THE JAMAICA STOCK EXCHANGE LIMITED

YEAR ENDED DECEMBER 31, 2012

CONTENTS

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

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

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

Tel: (876) 952 4713-4
Fax: (876) 979 0246

INDEPENDENT AUDITORS' REPORT

To the members of

THE JAMAICA STOCK EXCHANGE LIMITED

Report on the financial statements

We have audited the financial statements of The Jamaica Stock Exchange Limited (the Company) and the financial statements of the Company and its subsidiary (the Group), set out on pages 2 to 74, which comprise the Group's and the Company's statements of financial position as at December 31, 2012, the Group's and the Company's statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2012 and of the Group's and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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

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

Deloitte & Touche

Chartered Accountants

Kingston, Jamaica,
February 27, 2013

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2012

	Notes	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
ASSETS				
Non-current assets				
Property and equipment	5	76,620	93,087	87,555
Intangible assets	6	31,828	24,610	12,977
Post employment benefits	8	85,208	79,601	76,163
Investment in securities	9	279,557	262,102	286,435
Long-term receivables	10	8,777	7,524	6,935
Total non-current assets		481,990	466,924	470,065
Current assets				
Income tax recoverable	34	12,771	35,946	37,898
Trade and other receivables	11	64,449	68,544	26,963
Investment in securities	9	49,396	19,164	-
Cash and cash equivalents	12	180,766	54,829	36,723
Total current assets		307,382	178,483	101,584
Total assets		789,372	645,407	571,649
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	13	168,590	168,590	168,590
Fair value reserve	14	446	7,272	1,943
Revenue reserve	15	412,462	297,995	264,076
Total equity		581,498	473,857	434,609
Non-current liabilities				
Long-term liabilities	16	14,334	86,124	69,487
Deferred tax liabilities	17,34	37,938	24,181	25,543
Total non-current liabilities		52,272	110,305	95,030
Current liabilities				
Payables and accruals	18	82,473	54,499	40,460
Current portion of long-term liabilities	16	73,129	6,746	1,550
Total current liabilities		155,602	61,245	42,010
Total equity and liabilities		789,372	645,407	571,649

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

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

…………………………………
Director

…………………………………
Director

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2012

	Notes	2012 $'000	2011 $'000
Income			
Cess		265,164	87,564
Fee income		189,232	119,759
E-campus		4,386	5,432
Other operating income	19	45,519	43,533
		504,301	256,288
Expenses			
Staff costs	20	146,929	127,467
Property expenses		57,948	47,949
Depreciation and amortisation		19,526	11,188
Advertising and promotion		20,782	20,692
Professional fees		28,119	19,629
Securities commission fees		54,436	19,045
Allowances for doubtful debts	11	3,390	1,324
E-campus		12,532	5,580
Other operating expenses		12,714	12,517
		356,376	265,391
Investment income	21	38,166	24,863
Other gains	22	5,931	28,477
Finance costs	23	(6,382)	(6,639)
PROFIT BEFORE TAXATION	24	185,640	37,598
Taxation	25	(56,935)	(3,679)
NET PROFIT	26	128,705	33,919
OTHER COMPREHENSIVE INCOME			
Net fair value (loss) gain on available-for-sale financial assets during the year	14	(6,826)	5,329
Other comprehensive income for the year, net of taxes		(6,826)	5,329
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		121,879	39,248
Earnings per share	27	$4.59	$1.21

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

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2012

	Note	Share Capital $'000	Fair Value Reserve $'000	Revenue Reserve $'000	Contingency Reserve $'000	Total $'000
Balance at January 1, 2011 as previously stated		168,590	1,943	264,076	559,818	994,427
Prior year restatement	34	-	-	-	(559,818)	(559,818)
Balance at January 1, 2011 restated		168,590	1,943	264,076	-	434,609
Profit for the year as restated	34	-	-	33,919	-	33,919
Other comprehensive income for the year	14	-	5,329	-	-	5,329
Total comprehensive income for the year as restated		-	5,329	33,919	-	39,248
Balance at December 31, 2011 as restated		168,590	7,272	297,995	-	473,857
Profit for the year		-	-	128,705	-	128,705
Other comprehensive income for the year	14	-	(6,826)	-	-	(6,826)
Total comprehensive income for the year		-	(6,826)	128,705	-	121,879
Payment of dividend	32	-	-	(14,238)	-	(14,238)
Balance at December 31, 2012		168,590	446	412,462	-	581,498

