - has joint control over the Group;
- (ii) the party is an associate of the Group;
- (iii) the party is a joint venture in which the Group is a venturer;
- (iv) the party is a member of the key management personnel of the Group;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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

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

3.14 Revenue recognition

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

3.14.1 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.

3.14.2 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**3.14 Revenue recognition (Cont'd)****3.14.2 Fee income (Cont'd)****- Account maintenance fees**

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

- User fees

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

- Trustee service fee

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

3.14.3 Other operating income

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

3.14.4 Investment income***Interest income***

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

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

3.15 Compensation fund**3.15.1 Compensation fund receipts**

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

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED DECEMBER 31, 2010****3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****3.15 Compensation fund (Cont'd)****3.15.2 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 3.15.1 above) and compensation fund investment income net of the charge for income tax related to such receipts and investment income. The amount of the fund is invested as detailed in Note 8.1.

3.16 Segment reporting

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

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

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

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

3.17 Foreign currencies

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

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

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

3.18 Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**3.19 Borrowing costs**

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, 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 directors have reviewed the Group's held-to-maturity financial assets of the compensation fund in light of its liquidity requirements and have confirmed the Group's positive intention and ability to hold these assets to maturity. The carrying amount of these held-to-maturity financial assets is \$395 million. Details of these assets are set out in Note 8.

4.2 Key sources of estimation uncertainty

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

4.2.1 Post employment benefit

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)**4.2 *Key sources of estimation uncertainty* (Cont'd)****4.2.1 Post employment benefit (Cont'd)**

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

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

4.2.2 Income taxes

Estimates are required in determining the provisions for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group 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, 2010
5 PROPERTY AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
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				
Cost												
January 1, 2009	16,682	70	64,655	6,670	12,866	41,855	670	578				144,046
Additions	-	-	183	40	107	3,063	-	8,685				12,078
Transfer	-	-	578	-	-	-	-	(578)				-
December 31, 2009	16,682	70	65,416	6,710	12,973	44,918	670	8,685				156,124
Transfer	-	-	-	-	-	5,108	-	(5,108)				-
Additions	-	-	-	671	469	1,035	-	2,239				4,414
Transfer to JCSD	-	-	-	-	-	-	-	(5,107)				(5,107)
December 31, 2010	16,682	70	65,416	7,381	13,442	51,061	670	709				155,431
Depreciation												
January 1, 2009	-	-	13,690	4,812	7,809	32,707	402	-				59,420
Charge for year	-	-	1,651	322	2,039	4,074	134	-				8,220
December 31, 2009	-	-	15,341	5,134	9,848	36,781	536	-				67,640
Charge for year	-	-	1,654	332	1,881	4,208	134	-				8,209
December 31, 2010	-	-	16,995	5,466	11,729	40,989	670	-				75,849
Carrying amount												
December 31, 2010	16,682	70	48,421	1,915	1,713	10,072	-	709				79,582
December 31, 2009	16,682	70	50,075	1,576	3,125	8,137	134	8,685				88,484

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
5 PROPERTY AND EQUIPMENT (Cont'd)

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

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

No depreciation is provided on freehold land.

6 INTANGIBLE ASSETS

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

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

7 INVESTMENT IN SUBSIDIARY

Investment in subsidiary, JCSD is as follows:

	<u>2010</u> \$'000	<u>2009</u> \$'000
Shares - at cost	<u>56,000</u>	<u>55,000</u>

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
8 INVESTMENTS IN SECURITIES
8.1 Compensation Fund

