THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY

YEAR ENDED DECEMBER 31, 2011

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the members of

THE JAMAICA STOCK EXCHANGE LIMITED

Report on the financial statements

We have audited the financial statements of The Jamaica Stock Exchange Limited (the Company) and the financial statements of the Company and its subsidiary (the Group), set out on pages 2 to 60, which comprise the Group's and the Company's statements of financial position as at December 31, 2011, the Group's and the Company's statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Companies Act, 2004 of Jamaica and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Deloitte.

Report on the financial statements (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at December 31, 2011 and of the Group's and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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

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

Deloitte & Touche

Chartered Accountants

Kingston, Jamaica,
February 28, 2012

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2011

	Notes	2011 $'000	2010 $'000
ASSETS			
Non-current assets			
Property and equipment	5	93,087	87,555
Intangible assets	6	24,610	12,977
Post employment benefits	8	79,601	76,163
Investment in securities:			
Compensation Fund	9.1	406,978	395,122
Other	9.2	262,102	286,435
Long-term receivables	10	7,524	6,935
Total non-current assets		873,902	865,187
Current assets			
Income tax recoverable		45,791	37,787
Trade and other receivables	11	68,544	26,963
Investment in securities:			
Compensation Fund	9.1	175,742	169,053
Other	9.2	19,164	-
Cash and cash equivalents	12	54,829	36,723
Total current assets		364,070	270,526
Total assets		1,237,972	1,135,713
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	13	168,590	168,590
Fair value reserve	14	7,272	1,943
Revenue reserve	15	297,995	264,076
		473,857	434,609
Contingency reserve	16	578,617	559,818
Total equity		1,052,474	994,427
Non-current liabilities			
Long-term liabilities	17	86,124	69,487
Deferred tax liabilities	18	38,129	29,789
Total non-current liabilities		124,253	99,276
Current liabilities			
Payable and accruals	19	54,499	40,460
Current portion of long-term liabilities	17	6,746	1,550
Total current liabilities		61,245	42,010
Total equity and liabilities		1,237,972	1,135,713

The notes on Pages 10 to 60 form an integral part of the financial statements.

The financial statements on Pages 2 to 60 were approved and authorised for issue by the Board of Directors on February 28, 2012, and are signed on its behalf by:

....
Director

....
Director

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2011

	Notes	2011 $'000	2010 $'000
Income			
Cess		87,564	82,624
Fee income		119,759	74,476
E-campus		5,432	1,464
Other operating income	20	43,533	40,814
		256,288	199,378
Expenses			
Staff costs	21	127,467	84,863
Property expenses		47,949	49,013
Depreciation and amortisation		11,188	13,883
Advertising and promotion		20,692	21,845
Professional fees		19,629	16,068
Securities commission fees		19,045	17,129
Allowances for doubtful debts		1,324	444
E-campus		5,580	1,911
Other operating expenses		12,517	11,283
		265,391	216,439
Investment income	22	24,863	33,159
Other gains	23	28,477	-
Compensation Fund income (net)	24	24,889	32,276
Finance cost	25	(6,639)	(13,800)
SURPLUS BEFORE TAXATION	26	62,487	34,574
Taxation	27	(12,177)	2,828
NET SURPLUS	28	50,310	37,402
OTHER COMPREHENSIVE INCOME			
Net gain on revaluation of available-for-sale financial assets - contingency reserve	16(b)	2,408	955
Net gain on revaluation of available-for-sale financial assets during the year	14	5,329	878
Net gain arising on held-to-maturity financial assets reclassified to available-for-sale during the year	14	-	1,065
Other comprehensive income for the year, net of taxes		7,737	2,898
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		58,047	40,300
Net surplus derived from operations - distributable		33,919	8,735
Net surplus of Compensation Fund - transferred to contingency reserve	16(a)	16,391	28,667
		50,310	37,402
Earnings per share	29	$1.21	$0.31

The notes on Pages 10 to 60 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2011

	Note	Share Capital $'000	Fair Value Reserve $'000	Revenue Reserve $'000	Contingency Reserve $'000	Total $'000
Balance at January 1, 2010		168,590	-	255,341	530,196	954,127
Surplus for the year		-	-	37,402	-	37,402
Other comprehensive income for the year		-	1,943	-	955	2,898
Total comprehensive income for the year		-	1,943	37,402	955	40,300
Appropriation from revenue reserve to contingency reserve fund	16	-	-	(28,667)	28,667	-
Balance at December 31, 2010		168,590	1,943	264,076	559,818	994,427
Surplus for the year		-	-	50,310	-	50,310
Other comprehensive income for the year		-	5,329	-	2,408	7,737
Total comprehensive income for the year		-	5,329	50,310	2,408	58,047
Appropriation from revenue reserve to contingency reserve fund	16	-	-	(16,391)	16,391	-
Balance at December 31, 2011		168,590	7,272	297,995	578,617	1,052,474

The notes on Pages 10 to 60 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

	Note	2011 $'000	2010 $'000
OPERATING ACTIVITIES			
Net surplus		50,310	37,402
Adjustments for:			
Depreciation of property and equipment		8,637	11,225
Amortisation of intangible assets		2,551	2,658
Gain on sale of available-for-sale investments		(9)	-
Gain on disposal of property and equipment		(28,477)	-
Unrealised foreign exchange losses on investments		1,723	12,184
Post employment benefit charge (credit)		1,646	(29,268)
Allowance for doubtful debts		1,324	444
Income tax expense (credit)		12,177	(2,828)
Interest income		(74,149)	(99,225)
Interest expense		6,639	13,800
Operating cash flows before movements in working capital		(17,628)	(53,608)
Increase in trade and other receivables		(43,024)	(2,219)
Increase (Decrease) in payables and accruals		5,311	(25,093)
Post employment benefit contributions		(5,084)	(5,200)
Cash utilised in operations		(60,425)	(86,120)
Income tax paid		(15,749)	(21,449)
Interest paid		(6,639)	(13,800)
Cash used in operating activities		(82,813)	(121,369)
INVESTING ACTIVITIES			
Investment securities (net)			
Compensation Fund		(10,208)	(24,954)
Other		(17,792)	154,597
Proceeds from disposal of property and equipment		41,826	-
Proceeds from sale of available-for-sale investments		32,343	-
Acquisition of property and equipment		(27,518)	(6,076)
Acquisition of intangible assets		(14,184)	(4,279)
Long-term receivables		(488)	(1,117)
Interest received		75,340	106,589
Cash provided by investing activities		79,319	224,760
FINANCING ACTIVITIES			
Proceeds from loans		25,663	5,037
Loan repaid		(4,128)	(91,989)
Cash provided by (used in) financing activities		21,535	(86,952)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		18,041	16,439
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		36,723	20,359
Effect of foreign exchange rate changes		65	(75)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	54,829	36,723

The notes on Pages 10 to 60 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2011