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

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

	Note	2012 $'000	2011 $'000
OPERATING ACTIVITIES			
Net profit		128,705	33,919
Adjustments for:			
Depreciation of property and equipment		9,619	8,637
Amortisation of intangible assets		9,907	2,551
Gain on sale of available-for-sale investments		(2)	(9)
Gain on disposal of property and equipment		-	(28,477)
Unrealised foreign exchange losses on investments		(10,089)	1,723
Post employment benefit (credit) charge		(103)	1,646
Allowances for doubtful debts		3,390	1,324
Income tax expense		56,935	3,679
Other gains		(5,931)	-
Interest income		(28,330)	(26,043)
Interest expense		6,382	6,639
Operating cash flows before movements in working capital		170,483	5,589
Decrease (Increase) in trade and other receivables		1,318	(43,024)
Increase in payables and accruals		33,905	5,311
Post employment benefit contributions		(5,504)	(5,084)
Cash utilised in operations		200,202	(37,208)
Income tax paid		(16,590)	(5,752)
Interest paid		(6,382)	(6,639)
Cash provided by (used in) operating activities		177,230	(49,599)
INVESTING ACTIVITIES			
Investment securities (net) other		(74,053)	(17,783)
Proceeds from disposal of property and equipment		-	41,826
Proceeds from sale of available-for-sale investments		28,430	32,334
Acquisition of property and equipment		(8,453)	(27,518)
Acquisition of intangible assets		(1,824)	(14,184)
Long-term receivables		(1,866)	(488)
Interest received		25,863	31,918
Cash (used in) provided by investing activities		(31,903)	46,105
FINANCING ACTIVITIES			
Dividend paid		(14,238)	-
Proceeds from loans		-	25,663
Loan repaid		(5,407)	(4,128)
Cash (used in) provided by financing activities		(19,645)	21,535
NET INCREASE IN CASH AND CASH EQUIVALENTS		125,682	18,041
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		54,829	36,723
Effect of foreign exchange rate changes		255	65
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	180,766	54,829

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

THE JAMAICA STOCK EXCHANGE LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2012

	Notes	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
ASSETS				
Non-current assets				
Property and equipment	5	67,154	85,806	79,582
Intangible assets	6	20,646	11,095	9,192
Investment in subsidiary	7	61,000	61,000	56,000
Post employment benefits	8	66,562	62,439	60,131
Investments in securities	9	228,906	201,734	215,643
Long-term receivable	10	8,220	7,111	5,771
Total non-current assets		452,488	429,185	426,319
Current assets				
Income tax recoverable	31	10,240	34,485	31,253
Trade and other receivables	11	36,516	38,026	16,051
Investments in securities	9	21,375	10,825	-
Due from related party	12	29,174	36,805	64,705
Cash and cash equivalents	13	157,741	40,652	16,610
Total current assets		255,046	160,793	128,619
Total assets		707,534	589,978	554,938
EQUITY AND LIABILITIES				
Shareholders' Equity				
Share capital	14	168,590	168,590	168,590
Fair value reserve	15	272	6,456	2,345
Revenue reserve		355,305	276,653	263,998
Total shareholders' equity		524,167	451,699	434,933
Non-current liabilities				
Long-term liabilities	16	14,334	86,124	69,487
Deferred tax liabilities	17,31	28,688	15,764	21,159
Total non-current liabilities		43,022	101,888	90,646
Current liabilities				
Payables and accruals	18	67,216	29,645	27,809
Current portion of long-term liabilities	16	73,129	6,746	1,550
Total current liabilities		140,345	36,391	29,359
Total equity and liabilities		707,534	589,978	554,938