	<u>The Group and The Company</u>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
<u>Held-to-maturity – At amortized cost</u>		
<i>Government of Jamaica Securities</i>		
Variable Rates Local Registered Stocks: (2009:12.5% - 18.975%)	-	41,915
Investment Debentures: (2009: 16% - 24.5%)	-	82,550
Investment Bonds: (2009: 17.50% - 21.63%)	-	224,395
Bank of Jamaica certificate of deposits (2009: 17.4%)	-	3,200
NWC Variable Note – 9.74% (2009: 21.17%)	30,528	31,009
<i>GOJ Benchmark Investment Notes</i>		
Fixed Rate Notes 12.5% - 12.75%	151,609	-
Variable Rate Notes 8.96% - 11.75%	151,498	-
<i>Foreign Currency Investments</i>		
GOJ Fixed rate US\$ Global bonds; 10.625%, 2017 (nominal value US\$350,000)	30,935	30,621
Government of Belize guaranteed mortgage notes, 2029 (nominal value US\$49,201 – 4.25%)	4,350	4,459
GOJ US\$ 8% Global Bond 2019 (nominal value US\$195,000)	13,583	13,460
GOJ Fixed Rate US\$ Benchmark Investment Note 6.75%, 2013 (nominal value US\$144,000)	<u>12,619</u>	<u>13,065</u>
	<u>395,122</u>	<u>444,674</u>
<u>Available-for-sale – At fair value</u>		
Investment in Unit Trusts	<u>13,599</u>	<u>12,166</u>
<u>Loans and receivables – At amortized cost</u>		
Repurchase agreements – 6.5% - 11% (2009: 13% - 21%)	11,524	10,717
Repurchase agreements (nominal value US\$777,749; 3.5% - 4.7%) (2009: nominal value US\$735,179; 4% - 6%)	<u>51,416</u>	<u>43,609</u>
	<u>62,940</u>	<u>54,326</u>
<i>Cash and Others</i>		
Cash and cash equivalents	95,468	37,356
Other receivables	3,880	2,959
Payables	(6,834)	(7,200)
	<u>92,514</u>	<u>33,115</u>
	564,175	544,281
Less: Current portion	(169,053)	(193,480)
	<u>395,122</u>	<u>350,801</u>
The movement for the year in available-for-sale investments is as follows:		
Balance at January 1	12,166	45,133
Movement in fair value	<u>1,433</u>	(32,967)
Balance at December 31	<u>13,599</u>	<u>12,166</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
8 INVESTMENTS IN SECURITIES (Cont'd)
8.2 (a) Other

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<u>Held-to-maturity – at amortised cost</u>				
<i>Government of Jamaica Securities</i>				
Variable Rates Local Registered Stocks: (2009: 12.5% - 18.975%)	-	33,431	-	33,431
Investment Debentures: (2009: 16% - 24.5%)	-	786	-	-
NWC Variable Note (2009: 21.17%)	-	2,067	-	2,067
<i>Government of Jamaica Investment Bonds</i>				
(2009: 17.5% - 21.63%)	-	233,038	-	208,781
<i>Foreign Currency Investments</i>				
Government of Belize guaranteed mortgage notes (nominal value US\$49,201- 4.25%)	-	4,459	-	4,459
GOJ US\$ Global Bond (nominal value US\$200,000)	-	17,485	-	-
GOJ 7.25% US\$ Indexed Bond (US\$518,000)	-	47,417	-	19,961
GOJ 8.0% Global Euro Bond 2019 (nominal value US\$800,000)	-	52,454	-	52,454
GOJ 10.625% US\$ Global Bond (nominal value US\$410,000)	-	35,869	-	35,869
GOJ Fixed Rate US\$ Indexed Bond - AIC 9% (nominal value US\$100,000)	-	9,188	-	-
	-	<u>436,194</u>	-	<u>357,022</u>
<u>Available-for-sale - at fair value</u>				
NWC Variable Note 9.74%	1,893	-	1,893	-
<i>Benchmark Investment Notes</i>				
Fixed rate Notes 12.5% - 12.75%	35,431	-	35,431	-
Variable Rate Notes 8.96% - 11.75%	91,102	-	66,988	-
<i>Foreign Currency Investments</i>				
GOJ 10.625% US\$ Global Bond, 2017 (nominal value US\$410,000)	41,617	-	41,617	-
Government of Belize guaranteed mortgage Notes, 2029 (nominal value US\$49,201- 4.25%)	1,909	-	1,909	-
GOJ FR 6.75% and 7% US\$ Benchmark Investment Notes, 2013/2014 (nominal value US\$518,000)	44,691	-	18,784	-
GOJ 8.0% Global Euro Bond 2019 (nominal value US\$600,000)	49,021	-	49,021	-
GOJ US\$ Global Bond 2019 - 8% (nominal value US\$200,000)	16,276	-	-	-
AIC Barbados Fixed Rate US\$ Indexed Bond 13.25% (nominal value US\$50,000)	4,495	-	-	-
	<u>286,435</u>	-	<u>215,643</u>	-
<u>Loans and receivables - at amortised cost</u>				
Repurchase agreements: (2009: 13.5% - 18.0%)	-	14,904	-	10,839
	286,435	451,098	215,643	367,861
Less: Current portion	-	(152,099)	-	(133,026)
	<u>286,435</u>	<u>298,999</u>	<u>215,643</u>	<u>234,835</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
8 INVESTMENTS IN SECURITIES (Cont'd)
8.2 (a) Other (Cont'd)