	Notes	2011 $'000	2010 $'000
ASSETS			
Non-current assets			
Property and equipment	5	85,806	79,582
Intangible assets	6	11,095	9,192
Investment in subsidiary	7	61,000	56,000
Post employment benefits	8	62,439	60,131
Investments in securities			
Compensation Fund	9.1	406,978	395,122
Other	9.2	201,734	215,643
Long-term receivable	10	7,111	5,771
Total non-current assets		836,163	821,441
Current assets			
Income tax recoverable		44,330	31,142
Trade and other receivables	11	38,026	16,051
Investments in securities			
Compensation Fund	9.1	175,742	169,053
Other	9.2	10,825	-
Due from related party	31	36,805	64,705
Cash and cash equivalents	12	40,652	16,610
Total current assets		346,380	297,561
Total assets		1,182,543	1,119,002
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	13	168,590	168,590
Fair value reserve	14	6,456	2,345
Revenue reserve		276,653	263,998
		451,699	434,933
Contingency reserve	16	578,617	559,818
Total shareholders' equity		1,030,316	994,751
Non-current liabilities			
Long-term liabilities	17	86,124	69,487
Deferred tax liabilities	18	29,712	25,405
Total non-current liabilities		115,836	94,892
Current liabilities			
Payables and accruals	19	29,645	27,809
Current portion of long-term liabilities	17	6,746	1,550
Total current liabilities		36,391	29,359
Total equity and liabilities		1,182,543	1,119,002

The notes on Pages 10 to 60 form an integral part of the financial statements.

The financial statements on Pages 2 to 60 were approved and authorised for issue by the Board of Directors on February 28, 2012, and are signed on its behalf by:

.... Director

.... Director

THE JAMAICA STOCK EXCHANGE LIMITED

COMPANY STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2011

	Notes	2011 $'000	2010 $'000
INCOME			
Cess		65,690	61,968
Fee income		43,839	38,993
E-campus		5,432	1,464
Other operating income	20	44,551	42,833
		159,512	145,258
EXPENSES			
Staff costs	21	94,087	63,936
Property expenses		27,420	30,784
Depreciation and amortisation		7,757	9,787
Advertising and promotion		20,490	21,601
Professional fees		14,262	12,181
Securities commission fee		17,608	16,817
Allowance for irrecoverable debts		955	-
Other operating expenses		6,437	7,533
E-campus expenses		5,580	1,911
		194,596	164,550
Investment income	22	18,292	27,679
Other gains	23	28,477	-
Compensation fund income (net)	24	24,889	32,276
Finance cost	25	(6,480)	(13,800)
SURPLUS BEFORE TAXATION	26	30,094	26,863
Taxation	27	(1,048)	4,434
NET SURPLUS		29,046	31,297
OTHER COMPREHENSIVE INCOME			
Net gains on revaluation of available-for-sale financial assets during the year - contingency reserve	16(b)	2,408	955
Net gains on available-for-sale financial assets during the year	14	4,111	2,612
Net gain arising on held-to-maturity financial assets reclassified to available-for-sale during the year	14	-	(267)
Other comprehensive income for the year, net of taxes		6,519	3,300
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		35,565	34,597

The notes on Pages 10 to 60 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2011

	Note	Share Capital $'000	Fair Value Reserve $'000	Revenue Reserve $'000	Contingency Reserve $'000	Total $'000
Balance at January 1, 2010		168,590	-	261,368	530,196	960,154
Surplus for the year		-	-	31,297	-	31,297
Other comprehensive income for the year		-	2,345	-	955	3,300
Total comprehensive income for the year		-	2,345	31,297	955	34,597
Appropriation from revenue reserve to contingency reserve fund	16	-	-	(28,667)	28,667	-
Balance at December 31, 2010		168,590	2,345	263,998	559,818	994,751
Surplus for the year		-	-	29,046	-	29,046
Other comprehensive income for the year		-	4,111	-	2,408	6,519
Total comprehensive income for the year		-	4,111	29,046	2,408	35,565
Appropriation from revenue reserve to contingency reserve fund	16	-	-	(16,391)	16,391	-
Balance at December 31, 2011		168,590	6,456	276,653	578,617	1,030,316

The notes on Pages 10 to 60 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED

COMPANY STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

	Note	2011 $'000	2010 $'000
OPERATING ACTIVITIES			
Net surplus		29,046	31,297
Adjustments for:			
Depreciation of property and equipment		6,268	8,209
Amortisation of intangible assets		1,489	1,578
Gain on disposal of property and equipment		(28,477)	
Foreign exchange loss on investments		2,204	9,891
Post employment benefit charge (credit)		1,300	(23,039)
Allowance for doubtful debts		955	-
Gain on sale of investments in available-for-sale financial assets		(12)	-
Income tax expense (credit)		1,048	(4,434)
Interest income		(67,997)	(91,430)
Interest expense		6,480	13,800
Movements in working capital		(47,696)	(54,128)
Increase in trade and other receivables		(22,561)	(1,584)
Decrease in trade and other payables		(6,892)	(25,635)
Post employment benefit contributions		(3,608)	(3,736)
Cash used in operations		(80,757)	(85,083)
Income tax paid		(13,188)	(19,934)
Interest paid		(6,480)	(13,800)
Cash used in operating activities		(100,425)	(118,817)
INVESTING ACTIVITIES			
Net acquisition of investments in securities			
Compensation fund		(10,208)	(24,954)
Other		(10,158)	152,751
Proceeds from sale of investments in available-for-sale financial assets		20,099	-
Investment in subsidiary		(5,000)	(1,000)
Advances to/payments from related parties		27,900	(2,396)
Acquisition of property and equipment		(25,841)	(4,414)
Net proceeds on disposal of property and equipment		41,826	-
Acquisition of intangible assets		(3,392)	(4,180)
Long-term receivable		(1,709)	(1,523)
Interest received		69,411	96,197
Cash provided by investing activities		102,928	210,481
FINANCING ACTIVITIES			
Proceeds from loans		25,663	5,037
Loan repaid		(4,128)	(91,989)
Cash provided by (used in) financing activities		21,535	(86,952)
NET INCREASE IN CASH AND CASH EQUIVALENTS		24,038	4,712
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		16,610	11,973
Effect of foreign exchange rate changes		4	(75)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	40,652	16,610

The notes on Pages 10 to 60 form an integral part of the financial statements.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

1 GROUP IDENTIFICATION

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

These financial statements are expressed in Jamaican dollars.

1.2 ***Principal Activities***

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

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

Both the JCSD and its subsidiary are incorporated in Jamaica.

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

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

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

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

2.2 ***New and revised IFRSs and Interpretations applied with no material effect on the financial statements***

- Amendments to IFRS 3 Business Combinations - As part of *Improvements to IFRSs* issued in 2010, IFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, IFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure'). This has not resulted in any change in the statements of the Group as no non-controlling interest is held or has been acquired.

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

2.2 *New and revised IFRSs and Interpretations applied with no material effect on the financial statements (Cont'd)*

- IFRS 7 Financial Instruments: Disclosures - The amendment encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. It also clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans. The application of the amendments has had no impact on the Group's financial statements.

- *Improvements to IFRSs* issued in 2010 - the application of *Improvements to IFRSs* issued in 2010 has not had an effect on amounts reported in the consolidated financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)* - The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The Group has chosen to continue such an analysis in the notes to the consolidated financial statements, with a single-line presentation of other comprehensive income in the consolidated statement of changes in equity.