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

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

.... Director

.... Director

THE JAMAICA STOCK EXCHANGE LIMITED

COMPANY STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2012

	Notes	2012 $'000	2011 $'000
INCOME			
Cess		229,860	65,690
Fee income		101,052	43,839
E-campus		4,386	5,432
Other operating income	19	44,431	44,551
		379,729	159,512
EXPENSES			
Staff costs	20	106,978	94,087
Property expenses		34,388	27,420
Depreciation and amortisation		13,930	7,757
Advertising and promotion		20,526	20,490
Professional fees		18,905	16,294
Securities commission fee		53,042	17,608
Allowances for doubtful debts	11	519	955
Other operating expenses		5,497	4,405
E-campus expenses		12,532	5,580
		266,317	194,596
Investment income	21	29,720	18,292
Other gains	22	-	28,477
Finance costs	23	(6,345)	(6,480)
PROFIT BEFORE TAXATION	24	136,787	5,205
Taxation	25	(43,897)	7,450
NET PROFIT		92,890	12,655
OTHER COMPREHENSIVE INCOME			
Net fair value(loss) gains on available-for-sale financial assets during the year	14	(6,184)	4,111
Other comprehensive income for the year, net of taxes		(6,184)	4,111
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		86,706	16,766

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

THE JAMAICA STOCK EXCHANGE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2012

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

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

THE JAMAICA STOCK EXCHANGE LIMITED

COMPANY STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

	Note	2012 $'000	2011 $'000
OPERATING ACTIVITIES			
Net profit		92,890	12,655
Adjustments for:			
Depreciation of property and equipment		7,223	6,268
Amortisation of intangible assets		6,707	1,489
Gain on disposal of property and equipment		-	(28,477)
Foreign exchange gain/loss on investments		(7,032)	2,204
Post employment benefit (credit) charge		(261)	1,300
Allowances for doubtful debts		519	955
Gain on sale of investments in available-for-sale financial assets		(2)	(12)
Income tax expense charge (credit)		43,897	(7,450)
Interest income		(22,942)	(19,891)
Interest expense		6,345	6,480
Movements in working capital		127,344	(24,479)
Decrease (Increase) in trade and other receivables		1,562	(22,561)
Increase (Decrease) in trade and other payables		37,571	(6,892)
Post employment benefit contributions		(3,862)	(3,608)
Cash used in operations		162,615	(57,540)
Income tax paid		(3,636)	(3,232)
Interest paid		(6,345)	(6,480)
Cash provided by (used in) operating activities		152,634	(67,252)
INVESTING ACTIVITIES			
Net acquisition of investments in securities		(45,574)	(10,158)
Proceeds from sale of investments in available-for-sale financial assets		10,017	20,099
Investment in subsidiary		-	(5,000)
Payments by related parties		7,631	27,900
Acquisition of property and equipment		(3,872)	(25,841)
Net proceeds on disposal of property and equipment		-	41,826
Acquisition of intangible assets		(957)	(3,392)
Long-term receivable		(1,680)	(1,709)
Interest received		18,279	26,030
Cash (used in) provided by investing activities		(16,156)	69,755
FINANCING ACTIVITIES			
Dividend paid		(14,238)	-
Proceeds from loans		-	25,663
Loan repaid		(5,407)	(4,128)
Cash (used in) provided by financing activities		(19,645)	21,535
NET INCREASE IN CASH AND CASH EQUIVALENTS		116,833	24,038
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		40,652	16,610
Effect of foreign exchange rate changes		256	4
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	157,741	40,652

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

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

1 GROUP IDENTIFICATION

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

These financial statements are expressed in Jamaican dollars.

1.2 ***Principal Activities***

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

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 standards applied with no effect on the financial statements***

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (annual periods beginning on or after July 1, 2011)

The amendments:

- Replace references to a fixed date of 'January 1, 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs.

- Provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

Amendments to IFRS 7 disclosures – Transfers of Financial Assets (annual periods beginning on or after July 1, 2011)

- The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

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

2.2 (Cont'd)

Amendments to IAS 12 deferred Tax: Recovery of Underlying Assets (annual periods beginning on or after January 1, 2012)

- Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted.