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
The movement for the year in available-for-sale Investments is as follows:				
Balance at January 1	-	21,848	-	12,880
Reclassification of investments from held-to-maturity at fair value	284,586	-	211,859	-
Movement in fair value of instruments reclassified	1,849	-	3,784	-
Disposal of units	-	(21,848)	-	(12,880)
Balance at December 31	286,435	-	215,643	-

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

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

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

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

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

9 LONG-TERM RECEIVABLES

These represent loans granted to employees. The loans are repayable by monthly installments and are for a period of 5 years. These loans carry an interest rate of 10% per annum. The current portion of these loans, due within twelve months from the end of the reporting period, amounting to \$2.903 million (2009: \$3.425 million) (The Company: \$1.930 million 2009: \$2.541 million) is included in other receivable.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
10 POST EMPLOYMENT BENEFITS

The Group operates a defined benefit pension plan for its employees. This scheme is open to all permanent employees and is administered by Guardian Asset Management Limited. The scheme is funded by employee contributions of 5% of pensionable salary, with an option for additional voluntary contributions of up to 5% of pensionable salary. The companies in the Group contribute to the plan at rates determined periodically by independent actuarial valuations (currently 6.6% of pensionable salary) to meet the obligations of the scheme. The pension benefits are determined on a final salary basis at 2% of final pensionable salary times pensionable years of service.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
10 POST EMPLOYMENT BENEFITS (Cont'd)

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
10 POST EMPLOYMENT BENEFITS (Cont'd)

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

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

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

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

The history of experience adjustments is as follows:

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
10 POST EMPLOYMENT BENEFITS (Cont'd)

	The Company				
	Defined Benefit Pension Plan				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	(50,046)	(29,090)	(24,770)	(16,004)	(14,024)
Fair value of plan assets	<u>87,346</u>	<u>82,826</u>	<u>59,895</u>	<u>60,048</u>	<u>56,031</u>
Fund surplus	37,300	53,736	35,125	44,044	42,007
Experience adjustments on plan liabilities	(12,802)	5,025	(1,265)	(1,732)	(624)
Experience adjustments on plan assets	13,876	(9,454)	12,266	4,277	4,942

The Group and the Company expect to make contributions of \$5.2 million and \$3.7 million respectively (2009: \$4.21 million and \$3.10 million respectively) to the defined benefit plan during the next financial year.

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

11 TRADE AND OTHER RECEIVABLES

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

The average credit period on services is 30 days. No interest is charged on the trade and other receivables. The Group has provided for receivables over 180 days, because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable.

Included in other receivables however, are debtors with a carrying amount of approximately \$967,000 for the Group and \$570,000 for the Company (2009: approximately \$261,000 for the Group and nil for the Company), which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
11 TRADE AND OTHER RECEIVABLES (Cont'd)

Ageing of past due other receivables
not impaired

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

Movement in allowance for doubtful debts on
other receivables

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

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

Ageing of impaired other receivables

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

12 CASH AND CASH EQUIVALENTS

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
12 CASH AND CASH EQUIVALENTS (Cont'd)

Cash and cash equivalents include:

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

13 SHARE CAPITAL

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
13 SHARE CAPITAL (Cont'd)

(c) Preference shares

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

14 FAIR VALUE RESERVE

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

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

15 REVENUE RESERVE

Reflected in the financial statements of the:

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

16 CONTINGENCY RESERVE

	<u>The Group and the Company</u>	
	<u>2010</u> \$'000	<u>2009</u> \$'000
a) The transfer from revenue reserve comprises:		
Surplus - Compensation fund before taxation	<u>32,276</u>	<u>84,669</u>
Less:		
Income tax charge for year at 33½%	13,347	29,363
Deferred tax adjustment	<u>(9,738)</u>	<u>(4,745)</u>
	<u>(3,609)</u>	<u>24,618</u>
	<u>28,667</u>	<u>60,051</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
16 CONTINGENCY RESERVE (Cont'd)

a) (Cont'd)

The reserve comprises:

	<u>The Group and the Company</u>	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Investment before fair value adjustment	564,277	545,816
Fair value adjustments	(102)	(1,535)
Investments in securities (see Note 8.1)	564,175	544,281
Income tax (payable) recoverable	(111)	6,394
Deferred tax liability	(4,246)	(20,479)
	<u>559,818</u>	<u>530,196</u>
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
b) Balance at January 1	(1,023)	6,093
Net adjustment related to available-for-sale financial assets	1,433	1,700
Deferred tax on adjustment on revaluation of available-for-sale investments	(478)	(566)
Net adjustments related to available-for-sale financial assets disposed of during the year	-	(12,374)
Deferred tax adjustments on disposal of available-for-sale investments	-	4,124
Balance at December 31	<u>(68)</u>	<u>(1,023)</u>

17 LONG-TERM LIABILITIES

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

The loan from National Commercial Bank is repayable by April 2014 by 47 equal monthly installments of \$129,167 plus one final payment of \$129,151.

Interest is charged at a fixed interest rate of 12% per annum on the reducing balance over the life of the loan. The loan is secured by stamped Bill of Sale over IT equipment and hypothecation of \$10 million held at NCB Capital Markets.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
18 DEFERRED TAX

This comprises:

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

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

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

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

Deferred Tax Assets

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

18 DEFERRED TAX (Cont'd)

Deferred Tax Liabilities

	The Group				The Company					
	Capital Allowance in excess of Depreciation \$'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, 2009	(4,828)	(11,641)	(20,474)	(14,215)	(51,158)	(3,540)	(10,768)	(18,827)	(11,372)	(44,507)
(Charged) Credited to income for the year	929	3,649	317	317	5,212	668	3,309	581	254	4,812
Charged to fair value reserve	-	-	(1,326)	-	(1,326)	-	-	(1,326)	-	(1,326)
Credited to contingency reserve	-	-	3,558	-	3,558	-	-	3,558	-	3,558
At December 31, 2009	(3,899)	(7,992)	(17,925)	(13,898)	(43,714)	(2,872)	(7,459)	(16,014)	(11,118)	(37,463)
(Charged) Credited to income for the year	303	1,790	18,369	(11,491)	8,971	615	1,589	16,456	(8,926)	9,736
Charged to fair value reserve	-	-	(971)	-	(971)	-	-	(1,172)	-	(1,172)
Credited to contingency reserve	-	-	(478)	-	(478)	-	-	(478)	-	(478)
At December 31, 2010	(3,596)	(6,202)	(1,005)	(25,389)	(36,192)	(2,257)	(5,870)	(1,206)	(20,044)	(29,377)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
19 ACCOUNTS PAYABLE AND ACCRUALS

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

20 BORROWINGS

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

This relates to a reverse repurchase agreement payable on demand.

21 OTHER OPERATING INCOME

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

22 STAFF COSTS

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

23 INVESTMENT INCOME

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
23 INVESTMENT INCOME (Cont'd)

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

24 COMPENSATION FUND INCOME (NET)

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

25 FINANCE COST

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

26 SURPLUS BEFORE TAXATION

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

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
27 TAXATION
27.1 Recognised in statement of comprehensive income

(i) The charge for the year represents:

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

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

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Surplus before taxation	<u>34,574</u>	<u>64,808</u>	<u>26,863</u>	<u>149,522</u>
Tax at the domestic income tax rate of 33½%	11,525	21,602	8,954	49,840
Tax effect of items that are not deductible in determining taxable profit	4,044	311	3,279	311
Tax effect of items allowed for tax purposes	-	-	-	(25,667)
Write back of tax effect of unrealized exchange gains	(18,369)	-	(16,458)	-
Other	(28)	(123)	(209)	(173)
	<u>(2,828)</u>	<u>21,790</u>	<u>(4,434)</u>	<u>24,311</u>

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

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

27.2 Recognised in other comprehensive income

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

28 NET SURPLUS OF THE GROUP FOR THE YEAR

Reflected in the financial statements of the:

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

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

30 SEGMENT REPORTING

The Group is organized into four main business segments.

- (a) Exchange operations - The operation and regulation of the Stock Exchange.
- (b) Depository - Services in connection with transferring and holding of securities, shares, stocks, bonds and debentures.
- (c) Investments – Compensation Fund - Income derived from investing activities of the Compensation Fund.
- (d) Investments – Other - Income derived from investing activities of the Group with the exception of (c) above.
- (e) Trustee, custodianship, company management and other activities.

The Group's operations are located solely in Jamaica.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
30 SEGMENT REPORTING (Cont'd)

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
30 SEGMENT REPORTING (Cont'd)

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

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
31 RELATED PARTY TRANSACTIONS/BALANCES

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

	The Group		The Company	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Pan Caribbean Financial Services Limited – shareholders				
Interest expense	3,284	26,144	3,284	26,144
Borrowings	-	132,000	-	132,000
Jamaica Central Securities Depository Limited				
Interest income	-	-	2,256	11,203
Rental income	-	-	1,134	1,134

31.2 Amount owed by related party at reporting date

	The Group		The Company	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	\$'000	\$'000	\$'000	\$'000
Jamaica Central Securities Depository Limited	-	-	64,705	62,309

31.3 Compensation of key management personnel

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

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

31.4 Loans to related parties

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

32 COMMITMENTS

Capital commitments

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

33 FINANCIAL INSTRUMENTS

33.1 Capital risk management

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

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

- i) To safeguard the Group’s ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
- ii) Maintain a strong capital base to support the business development.

The Group’s overall strategy remains unchanged from 2009.

33.2 Significant accounting policies

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

33.3 Categories of financial instruments

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

33.4 Financial risk management objectives

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

33 FINANCIAL INSTRUMENTS (Cont'd)

33.5 *Market risk*

The Group's investment activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and price movements (see Notes 33.6, 33.7 and 33.8). The Group manages its risk through extensive research and monitors the risk exposures on the local and international markets.

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

33.6 *Foreign currency risk management*

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

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

	The Group		The Company	
	2010	2009	2010	2009
	J\$'000	J\$'000	J\$'000	J\$'000
Investment securities	285,924	282,969	238,636	228,800
Cash and cash equivalents	7,092	3,822	45	2,385
Net exposure	<u>293,016</u>	<u>286,791</u>	<u>238,681</u>	<u>231,185</u>

33.6.1 *Foreign currency sensitivity analysis*

The Group's investment portfolio is exposed to the United States dollar. The Group's sensitivity to a 5% increase or decrease in the Jamaican dollar against the United States dollar is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate.

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

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

33.7 *Interest rate risk management*

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

Interest rate sensitivity analysis

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

33 FINANCIAL INSTRUMENTS (Cont'd)

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

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

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

33.8 *Price risk management*

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

Price sensitivity analysis

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

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

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

33.9 *Credit risk management*

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

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

The carrying amount of financial assets recorded in the financial statements (as disclosed in Note 33.3), which is net of impairment losses, represents the Group's maximum exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
33 FINANCIAL INSTRUMENTS (Cont'd)
33.10 Liquidity risk management