- IAS 24 *Related Party Disclosures* - The amendments to the standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Company and its subsidiaries are not Government related entities. The application of the amendments has had no impact on the Group's financial statements.

- IAS 27 Consolidated and Separate Financial Statements - The amendment clarifies that the amendments made to IAS 21 The Effects of Changes in Foreign Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures as a result of IAS 27(2008) should be applied prospectively (with the exception of paragraph 35 of IAS 28 and paragraph 46 of IAS 31, which should be applied retrospectively). The application of the amendments has had no impact on the Group's financial statements.

- Amendments to IAS 32 *Classification of Rights Issues* - The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

  The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

- IAS 34 Interim Financial Reporting was amended to provide a clarification around significant events and transactions to be disclosed in interim financial reports. The amendment emphasises that these interim disclosures should update the relevant information presented in the most recent annual financial report. The amendment also clarifies how to apply this principle in respect of financial instruments and their fair values.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

2.2 *New and revised IFRSs and Interpretations applied with no material effect on the financial statements (Cont'd)*

- IFRIC 13 Customer Loyalty Programmes - The amendment Clarifies that the 'fair value' of award credits should take into account the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale and any expected forfeitures. The application of the amendments has had no effect on the Group's financial statements as such programmes are not offered.
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement - IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has had no effect on the Group's financial statements as there is not a minimum funding requirement for the Group's pension plan.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

  The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the company has not entered into any transactions of this nature.

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

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

		Effective for annual periods beginning on or after
New Standards		
IFRS 9	Financial Instruments	
	- Classification and Measurement of financial assets	January 1, 2015
	- Accounting for financial liabilities and derecognition	January 1, 2015
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosures of Interest in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013
Revised Standards		
IAS 1	Presentation of Financial Statements	July 1, 2012
	- Amendments to revise the way other comprehensive income is presented	
IAS 12	Income taxes - Limited scope amendment (recovery of underlying assets)	January 1, 2012

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

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

		Effective for annual periods beginning on or after
Revised Standards (Cont'd)		
IFRS 1	First-time Adoption of International Financial Reporting Standards:	
	- Replacement of "fixed dates" for certain exceptions with the "date of transition to IFRS"	July 1, 2011
	- Additional exception for entities ceasing to suffer from severe hyperinflation	July 1, 2011
IFRS 7	Financial Instruments: Disclosures	
	- Amendments enhancing disclosures about transfers of financial assets	July 1, 2011
	- Amendments requiring disclosures about the initial application of IFRS 9	(i)
	- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	(ii)
IAS 19	Employee Benefits	
	- Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 1, 2013
IAS 27	Consolidated and Separate Financial Statements	
	- Reissued as IAS 27 *Separate Financial Statements*	January 1, 2013
IAS 28	Investments in Associates	
	- Reissued as IAS 28 *Investments in Associates and Joint Ventures*	January 1, 2013
IAS 32	Financial Instruments: Presentation	
	- Amendments to application guidance on the offsetting of financial assets and financial liabilities	January 1, 2014
New and Revised Interpretations		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

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

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

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

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

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

- IFRS 7 (Revised) *Financial Instruments: Disclosures* (effective for annual periods beginning on or after July 1, 2011). Enhanced Derecognition Disclosure Requirements - The IASB introduced enhanced disclosure requirements to IFRS 7 as part of its comprehensive review of off-balance sheet activities. The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets (for example, securitisations), including the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Disclosures are not required for comparative periods before the date of initial application of the amendments. On adoption, the amendments are not expected to have an impact on the financial statements.

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

Key requirements of IFRS 9 are as follows:

(i) IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

- IAS 19 (Amendment), *Employee Benefits* (effective for annual periods beginning on or after 1 January 2013). The amendments change the accounting for defined benefit plans and termination benefits with the most significant change relating to the accounting for changes in defined benefit obligations and plan assets. These require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the corridor approach permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The net pension asset or liability recognised in the consolidated statement of financial position will reflect the full value of the plan deficit or surplus.

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

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

- IAS 19 (Cont'd)

  The significant changes affecting the Group are that actuarial gains and losses are renamed 'remeasurements' and will be recognised immediately in other comprehensive income. Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss. Remeasurements recognised in other comprehensive income will not be recycled through profit or loss in subsequent periods. The annual income or expense for funded benefit plans will include net interest expense or income and service costs, calculated by applying the discount rate to the net defined benefit asset or liability. This will replace the finance charge and expected return on plan assets. Additional disclosures are required to present the characteristics of the Group's defined benefit plan, the amounts recognised in the financial statements and the risks arising from the plan.

  The amendment to IAS 19 requires retrospective application with certain exceptions. The Group will adopt the revised standard at latest for the annual period beginning January 1, 2013. An assessment of the impact of the application of the amendment has not yet been performed and is therefore not quantified.

The Group anticipates that on adoption, the standard is likely to have a significant impact on the amounts reported in respect of the Group's financial assets comprising investment securities that are currently classified as available-for-sale investments at fair value. These would be measured at amortisation cost at the end of subsequent reporting periods.

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

Key requirements of these five Standards are described below.

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

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

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

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

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

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

  These five standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

  The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. The Group have not yet assessed the impact of these Standards on adoption.

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

  The directors anticipate that the application of the new Standard will not affect the amounts reported in the financial statements but may result in more extensive disclosures.

- The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

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

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

3.2 ***Basis of preparation***

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

3.3 ***Basis of consolidation***

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of 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***

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.5 *Intangible assets*

3.5.1 Intangible assets acquired separately

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

3.5.2 Derecognition of intangible assets

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

3.6 *Impairment of tangible and intangible assets*

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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 at least annually and whenever there is an indication that the asset may be impaired.

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

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

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

3.7 *Investment in subsidiary*

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.8 *Financial Instruments*

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

3.9 *Financial assets*

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

3.9.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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

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

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

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

Listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in Note 33.11. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in surplus or deficit. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of fair value reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to surplus or deficit.

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

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

3.9.3 Available-for-sale financial assets (AFS financial assets) (Cont'd)
Dividends on AFS equity instruments are recognised in surplus or deficit when the Group's right to receive the dividends is established.

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

3.9.4 Loans and receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, cash and cash equivalents 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 indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

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

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

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

3.9.5 Impairment of financial assets (Cont'd)

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 the 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 surplus or deficit.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to surplus or deficit 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 surplus or deficit to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

3.9.6 Derecognition of financial assets

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.9 *Financial assets (Cont'd)*

3.9.6 Derecognition of financial assets (Cont'd)

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

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

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

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

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

3.10.1 Classification as debt or equity

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

3.10.2 Equity instruments

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

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

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

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

3.10.3.2 *Derecognition of financial liabilities*

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

3.11 *Employee benefit costs*

Pension obligations

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

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

3 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 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 or substantively enacted by the end of the reporting period.

3.12.2 Deferred tax

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

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

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

The 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.

3.12.3 Current and deferred tax for the year

Current and deferred tax are recognised in surplus or deficit, except when they relate to items that are recognised in other comprehensive income or directly in equity in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3 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***

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 Stock Exchange and derived from levies on investors, is accounted for on the accruals basis.