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

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

		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 Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013
Revised Standards		
IAS 1	Presentation of Financial Statements	
	- Amendments to revise the way other comprehensive income is presented	July 1, 2012
IFRS 1	First-time Adoption of International Financial Reporting Standards:	
	- Amendment addressing how a first-time adopter would account for a Government loan with a below market rate of interest when transitioning to IFRSs	January 1, 2013
IFRS 7	Financial Instruments: Disclosures	
	- Amendments requiring disclosures about the initial application of IFRS 9	(i)
	- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	(ii)
IFRS 10	Consolidated financial statements	
	- Amendment to provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period	January 1, 2013

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

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

		Effective for annual periods <u>beginning on or after</u>
<u>Revised Standards</u> (Cont'd)		
IFRS 10 (Cont'd)	- Amendment providing 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 *Financial instruments of IAS 39 Financial Instruments: Recognition and Measurement*	January 1, 2013
IFRS 11	Joint Arrangements	
	- Amendment eliminating the requirement to provide comparative information for periods prior to the immediately preceding period	January 1, 2013
IFRS 12	Disclosure of Interest in Other Entities	
	- Amendment eliminating the requirement to provide comparative information for periods prior to the immediately preceding period	January 1, 2013
	- Amendment requiring additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries	January 1, 2014
IAS 19	Employee Benefits	
	- Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 1, 2013
IAS 27	Consolidated and Separate Financial Statements	
	- Reissued as IAS 27 *Separate Financial Statements*	January 1, 2013
	- Amendment requiring an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated)	January 1, 2014
IAS 28	Investments in Associates	
	- Reissued as IAS 28 *Investments in Associates and Joint Ventures*	January 1, 2013

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

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

		Effective for annual periods beginning on or after
Revised Standards (Cont'd)		
IAS 32	Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities	January 1, 2014
IFRS 1, IAS 1, 16, 32 and 34	Amendments resulting from Annual Improvements 2009-2011 cycle: Repeat application, borrowing costs; comparative information; servicing equipment; tax effect of equity distributions; interim reporting of segment assets - respectively	January 1, 2013
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.

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

Key requirements of IFRS 9 are as follows:

(i) IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

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

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

- New and revised standards on consolidation, joint arrangements, associates and disclosures.

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

Key requirements of these five Standards are described below.

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

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

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

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

  In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

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

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

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all five standards are applied at the same time.

The directors have not yet performed an assessment of the impact of application of these standards, except for IFRS 10 for which the adoption will have no impact on initial application.

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

  The directors anticipate that the application of the new Standard will impact the amounts reported in the financial statements and will result in more extensive disclosures. However, a detailed assessment has not yet been done.

- The amendments to IAS 1 *Presentation of items of other comprehensive income (effective for annual periods beginning on or after July 1, 2012 with earlier application permitted) introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1* retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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

- *Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures*

  The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

  The amendments to IFRS 7 requires entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

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

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

The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required.

The directors anticipate that the application of these amendments to IAS 32 and IFRS 7 will not have a significant impact but may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in future periods.

- *Annual Improvements to IFRSs 2009 - 2011 Cycle Issued in May 2012*

  The Annual Improvements to IFRS 2009 - 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013. Amendments to IFRSs include:

  - amendments to IAS 16: *Property, Plant and Equipment; and*

  - amendments to IAS 32: *Financial Instruments: Presentation*

- *Annual Improvements to IFRSs 2009 - 2011 Cycle Issued in May 2012 (Cont'd)*

  Amendments to IAS 16

  The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The directors do not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.

  Amendments to IAS 32

  The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income tax*es. The directors anticipate that the amendments to IAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 *Statement of compliance*

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

3.2 *Basis of preparation*

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

3.3 *Basis of consolidation*

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

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

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

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

3.4 *Property and equipment*

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.5 *Intangible assets*

3.5.1 Intangible assets acquired separately

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

3.5.2 Derecognition of intangible assets

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

3.6 *Impairment of tangible and intangible assets*

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

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

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

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

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

3.7 *Investment in subsidiary*

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.8 *Financial Instruments*

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

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

3.9 *Financial assets*

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

3.9.1 Effective interest method

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

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

3.9.2 Held-to-maturity investments

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

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

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

Listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in Note 31.10. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of fair value reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.9 *Financial assets (Cont'd)*

3.9.4 Loans and receivables

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

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

3.9.5 Impairment of financial assets

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.9 *Financial assets (Cont'd)*