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

33.10.1 Liquidity and interest rate tables

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

	Weighted average effective interest rate %	The Group					Total \$'000
		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	
2010							
Financial assets							
Non-interest bearing		53,705	-	-	-	-	53,705
Variable interest rate instruments	9.0	35,481	106,201	56,211	157,706	277,172	632,771
Fixed interest rate instruments	8.90	<u>6,284</u>	<u>11,360</u>	<u>51,487</u>	<u>230,899</u>	<u>348,682</u>	<u>648,712</u>
		<u>95,470</u>	<u>117,561</u>	<u>107,698</u>	<u>388,605</u>	<u>625,854</u>	<u>1,335,188</u>
Financial liabilities							
Non-interest bearing		30,337	-	-	-	-	30,337
Interest bearing loan	12.0	180	178	1,546	4,141	-	6,045
Redeemable preference shares	13.3	-	<u>2,156</u>	<u>6,469</u>	<u>79,082</u>	-	<u>87,702</u>
		<u>30,517</u>	<u>2,334</u>	<u>8,015</u>	<u>83,223</u>	-	<u>124,084</u>
2009							
Financial assets							
Non-interest bearing		108,435	-	-	-	-	108,435
Variable interest rate instruments	17	47,627	85,779	173,924	330,615	134,698	772,643
Fixed interest rate instruments	15	<u>12,056</u>	-	<u>72,598</u>	<u>191,445</u>	<u>274,682</u>	<u>550,781</u>
		<u>168,118</u>	<u>85,779</u>	<u>246,522</u>	<u>522,060</u>	<u>409,380</u>	<u>1,431,859</u>
Financial liabilities							
Non-interest bearing		154,040	-	-	-	-	154,040
Interest bearing loan	15.8	119,371	-	-	-	-	119,371
Redeemable preference shares	17	-	<u>2,757</u>	<u>6,825</u>	<u>87,827</u>	-	<u>97,409</u>
		<u>273,411</u>	<u>2,757</u>	<u>6,825</u>	<u>87,827</u>	-	<u>370,820</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
33 FINANCIAL INSTRUMENTS (Cont'd)
33.10 Liquidity risk management (Cont'd)
33.10.1 Liquidity and interest rate tables (Cont'd)

	The Company						
	Weighted average effective interest rate %	Less than 1 month \$'000	1 to 3 Months \$'000	3 months to 1 year \$'000	1 to 5 Years \$'000	Over 5 years \$'000	Total \$'000
2010							
Financial assets							
Non-interest bearing		100,190	-	-	-	-	100,190
Variable interest rate instruments	8.96	35,481	105,670	54,589	132,574	270,177	598,491
Fixed interest rate instruments	12.5	-	<u>6,029</u>	<u>48,706</u>	<u>172,151</u>	<u>348,682</u>	<u>575,568</u>
		<u>135,671</u>	<u>111,699</u>	<u>103,295</u>	<u>304,725</u>	<u>618,859</u>	<u>1,274,249</u>
Financial liabilities							
Non-interest bearing		20,250	-	-	-	-	20,250
Interest bearing loan	12.0	180	178	1,546	4,141	-	6,045
Redeemable preference shares	13.3	-	<u>2,156</u>	<u>6,469</u>	<u>79,082</u>	-	<u>87,707</u>
		<u>20,430</u>	<u>2,334</u>	<u>8,015</u>	<u>83,223</u>	-	<u>114,002</u>
2009							
Financial assets							
Non-interest bearing		94,167	-	-	-	-	94,167
Variable interest rate instruments	16.5	47,627	74,614	173,924	306,123	134,698	736,986
Fixed interest rate instruments	15	<u>8,082</u>	-	<u>62,245</u>	<u>161,603</u>	<u>245,182</u>	<u>477,114</u>
		<u>149,876</u>	<u>74,614</u>	<u>236,169</u>	<u>467,726</u>	<u>379,880</u>	<u>1,308,267</u>
Financial liabilities							
Non-interest bearing		144,432	-	-	-	-	144,432
Interest bearing loan	15.8	119,371	-	-	-	-	119,371
Redeemable preference shares	17	-	<u>2,757</u>	<u>6,825</u>	<u>87,827</u>	-	<u>97,409</u>
		<u>263,803</u>	<u>2,757</u>	<u>6,825</u>	<u>87,827</u>	-	<u>361,212</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

33 FINANCIAL INSTRUMENTS (Cont'd)

33.11 *Fair value of financial instruments*

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available for some of the financial assets and liabilities of the Group, the fair values in the financial statements have been presented using various estimation techniques based on market conditions existing at the end of the reporting year. Generally, judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Group would realise in a current market exchange.