3.14.2 Fee income

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

Fee income of the subsidiaries includes:

- Membership fees

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

- Account maintenance fees

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

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

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

3.14.2 Fee income (Cont'd)

- 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 E-campus income

Revenue generated from JSE offering of post graduate certificate and diploma courses to professionals.

3.14.4 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.

3.14.5 Investment income

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

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

3.15 ***Compensation fund***

3.15.1 Compensation fund receipts

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

3.15.2 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 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.16 ***Foreign currencies***

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

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

Exchange differences on monetary items are recognised in surplus or deficit in the period in which they arise.

3.17 ***Dividends***

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

3.18 ***Borrowing costs***

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

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

All other borrowing costs are recognised in surplus or deficit in the period in which they are incurred.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 ***Critical judgments in applying accounting policies***

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 recognises in the consolidated financial statements.

4.1.1 <u>Held-to-maturity investments</u>

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 $406.978 million. Details of these assets are set out in Note 9.1.

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

4.2 *Key sources of estimation uncertainty*

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

4.2.1 Fair value of financial instruments

As described in Note 33, management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets. Valuation techniques commonly used by market practitioners supported by appropriate assumptions are applied by the Group. The financial assets of the Group at the reporting period stated at fair value determined in this manner amounted to $279.3 million (2010: $300.1 million).

Had the fair value of these securities been 2% higher or lower the fair value reserve for the Group would increase/decrease by $5.59 million, company $4.60 million. (2010: $6 million, company $4.38 million).

4.2.2 Post employment benefit

As disclosed in Note 8, the Group operates a defined benefit pension plan. The asset amounts shown in the statement of financial position of approximately $79.601 million (2010: $76.163 million) for the Group and $62.439 million (2010: $60.131 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.

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

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.

4.2.3 Income taxes

Estimates are required in determining the provisions for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. (see Notes 18 and 27).

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

5 PROPERTY AND EQUIPMENT

	The Group								
	Freehold Land $'000	Land Improvement $'000	Freehold Buildings $'000	Furniture & Fixtures $'000	Office Equipment $'000	Computer Hardware $'000	Motor Vehicles $'000	Work-in-Progress $'000	TOTAL $'000
Cost									
January 1, 2010	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
Additions	105	-	216	275	201	1,989	-	24,732	27,518
Disposal	(11,685)	(70)	(1,862)	-	-	-	-	-	(13,617)
Transfer	304	-	-	709	-	-	-	(1,013)	-
December 31, 2011	5,406	-	63,770	10,894	15,696	72,402	670	24,732	193,570
Depreciation									
January 1, 2010	-	-	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
Charge for year	-	-	1,654	732	1,037	5,214	-	-	8,637
Disposals	-	-	(268)	-	-	-	-	-	(268)
December 31, 2011	-	-	18,381	7,350	14,605	59,477	670	-	100,483
Carrying amount									
December 31, 2011	5,406	-	45,389	3,544	1,091	12,925	-	24,732	93,087
December 31, 2010	16,682	70	48,421	3,292	1,927	16,150	-	1,013	87,555

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

5 PROPERTY AND EQUIPMENT (Cont'd)

	The Company								
	Freehold Land $'000	Land Improvements $'000	Freehold Buildings $'000	Furniture & Fixtures $'000	Office Equipment $'000	Computer Hardware $'000	Motor Vehicles $'000	Work-in-Progress $'000	Total $'000
Cost									
January 1, 2010	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
Transfer	-	-	-	709	-	-	-	(709)	-
Additions	-	-	216	275	201	417	-	24,732	25,841
Disposal	(11,685)	(70)	(1,862)	-	-	-	-	-	(13,617)
December 31, 2011	4,997	-	63,770	8,365	13,643	51,478	670	24,732	167,655
Depreciation									
January 1, 2010	-	-	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
Charge for year			1,654	451	871	3,292	-	-	6,268
Disposal	-	-	(268)	-	-	-	-	-	(268)
December 31, 2011	-	-	18,381	5,917	12,600	44,281	670	-	81,849
Carrying amount									
December 31, 2011	4,997	-	45,389	2,448	1,043	7,197	-	24,732	85,806
December 31, 2010	16,682	70	48,421	1,915	1,713	10,072	-	709	79,582

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

5 PROPERTY AND EQUIPMENT (Cont'd)

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

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

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

6 INTANGIBLE ASSETS

	The Group			The Company		
	Computer Software	Computer Software Development Project	Total	Computer Software	Computer Software Development Project	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
January 1, 2010	41,577	5,087	46,664	24,975	5,087	30,062
Additions	4,279	-	4,279	4,180	-	4,180
December 31, 2010	45,856	5,087	50,943	29,155	5,087	34,242
Additions	3,392	10,792	14,184	3,392	-	3,392
December 31, 2011	49,248	15,879	65,127	32,547	5,087	37,634
Amortisation						
January 1, 2010	35,308	-	35,308	23,472	-	23,472
Charge for the year	2,658	-	2,658	1,578	-	1,578
December 31, 2010	37,966	-	37,966	25,050	-	25,050
Charge for the year	2,551	-	2,551	1,489	-	1,489
December 31, 2011	40,517	-	40,517	26,539	-	26,539
Carrying amount						
December 31, 2011	8,731	15,879	24,610	6,008	5,087	11,095
December 31, 2010	7,890	5,087	12,977	4,105	5,087	9,192

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

7 INVESTMENT IN SUBSIDIARY

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

	2011	2010
	$'000	$'000
Shares - at cost	61,000	56,000

The Company invested an additional $5 million (2010: $1 million) in ordinary shares during the year.

8 POST EMPLOYMENT BENEFITS

The Group operates a defined benefit pension plan for its employees. This scheme is open to all permanent employees and is administered by Prime Asset Management Limited. The scheme is funded by employee contributions of 5% of pensionable salary, with an option for additional voluntary contributions of up to 5% of pensionable salary. The companies in the Group contribute to the plan at rates determined periodically by 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, 2011, by Duggan Consulting Limited, a qualified actuary. The present value of the defined benefit obligation and the related current service costs and past service costs have been measured using the projected unit credit method.

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

	The Group and the Company	
	2011	2010
Discount rate	10.0%	11.0%
Expected return on plan assets	9.0%	10.0%
Expected rate of salary increase	6.0%	8.0%
Future pension increases	0.0%	0.0%

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Present value of defined benefit obligations	(84,316)	(71,921)	(56,952)	(50,046)
Fair value of plan assets	154,733	125,525	104,516	87,346
	70,417	53,604	47,564	37,300
Unrecognised actuarial gains	9,184	22,559	14,875	22,831
Net asset in the statement of financial position	79,601	76,163	62,439	60,131

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Current service cost	4,896	1,224	3,308	1,301
Interest cost	8,814	6,605	6,093	5,234
Expected return on plan assets	(12,945)	(16,180)	(8,982)	(12,841)
Past service costs	-	272	-	218
Recognised loss	881	-	881	-
Increase in unrecognised assets	-	(21,189)	-	(16,951)
Total included in employee benefit costs	1,646	(29,268)	1,300	(23,039)
Actual return on plan assets	21,360	15,403	12,224	(1,035)

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

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Opening balance	76,163	41,695	60,131	33,356
Amount (charged) credited to income	(1,646)	29,268	(1,300)	23,039
Contributions paid	5,084	5,200	3,608	3,736
Closing balance	79,601	76,163	62,439	60,131