3.9.5 Impairment of financial assets (Cont'd)

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

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

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

3.9.6 Derecognition of financial assets

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

3.10.1 Classification as debt or equity

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

3.10.2 Equity instruments

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

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

3.10.3 Financial liabilities

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

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

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

3.10.3.2 *Derecognition of financial liabilities*

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

3.11 *Employee benefit costs*

Pension obligations

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.11 *Employee benefit costs (Cont'd)*

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

3.12 *Taxation*

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

3.12.1 Current tax

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

3.12.2 Deferred tax

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.12 *Taxation (Cont'd)*

3.12.3 Current and deferred tax for the year

Current and deferred tax are recognised in surplus or deficit, except when they relate to items that are recognised in other comprehensive income or directly in equity in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.13 *Related party transactions and balances*

A party is related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the Group (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the Group; or
- has joint control over the Group;

(ii) the party is an associate of the Group;
(iii) the party is a joint venture in which the Group is a venturer;
(iv) the party is a member of the key management personnel of the Group;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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

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

3.14 *Revenue recognition*

3.14.1 *Cess income*

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.14 *Revenue recognition (Cont'd)*

3.14.2 Fee income

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

Fee income of the subsidiaries include:

- Membership fees

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

- Account maintenance fees

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

- User fees

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

- Trustee service fee

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

3.14.3 E-campus income

This represents revenue generated from JSE offering of post graduate certificate and diploma courses to professionals and is accounted for on the accrual basis.

3.13.4 Members/dealers license fee

These are fees levied on members/dealers annually. Additionally, an initial fee determined on the basis of a bid is payable by new dealers subject to approval by the Board of Directors.

3.14.5 Other operating income

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

3.14.6 Investment income

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.15 *Foreign currencies*

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

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

3.16 *Dividends*

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

3.17 *Borrowing costs*

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

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

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4.1 *Critical judgments in applying accounting policies*

Management believes that there are no judgments made that had a significant effect on the amounts recognised in the financial statements.

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 <u>Fair value of financial instruments</u>

As described in Note 31, management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets. Valuation techniques commonly used by market practitioners supported by appropriate assumptions are applied by the Group. The financial assets of the Group at the end of the reporting period stated at fair value determined in this manner amounted to $308.2 million (2011: $266.5 million) and the Company $239.19 million (2011: $201.734 million).

Had the fair value of these securities been 2% higher or lower the fair value reserve for the Group would increase/decrease by $6.16 million, Company $4.78 million. (2011: $5.33 million, company $4.03 million).

4.2.2 <u>Post employment benefit</u>

As disclosed in Note 8, the Group operates a defined benefit pension plan. The asset amounts shown in the statement of financial position of approximately $85.208 million (2011: $79.601 million) for the Group and $66.562 million (2011: $62.439 million) for the Company is subject to estimates in respect of periodic costs that are dependent on future returns on assets, future discount rates, rates of salary increases and inflation rates.

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

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

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

4.2.3 <u>Income taxes</u>

Estimates are required in determining the provisions for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. (see Notes 17 and 25).

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

5 PROPERTY AND EQUIPMENT

	The Group								
	Freehold 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, 2011	16,682	70	65,416	9,910	15,495	70,413	670	1,013	179,669
Additions	105	-	216	275	201	1,989	-	24,732	27,518
Disposal	(11,685)	(70)	(1,862)	-	-	-	-	-	(13,617)
Transfer	304	-	-	709	-	-	-	(1,013)	-
December 31, 2011	5,406	-	63,770	10,894	15,696	72,402	670	24,732	193,570
Additions	-	-	-	361	2,854	5,045	-	193	8,453
Disposal	-	-	-	-	-	-	-	-	-
Transfer (Note 6)	-	-	-	-	5,112	4,319	-	(24,732)	(15,301)
December 31, 2012	5,406	-	63,770	11,255	23,662	81,766	670	193	186,722
Depreciation									
January 1, 2011	-	-	16,995	6,618	13,568	54,263	670	-	92,114
Charge for year	-	-	1,654	732	1,037	5,214	-	-	8,637
Disposals	-	-	(268)	-	-	-	-	-	(268)
December 31, 2011	-	-	18,381	7,350	14,605	59,477	670	-	100,483
Charge for year	-	-	1,608	760	2,005	5,246	-	-	9,619
December 31, 2012	-	-	19,989	8,110	16,610	64,723	670	-	110,102
Carrying amount									
December 31, 2012	5,406	-	43,781	3,145	7,052	17,043	-	193	76,620
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 CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