The following methods and assumptions have been used:

- (i) Financial assets classified as available-for-sale are measured at fair value by reference to quoted market prices.
- (ii) The fair value of variable rate financial instruments is assumed to approximate their carrying amount.
- (iii) The fair value of fixed rate financial instruments is estimated using present value or other estimation techniques based on market conditions on similar instruments at reporting date.
- (iv) The carrying amount of liquid assets and other assets maturing within one year is assumed to approximate their fair value. This assumption is applied to liquid assets and the other short-term elements of all other financial assets and financial liabilities.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
33 FINANCIAL INSTRUMENTS (Cont'd)
33.11 Fair value of financial instruments (Cont'd)

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

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

33.12 Fair value measurements recognised in the statement of financial position

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
33 FINANCIAL INSTRUMENTS (Cont'd)
33.12 Fair value measurements recognised in the statement of financial position (Cont'd)

	The Group			
	2009			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available-for-sale financial instruments				
Compensation fund				
Investment in Unit Trusts	-	12,166	-	12,166
	<u>-</u>	<u>12,166</u>	<u>-</u>	<u>12,166</u>
	The Company			
	2010			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available-for-sale financial instruments				
Compensation fund				
Investment in Unit Trusts	-	13,599	-	13,599
Other				
Debt securities	-	215,643	-	215,643
	<u>-</u>	<u>229,242</u>	<u>-</u>	<u>229,242</u>
	The Company			
	2009			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available-for-sale financial instruments				
Compensation fund				
Investment in Unit Trusts	-	12,166	-	12,166

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 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 153,800 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

JSE's e-Learning Campus

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

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

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 **38,591,367** 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 **38,591,367** hits per month.

Brokerages & Contact Information

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Phone: 926-2681-2 / 926-2686
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e-mail: barita@cwjamaica.com

SCOTIA INVESTMENTS LTD.

7 Holborn Road,
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Phone: 960-6699 / 968-3365
Fax: 960-3984
e-mail: info@scotiadbg.com

JMMB SECURITIES LTD.

11 Knutsford Boulevard,
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Fax: 960-8106
e-mail: info@jmmbsecurities.com

**FIRST GLOBAL FINANCIAL
SERVICES LTD.**

2 St. Lucia Avenue,
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MAYBERRY INVESTMENTS LTD.

1 ½ Oxford Road,
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**PAN CARIBBEAN FINANCIAL
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60 Knutsford Boulevard,
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M/VL STOCKBROKERS LTD.

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Fax: 960-1571
e-mail: mvl@wtjam.net

NCB CAPITAL MARKETS LTD.

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

STOCKS AND SECURITIES LTD.

24-26 Grenada Crescent,
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**VICTORIA MUTUAL WEALTH
MANAGEMENT LTD.**

52 - 60 Grenada Crescent,
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CAPITAL & CREDIT SECURITIES LTD.

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e-mail: info@capital-credit.com

Jamaica Stock Exchange Yearly Trading Summary (1973-2010)

YEAR	YEAR-END MARKET CAPITAL JA\$(000)	NO. OF LISTED COMPANIES	VOLUME TRADED (000)	VALUE TRADED JA\$(000)	YEAR-END JSE INDEX	YEAR-END ALL JA COMPOSITE	YEAR-END JSE SELECT	YEAR-END CROSS LISTED	NO. OF TRANS.	NO. BROKERS
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
2009	544,882,559	44	1,764,894	12,189,895	83,321.96	70,995.77	1,896.05	962.92	16,099	11
2010	564,720,705	43	3,571,199	20,828,652	85,220.82	80,793.80	2,192.19	863.01	18,359	11

+ 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

* JSE Cross Listed Index started on March 2, 2009 at 1,000 points

(Cont'd on next page)

JAMAICA STOCK EXCHANGE YEARLY TRADING SUMMARY JUNIOR MARKET (2010)

YEAR	YEAR-END MARKET CAPITAL JA\$(Million)	NO. OF LISTED COMPANIES	VOLUME TRADED	VALUE TRADED	NO. OF TRANS.	NO. BROKERS	YEAR-END JSE JNR MARKET INDEX
2009	755.17	1	62,248	1,531,915	14	11	150.01
2010	8,466.81	8	50,331,871	206,559,980	1,192	11	379.92

Corporate Information

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Telephone: (876) 967-3271-2

Fax: (876) 922 -6966

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

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

Auditors Deloitte & Touche
7 West Avenue
Kingston 4.