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Opening defined benefit obligations	71,921	36,362	50,046	29,090
Service cost	4,896	1,224	3,308	1,301
Interest cost	8,814	6,605	6,093	5,234
Members' contributions	5,528	5,804	3,571	3,866
Benefits paid	(2,766)	(2,344)	(2,233)	(2,047)
Actuarial gain/(loss)	(4,077)	24,270	(3,833)	12,602
Closing defined benefit obligations	84,316	71,921	56,952	50,046

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Opening fair value of plan assets	125,525	103,532	87,346	82,826
Members' contributions	5,528	5,804	3,571	3,866
Employer's contributions	5,084	5,200	3,608	3,736
Expected return on plan assets	12,945	16,180	8,982	12,841
Benefits paid	(2,766)	(2,344)	(2,233)	(2,047)
Actuarial gain/(loss)	8,417	(2,847)	3,242	(13,876)
Closing fair value of plan assets	154,733	125,525	104,516	87,346

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Equity investment	42,552	29,760	28,742	20,832
Government of Jamaica securities	29,245	51,537	19,754	36,076
Real estate	19,960	20,000	13,482	14,000
Others	62,976	24,228	42,538	16,438

Fair value of plan asset	154,733	125,525	104,516	87,346

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

The overall expected rate of return of 10% on plan assets is a weighted average of the expected return of the various categories of plan assets held. The directors' assessment of the expected return is based on historical trends and analysts' predictions of the market for the assets in the next twelve months.

The history of experience adjustments is as follows:

	The Group Defined Benefit Pension Plan				
	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Present value of defined benefit obligation	(84,316)	(71,921)	(36,362)	(30,963)	(20,005)
Fair value of plan assets	154,733	125,525	103,532	74,869	75,060
Fund surplus	70,417	53,604	67,170	43,906	55,055
Experience adjustments on plan liabilities	4,077	(24,270)	6,281	(1,243)	(2,908)
Experience adjustments on plan assets	(8,417)	2,847	(11,817)	15,332	6,125

	The Company Defined Benefit Pension Plan				
	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Present value of defined benefit obligation	(56,952)	(50,046)	(29,090)	(24,770)	(16,004)
Fair value of plan assets	104,516	87,346	82,826	59,895	60,048
Fund surplus	47,564	37,300	53,736	35,125	44,044
Experience adjustments on plan liabilities	3,833	(12,602)	5,025	(1,265)	(1,732)
Experience adjustments on plan assets	(3,242)	13,876	(9,454)	12,266	4,277

The Group and the Company expect to make contributions of $5.2million and $3.7million respectively (2010: $5.2 million and $3.7 million respectively) to the defined benefit plan during the next financial year.

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

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9 INVESTMENTS IN SECURITIES

9.1 Compensation Fund

	The Group and The Company	
	2011	2010
	$'000	$'000
Held-to-maturity – At amortised cost		
Government of Jamaica Securities (GOJ)		
NWC Variable rate bond 2016 8.31% (2010: 9.74%)	30,451	30,528
GOJ Benchmark Investment Notes		
Fixed Rate Notes 2014 to 2019, 12.63% (2010: 12.5% - 12.75%)	165,135	151,609
Variable Rate Notes 2015 to 2020, 7.66% (2010: 8.98% - 11.75%)	150,070	151,498
Foreign Currency Investments		
GOJ Fixed Rate US$ Global Bonds; 10.625%, 2017 (nominal value US$350,000)	31,244	30,935
Government of Belize guaranteed mortgage notes, 2029 (nominal value US$49,201 - 4.25%)	4,313	4,350
GOJ US$ 8% Global Bond 2019 (nominal value US$195,000)	13,018	13,583
GOJ Fixed Rate US$ Benchmark Investment Note 6.75%, 2013 (nominal value US$144,000)	12,747	12,619
	406,978	395,122
Available-for-sale - At fair value		
Investment in Unit Trusts	17,211	13,599
Loans and receivables - At amortised cost		
Repurchase agreements - 5.87% (2010: 6.5% - 11%)	75,667	11,524
Repurchase agreements (nominal value US$816,827; 2.0% - 4.6%) (2010: nominal value US$824,820; 3.9%)	68,864	51,416
	144,531	62,940
Cash, cash equivalent and others		
Cash and cash equivalents	15,459	95,468
Other payables	(1,459)	(2,954)
	14,000	92,514
	582,720	564,175
Less: Current portion	(175,742)	(169,053)
	406,978	395,122

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

	2011	2010
Balance at January 1	13,599	12,166
Movement in fair value	3,612	1,433
Balance at December 31	17,211	13,599

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

9.2 (a) Other

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Available-for-sale - At fair value				
NWC Variable Rate Note 2016, 8.31% (2010: 9.74%)	2,042	1,893	2,042	1,893
Benchmark Investment Notes				
Fixed Rate Notes 2014 to 2016 12% - 12.54% (2010: 12.5% - 12.75%)	38,837	35,431	36,570	35,431
Variable Rate Notes 2015 to 2018, 7.6% - 9.1% (2010: 8.98% - 11.75%)	61,314	91,102	47,317	66,988
Foreign Currency Investments				
GOJ 10.625% US$ Global Bond, 2017 (nominal value US$410,000)	41,400	41,617	41,400	41,617
Government of Belize guaranteed mortgage Notes, 2029 (nominal value US$49,201: 4.25%)	3,433	1,909	3,433	1,909
GOJ FR 6.75% and 7% US$ Benchmark Investment Notes, 2013/2014 (nominal value US$518,000)	46,583	44,691	19,601	18,784
GOJ 8% Global Euro Bond 2019 (nominal value US$600,000)	51,371	49,021	51,371	49,021
GOJ US$ Global bond 2019 (Nominal value US$200,000)	17,122	16,276	-	-
AIC Barbados Fixed rate US$ Indexed Bond 13.25% (nominal value US$50,000)	-	4,495	-	-
	262,102	286,435	201,734	215,643
Loans and receivables - At amortised cost				
GOJ Fixed rate US$ indexed Bond AIC 9%	4,416	-	-	-
Repurchase agreements: 5.6% - 6.3%%)	14,490	-	10,567	-
Repurchase agreement: US$22,957 - 3.55%)	258	-	258	-
	281,266	286,435	212,559	215,643
Less: Current portion	(19,164)	-	(10,825)	-
	262,102	286,435	201,734	215,643
The movement for the year in available-for-sale financial assets is as follows:				
Balance at January 1	286,435	-	215,643	-
Reclassification of investments from held-to-maturity at fair value	-	284,586	-	211,859
Movement in fair value of available-for-sale financial assets	8,001	1,849	6,178	3,784
Disposal of investments	(32,334)	-	(20,087)	-
Balance at December 31	262,102	286,435	201,734	215,643

9.3 In 2010 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.

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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.

9 INVESTMENTS IN SECURITIES (Cont'd)

9.4 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.

10 LONG-TERM RECEIVABLES

These represent loans granted to employees. The loans are repayable by monthly installments and are for a period of 5 years. These loans carry an interest rate of 10% per annum. The current portion of these loans, due within twelve months from the end of the reporting period, amounting to $2.802 million (2010: $2.903 million). The Company: $2.299 million (2010: $1.930 million) is included in other receivable.