Website Address www.jamstockex.com

E-Mail Address jse-info@jamstockex.com

Jamaica Stock Exchange Statement of Corporate Governance Principles & Practices

PREAMBLE

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

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

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

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

ISSUES	DESCRIPTION/PRINCIPLES
Board Issues	
Accountability to shareholders/stakeholders	The JSE is a public company with public responsibility. It must balance the interest of all stakeholders to foster a fair, efficient and transparent market.
Mission and Responsibility	The Board members have the responsibility to attend meetings and familiarize themselves with, and make decisions on issues within their purview.
Elections	The provisions for elections of members are set out in the Memorandum & Articles of the JSE and stipulate election of members on an annual basis. Interest groups identified by the Board will propose independent members to the Nominating Committee. Where an interest group fails to make a nomination, the Nominating Committee will propose directors for election.
Orientation and Training	Training is made available to directors upon appointment to the Board. The Exchange will organize orientation and training for any director within three (3) months of appointment to the Board. The Board will pursue a programme of continuous training and development, with emphasis placed on members chairing committees.
Access to Information	The Board considers the provision of good quality, timely and accurate information as a significant priority in company procedures. Management has a responsibility to provide the Board with any information that will allow members to properly carry out its responsibilities.
Disclosure of Directors Biographical Information	Sufficient biographical data with the names of all directors, nominated or elected, will be presented to shareholders and directors. This allows for the proper selection of members to specific committees.
Composition	Board members will be drawn from different interest groups and from member-dealers. Representation should reflect the diversity of stakeholders and the needs of the Company. The Board shall be comprised of Member Dealers, an equal number of independent directors and an independent chairman.
Multiple Board Seats	Members must declare appointments to other companies. They must, at the beginning of the year, and as many times as their positions change, give a written declaration to the Board of the Exchange with pertinent information about the other Boards on which they serve.
Chairman & CEO	Any decision to combine these two positions must be justified.
Independence Directors	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

Committees	<p>Composition There are both mandatory and non-compulsory committees of the Board. The mandatory committees of the Board are comprised of the Conduct Review Committee, the Audit Committee and the Compensation Committee. These are referred to in the JSE's Rules.</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>Review Process The Board of the JSE conducts regular reviews of the performance of the Committees. Chairmen of Committees are required to develop and present their key performance indicators.</p>
Audit and Finance Committee	<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>
Market Oversight Committee	<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>
Conduct Review Committee	<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>
Regulatory & Market Oversight Committee (RMOC)	<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>
Governance Committee	<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>
Nominating Committee	<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>
Compensation Committee	<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

Listing and Standards Committee	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.
Other Committees	These are formed as the directors see fit and includes the Executive Committee
Board Meetings	<p>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.</p> <p>Procedure at Board Meetings In the interest of promoting and ensuring transparency all directors must:</p> <p style="padding-left: 40px;">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'.</p>
General Meetings	General Meetings of shareholders are held each year. Communication with shareholders on decisions concerning material, fundamental corporate changes are made on a timely basis.
Performance	<p>Evaluation of Board Members and Senior Executives 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.</p>
Term Limits	<p>Board Members are nominated by the Nominating Committee.</p> <p>Committees Chairman/Deputy Chairman The Chairman and Deputy Chairman of the Board and Chairmen of Committees have recommended term limits as follows:</p> <p style="padding-left: 40px;">(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</p> <p>Committee Members 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.</p>
Age Limits	The JSE has no maximum age limit for members sitting on the Board. However the minimum age limit should be 18 years.
Transparency	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.
Accounting Standards	The Board is governed by the standards as communicated from the Institute of Chartered Accountants of Jamaica.
Ethics	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