11 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cess receivable	26,776	6,553	19,406	5,022
E-campus	2,723	763	2,723	763
Other	38,393	21,464	20,052	12,349
	67,892	28,780	42,181	18,134
Less: Allowance for doubtful debts – other receivables	(8,067)	(6,743)	(5,918)	(4,963)
	59,825	22,037	36,263	13,171
Prepayments	8,719	4,926	1,763	2,880
	68,544	26,963	38,026	16,051

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

Included in other receivables however, are debtors with a carrying amount of approximately $3,332,400 for the Group and $1,179,000 for the Company (2010: approximately $967,000 for the Group and $570,000 for the Company), which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

11 TRADE AND OTHER RECEIVABLES (Cont'd)

Ageing of past due other receivables not impaired

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
180 - 365 days	3,332	773	1,179	376
Over 1 year	-	194	-	194
	3,332	967	1,179	570

Movement in allowance for doubtful debts on other receivables

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance at beginning of year	6,743	6,299	4,963	4,963
Impairment losses recognised on receivables	1,324	444	955	-
Balance at end of year	8,067	6,743	5,918	4,963

In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. Concentration of credit risk is limited due to the nature of the customer base. Accordingly, management believes that there is no further credit provision required in excess of the allowance for doubtful debts and that non-past due unimpaired receivable are collectable in full. Cess receivable at the end of the year includes $10.5 million and $10.1 million for the Group ($7.9 million and $7.6 million for the Company) due from two brokers which represent 39% and 28% respectively of the Group balance (41% and 39% of Company balances) which are current. There were no other broker balances in excess of 10% of cess receivable.

Ageing of impaired other receivables

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
180 + days	8,067	6,743	5,918	4,963

12 CASH AND CASH EQUIVALENTS

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

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

12 CASH AND CASH EQUIVALENTS

(a) (Cont'd)

	The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Cash on hand and in banks	15,231	13,490	5,607	4,136
Money market investments denominated in Jamaican dollars at interest rate of 6.3% (2010: 5.7%)	39,598	15,938	35,045	12,226
Money market investment denominated in foreign currency (2010: Group US$85,476 - 4.25%; Company US$2,898 - 3.7%)	-	7,295	-	248
	54,829	36,723	40,652	16,610

(b) During the current year, the Group entered into the following non-cash investing activity which is not reflected in the consolidated statement of cash flows:

- the parent company invested $5 million in ordinary shares in its wholly owned subsidiary (2010: $1 million). See also Note 7.

(c) Cash and cash equivalents of $10 million is hypothecated to secure a long-term liability (Note 17).

13 SHARE CAPITAL

	2011 No. of shares	2010 No. of shares	2011 $'000	2010 $'000
Authorised at January 1 and December 31:				
Ordinary shares - no par value	600,000,000	600,000,000		
Preference shares - no par value	100,000,000	100,000,000		
Issued capital at January 1 and December 31:				
Ordinary shares - no par value	28,050,000	28,050,000		
Preference shares - no par value	33,000,000	33,000,000		
Stated capital				
At January 1 and December 31				
Ordinary shares			168,590	168,590
Redeemable preference shares at $2.00 each (see below)			66,000	66,000
			234,590	234,590
Less: Redeemable preference shares classified as liabilities as required by IFRS (Note 17)			(66,000)	(66,000)
			168,590	168,590

Preference shares

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- 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.

13 SHARE CAPITAL (Cont'd)

- 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 9.2).

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance at January 1	1,943	-	2,345	-
Net gain (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	8,001	1,849	6,178	3,784
Net gain reclassified to surplus on sale of investments	(9)	-	(12)	-
Deferred tax adjustments on available-for-sale financial assets	(2,663)	(971)	(2,055)	(1,172)
	5,329	1,943	4,111	2,345
Balance at December 31	7,272	1,943	6,456	2,345

15 REVENUE RESERVE

Reflected in the financial statements of the:

	2011	2010
	$'000	$'000
Parent company	276,653	263,998
Subsidiaries	21,342	78
	297,995	264,076

16 CONTINGENCY RESERVE

	The Group and the Company	
	2011	2010
	$'000	$'000
a) The transfer from revenue reserve comprises:		
Surplus - Compensation fund before taxation	24,889	32,276
Less:		
Income tax charge for year at 33⅓%	9,032	13,347

Deferred tax adjustment	(534)	(9,738)
	(8,498)	(3,609)
	16,391	28,667

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

(a) (Cont'd)

The reserve comprises:

	The Group and the Company	
	2011	2010
	$'000	$'000
Investment before fair value adjustment	579,210	564,277
Fair value adjustments	3,510	(102)
Investments in securities (see Note 9.1)	582,720	564,175
Income tax recoverable (payable)	813	(111)
Deferred tax liability	(4,916)	(4,246)
	578,617	559,818

	2011	2010
	$'000	$'000
b) Balance at January 1	(68)	(1,023)
Net adjustment related to available-for-sale financial assets	3,612	1,433
Deferred tax on adjustment on revaluation of available-for-sale investments	(1,204)	(478)
	2,408	955
Balance at December 31	2,340	(68)

17 **LONG-TERM LIABILITIES**

These include loans from the National Commercial Bank Jamaica Limited:

	The Group and the Company	
	2011	2010
	$'000	$'000
Loan 1(see (a) below)	3,487	5,037
Loan 2 US$270,000 (see (b) below)	23,383	-
	26,870	5,037
Less: Current portion	(6,746)	(1,550)
	20,124	3,487
Preference shares (Note 13)	66,000	66,000
	86,124	69,487

17 LONG-TERM LIABILITIES (Cont'd)

(a) Loan 1:

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

(b) Loan 2:

This is a new loan obtained during the year amounting to US$300,000. This loan is repayable in 60 equal monthly installments of US$5,000 by May 2016 at a fixed interest rate of 8.25%. The loan is secured by the hypothecation of $10 million held at NCB Capital Markets.

18 DEFERRED TAX

This comprises:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred tax assets	5,492	6,403	5,058	3,972
Deferred tax liabilities	(43,621)	(36,192)	(34,770)	(29,377)
Net position at December 31	(38,129)	(29,789)	(29,712)	(25,405)

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
At January 1	(29,789)	(31,974)	(25,405)	(28,189)
(Charged) Credited to income for the year (Note 27)	(4,473)	3,634	(1,048)	4,434
Charged to fair value reserve for the year (Note 14)	(2,663)	(971)	(2,055)	(1,172)
Charged to contingency reserve for the year (Note 16)	(1,204)	(478)	(1,204)	(478)
At December 31	(38,129)	(29,789)	(29,712)	(25,405)

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

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

Deferred Tax Assets

	The Group				The Company			
	Interest Payable $'000	Accrued Vacation $'000	Tax Loss $'000	Total $'000	Accrued Vacation $'000	Interest Payable $'000	Tax Loss $'000	Total $'000
At January 1, 2010	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
(Charged) Credited to income for the year	-	367	(1,278)	(911)	72	-	1,014	1,086
At December 31, 2011	-	1,114	4,378	5,492	680	-	4,378	5,058

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

Deferred Tax Liabilities

	The Group					The Company				
	Capital Allowance in excess of Depreciation	Interest Receivable	Unrealised Gains in Investment in Securities	Retirement Benefit Assets	Total	Capital Allowance in excess of Depreciation	Interest Receivable	Unrealised Gains in Investment in Securities	Retirement Benefit Assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At January 1, 2010	(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	302	1,790	18,369	(11,490)	8,971	615	1,589	16,458	(8,926)	9,736
Charged to fair value reserve	-	-	(971)	-	(971)	-	-	(1,172)	-	(1,172)
Charged to contingency reserve	-	-	(478)	-	(478)	-	-	(478)	-	(478)
At December 31, 2010	(3,597)	(6,202)	(1,005)	(25,388)	(36,192)	(2,257)	(5,870)	(1,206)	(20,044)	(29,377)
(Charged) Credited to income for the year	(2,932)	516	-	(1,146)	(3,562)	(1,836)	471	-	(769)	(2,134)
Charged to fair value reserve	-	-	(2,663)	-	(2,663)	-	-	(2,055)	-	(2,055)
Charged to contingency reserve	-	-	(1,204)	-	(1,204)	-	-	(1,204)	-	(1,204)
At December 31, 2011	(6,529)	(5,686)	(4,872)	(26,534)	(43,621)	(4,093)	(5,399)	(4,465)	(20,813)	(34,770)

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19 PAYABLE AND ACCRUALS

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Accruals and other payables	54,499	40,460	29,645	27,809

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

20 OTHER OPERATING INCOME

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Regional conference	11,128	9,777	11,128	9,777
Other	32,405	31,037	33,423	33,056
	43,533	40,814	44,551	42,833

21 STAFF COSTS

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Salaries and other employee benefits	116,632	105,564	85,904	80,762
Statutory contributions	9,189	8,347	6,883	6,213
Retirement benefit (credit) charge	1,646	(29,268)	1,300	(23,039)
	127,467	84,643	94,087	63,936

22 INVESTMENT INCOME

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
22.1 Investment income includes:				
Interest income	26,043	40,322	19,891	32,527
Foreign exchange loss	(1,189)	(7,163)	(1,611)	(4,848)
Gain on disposal of available-for-sale investments	9	-	12	-
	24,863	33,159	18,292	27,679

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
22.2 Investment income earned, analysed by category of financial asset is as follows:				
Loans and receivables	1,630	3,742	1,261	2,611
Available-for-sale	23,233	29,417	17,031	25,068

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24,863	33,159	18,292	27,679

23 OTHER GAINS

These include net surplus from sale of property.

24 COMPENSATION FUND INCOME (NET)

	The Group and the Company	
	2011	2010
	$'000	$'000
Income:		
Held-to-maturity		
Interest	48,106	58,903
Foreign exchange loss	(608)	(5,060)
	47,498	53,843
Expenses:		
Administrative charges	(22,609)	(21,567)
	24,889	32,276

25 FINANCE COST

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Interest on preference shares	4,841	8,874	4,841	8,874
Interest on short-term borrowings	1,798	4,926	1,639	4,926
	6,639	13,800	6,480	13,800

26 SURPLUS BEFORE TAXATION

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Income:				
Interest	26,043	40,322	19,891	32,527
Expenses:				
Directors' fees	9,277	8,724	7,614	7,204
Audit fees	3,850	3,850	2,425	2,425
Depreciation of property and equipment	8,637	11,225	6,268	8,209
Amortisation of intangible assets	2,551	2,658	1,489	1,578
Interest on long-term liabilities (preference shares)	4,841	8,874	4,841	8,874
Interest on short-term borrowings	1,798	4,926	1,639	4,926

27 TAXATION

27.1 Recognised in statement of comprehensive income

(i) The charge for the year represents:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Current tax	7,704	806	-	-
Deferred tax (Note 18)	4,473	(3,634)	1,048	(4,434)
	12,177	(2,828)	1,048	(4,434)

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Surplus before taxation	62,487	34,574	30,094	26,863
Tax at the domestic income tax rate of 33⅓%	20,829	11,525	10,031	8,954
Tax effect of items that are not deductible in determining taxable profit	867	4,044	846	3,279
Tax effect of items allowed for tax purposes	(10,690)	-	(10,550)	-
Write back of tax effect of unrealised exchange gains	-	(18,369)	-	(16,458)
Other	1,171	(28)	721	(209)
	12,177	(2,828)	1,048	(4,434)

27.2 Recognised in other comprehensive income

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Fair value adjustments	(3,867)	(1,449)	(3,259)	(1,650)

27.3 Subject to the agreement with the Commissioner General, Tax Administration Jamaica, the Company's tax losses amounting to approximately $13.136 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.

28 NET SURPLUS OF THE GROUP FOR THE YEAR

Reflected in the financial statements of the:

	2011 $'000	2010 $'000
Parent company	29,046	29,041
Subsidiaries	21,264	8,361
	50,310	37,402

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.

	2011	2010
Surplus (deficit) derived from operations - distributable ($'000)	33,919	8,735
Weighted average number of ordinary shares	28,050,000	28,050,000
Basic earnings per share	$1.21	$0.31

30 SEGMENT REPORTING

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

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

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

(c) Investments - 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.

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30 SEGMENT REPORTING (Cont'd)

	2011						
	Exchange	CSD	Investments Compensation Fund	Investments Other	Trustees Services	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	159,512	78,753	47,498	53,340	19,157	(1,134)	357,126
Total revenue	159,512	78,753	47,498	53,340	19,157	(1,134)	357,126
Result							
Segment result	(39,950)	17,032	24,889	53,340	8,949	(1,134)	69,126
Finance cost	(6,480)	-	-	-	(159)	-	(6,639)
Profit before taxation							62,487
Taxation							(12,177)
Profit for the year							50,310
Other information							
Depreciation and amortisation	7,757	3,431	-	-	-	-	11,188
Assets							
Segment assets	599,823	141,396	582,720	-	13,469	(99,436)	1,237,972
Consolidated total assets							1,237,972
Liabilities							
Segment liabilities	152,227	66,123	-	-	3,953	(36,805)	185,498
Consolidated total liabilities							185,498

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30 SEGMENT REPORTING (Cont'd)

	2010						
	Exchange	CSD	Investments Compensation Fund	Investments Other	Trustees Services	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	145,258	45,882	53,843	33,159	10,494	(2,256)	286,380
Total revenue	145,258	45,882	53,843	33,159	10,494	(2,256)	286,380
Result							
Segment result	(19,292)	1,658	32,276	33,159	2,829	(2,256)	48,374
Finance cost	(13,800)	(2,256)	-	-	-	2,256	(13,800)
Profit before taxation							34,574
Taxation							2,828
Profit for the year							37,402
Other information							
Capital additions	8,594	1,761	-	-	-	-	10,355
Depreciation and amortisation	9,787	4,096	-	-	-	-	13,883
Assets							
Segment assets	339,184	61,514	564,175	286,435	6,771	(122,366)	1,135,713
Consolidated total assets							1,135,713
Liabilities							
Segment liabilities	124,251	78,185	-	-	3,585	(64,735)	141,286
Consolidated total liabilities							141,286

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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Pan Caribbean Financial Services Limited - shareholders				
Interest expense	-	3,284	-	3,284
Jamaica Central Securities Depository Limited				
Interest income	-	-	-	2,256
Rental income	-	-	1,134	1,134

31.2 Amount owed by related party at reporting date

	The Company	
	2011	2010
	$'000	$'000
Jamaica Central Securities Depository Limited	36,761	64,648
JCSD Trustee Services Limited	44	57
	36,805	64,705

31.3 Compensation of key management personnel

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

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Short-term benefits	32,120	30,591	20,002	19,050
Post employment benefits	1,928	2,087	1,186	1,138
	34,048	32,678	21,188	20,188

31.4 Loans to related parties

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Loans to key management personnel	2,588	1,442	2,588	1,392

32 COMMITMENTS

Capital commitments

Capital commitments as at December 31, 2011, amounted to $2.9 million in relation to new trading platform for JCSD (2010: $1.0 million in relation to office equipment).

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 2010.

Gearing ratio

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

	The Group and the Company	
	2011	2010
	$'000	$'000
Debt (i)	92,870	71,037
Equity (ii)	473,857	434,609
Debt to equity ratio	19.6%	16.3%

(i) Debt is defined as long- and short-term borrowings.

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

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 FINANCIAL INSTRUMENTS (Cont'd)

33.3 *Categories of financial instruments*

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Financial assets				
Held-to-maturity investments	406,978	395,122	406,978	395,122
Available-for-sale financial assets	279,313	300,034	218,945	229,242
Loans and receivables (including cash and cash equivalents)	292,349	214,214	283,076	249,940
	978,640	909,370	908,999	874,304
Financial liabilities				
Other financial liabilities at amortised cost	130,284	71,037	108,562	97,762

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 review monthly report on portfolios and establish quarterly investment portfolio strategies. The Group does not enter into or trade financial investments, including derivative financial instruments for speculative purposes.

33.5 *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	
	2011	2010	2011	2010
	J$'000	J$'000	J$'000	J$'000
Investment in securities	246,734	285,924	246,249	238,636
Cash and cash equivalents	3,449	7,092	3,499	45
Liabilities (bank borrowings)	(23,382)	-	(23,382)	-
Net exposure	226,801	293,016	226,366	238,681

33 FINANCIAL INSTRUMENTS (Cont'd)

33.6 *Foreign currency risk management (Cont'd)*

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

The sensitivity of the 1% increase or decrease in the Jamaican dollar against the United States dollar exposure would be an increase or decrease of net surplus by J$2.79 million, company J$2.3 million (2010: 5% increase/decrease J$14.6 million, company J$11.6 million).

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

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 instruments impacting financial results. For floating rate financial assets and financial liabilities, the analysis assumes the amount outstanding at year end was outstanding for the whole year. A 50 basis point increase or decrease for investments denominated in local and United States currency represents management's assessment of the reasonable possible change in interest rates. In 2010 the assumption was a 200 basis points increase or a 100 basis points decrease.

If market interest rates had been 50 basis points higher or lower and all other variables were held constant:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Effect on net surplus increase/decrease 50 basis points	1,190	-	880	-
Effect on net surplus increase 200 basis points	-	4,930	-	3,604
Effect on net surplus decrease 100 basis points	-	2,510	-	1,802

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 **FINANCIAL INSTRUMENTS (Cont'd)**

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 and the Company	
	2011	2010
	$'000	$'000
Effect on contingency reserve	3,442	2,720

The Group's and the Company's sensitivity to price has increased as a result of the increase in value of available-for-sale assets 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.

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.

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

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

33.10.1 Liquidity and interest rate tables (Cont'd)

	The Group						
	Weighted average effective interest rate %	Less than 1 month $'000	1 to 3 Months $'000	3 months to 1 year $'000	1 to 5 Years $'000	Over 5 years $'000	Total $'000
2011							
Financial assets							
Non-interest bearing		50,124	-	-	-	-	50,124
Variable interest rate instruments	6.62	65,693	115,752	43,645	126,243	212,668	564,001
Fixed interest rate instruments	12.47	1,645	12,917	35,938	325,775	256,606	632,881
		117,462	128,669	87,196	452,018	469,274	1,247,006
Financial liabilities							
Non-interest bearing		42,981	-	3,741	-	-	42,981
Interest bearing loan	10	560	1,680	5,039	19,466	-	26,745
Redeemable preference shares	7.1	-	1,155	3,466	68,324	-	72,945
		43,541	2,835	12,246	87,790	-	383,371
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	6,284	11,360	51,487	230,899	348,682	648,712
		95,470	117,561	107,698	388,605	625,854	1,335,188
Financial liabilities							
Non-interest bearing		30,656	-	-	-	-	30,656
Interest bearing loan	12.0	180	178	1,546	4,141	-	6,045
Redeemable preference shares	13.3	-	2,156	6,469	79,082	-	87,707
		30,836	2,334	8,015	83,223	-	124,408

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
2011							
Financial assets							
Non-interest bearing		78,049	-	-	-	-	78,049
Variable interest rate instruments	12.47	65,693	115,494	42,858	115,269	206,294	545,608
Fixed interest rate instruments	6.62	-	6,386	31,813	285,859	237,374	561,432
		143,742	121,880	74,671	401,128	443,668	1,185,089
Financial liabilities							
Non-interest bearing		20,057	-	-	-	-	20,057
Interest bearing loan	10.13	560	1,680	5,039	19,466	-	26,745
Redeemable preference shares	7.1	-	1,155	3,466	68,324	-	72,945
		20,617	2,835	8,505	87,790	-	119,747
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	-	6,029	48,706	172,151	348,682	575,568
		135,671	111,699	103,295	304,725	618,859	1,274,249
Financial liabilities							
Non-interest bearing		19,366	-	-	-	-	19,366
Interest bearing loan	12.0	180	178	1,546	4,141	-	6,045
Redeemable preference shares	13.3	-	2,156	6,469	79,082	-	87,707
		19,546	2,334	8,015	83,223	-	113,118

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 and or dealer/broker price quotations where available. If quoted market prices are not available these fair values are estimated on the basis of pricing models or recognised valuation techniques.

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

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

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 and the Company			
	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$'000	$'000	$'000	$'000
Financial assets				
Compensation fund				
Held-to-maturity	406,978	449.967	395,122	423,605

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.

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

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. 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			
	2011			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available-for-sale financial instruments				
Compensation fund				
Investment in Unit Trusts	-	17,211	-	17,211
Other				
Debt securities	-	262,102	-	262,102
	-	279,313	-	279,313

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

Debt securities	-	286,435	-	286,435
	-	300,034	-	300,034

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

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

	The Company			
	2011			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available-for-sale financial instruments				
Compensation fund				
Investment in Unit Trusts	-	17,211	-	17,211
Other				
Debt securities	-	212,559	-	212,559
	-	229,770	-	229,770

	The Company			
	2010			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available-for-sale financial instruments				
Compensation fund				
Investment in Unit Trusts	-	13,599	-	13,599
Other				
Debt securities	-	201,734	-	201,734
	-	218,945	-	218,945