	The Company								
	Freehold Land $'000	Land Improvements $'000	Freehold Buildings $'000	Furniture & Fixtures $'000	Office Equipment $'000	Computer Hardware $'000	Motor Vehicles $'000	Work-in-Progress $'000	Total $'000
Cost									
January 1, 2011	16,682	70	65,416	7,381	13,442	51,061	670	709	155,431
Transfer	-	-	-	709	-	-	-	(709)	-
Additions	-	-	216	275	201	417	-	24,732	25,841
Disposal	(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
Transfer (Note 6)	-	-	-	-	5,112	4,319	-	(24,732)	(15,301)
Additions	-	-	-	243	904	2,532	-	193	3,872
December 31, 2012	4,997	-	63,770	8,608	19,659	58,329	670	193	156,226
Depreciation									
January 1, 2011	-	-	16,995	5,466	11,729	40,989	670	-	75,849
Charge for year	-	-	1,654	451	871	3,292	-	-	6,268
Disposal	-	-	(268)	-	-	-	-	-	(268)
December 31, 2011	-	-	18,381	5,917	12,600	44,281	670	-	81,849
Charge for year	-	-	1,608	473	1,670	3,472	-	-	7,223
December 31, 2012	-	-	19,989	6,390	14,270	47,753	670	-	89,072
Carrying amount									
December 31, 2012	4,997	-	43,781	2,218	5,389	10,576	-	193	67,154
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 CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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, 2011	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
Transfer (Note 5)	27,671	(12,370)	15,301	16,879	(1,578)	15,301
Additions	563	1,261	1,824	547	410	957
December 31, 2012	77,482	4,770	82,252	49,973	3,919	53,892
Amortisation						
January 1, 2011	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
Charge for the year	9,907	-	9,907	6,707	-	6,707
December 31, 2012	50,424	-	50,424	33,246	-	33,246
Carrying amount						
December 31, 2012	27,058	4,770	31,828	16,727	3,919	20,646
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:

	December 31, 2012	December 31, 2011	January 1, 2011
	$'000	$'000	$'000
Shares - at cost	61,000	61,000	56,000

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

8 POST EMPLOYMENT BENEFITS

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

The most recent actuarial valuation was carried out at December 31, 2012, by Duggan Consulting Limited, a qualified actuary. The present value of the defined benefit obligation and the related current service costs and past service costs have been measured using the projected unit credit method.

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

	The Group and the Company		
	December 31, 2012	December 31, 2011	January 1, 2011
Discount rate	10.5%	10.0%	11.0%
Expected return on plan assets	9.0%	9.0%	10.0%
Expected rate of salary increase	7.0%	6.0%	8.0%
Future pension increases	0.0%	0.0%	0.0%

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

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

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

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

	The Group			The Company		
	December 31, 2012	December 31, 2011	January 1, 2011	December 31, 2012	December 31, 2011	January 1, 2011
	$'000	$'000	$'000	$'000	$'000	$'000
Current service cost	4,734	4,896	1,224	2,903	3,308	1,301
Interest cost	9,140	8,814	6,605	6,215	6,093	5,234
Expected return on plan assets	(14,197)	(12,945)	(16,180)	(9,655)	(8,982)	(12,841)
Past service costs	(56)	-	272	-	-	218
Recognised loss	276	881	-	276	881	-
Increase in unrecognised assets	-	-	(21,189)	-	-	(16,951)
Total included in employee benefit costs	(103)	1,646	(29,268)	(261)	1,300	(23,039)
Actual return on plan assets	18,676	21,360	15,403	9,540	12,224	(1,035)

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

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

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

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

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

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

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

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Opening fair value of plan assets	154,733	125,525	103,532	104,516	87,346	82,826
Members' contributions	6,081	5,528	5,804	3,925	3,571	3,866
Employer's contributions	5,504	5,084	5,200	3,862	3,608	3,736
Expected return on plan assets	14,197	12,945	16,180	9,655	8,982	12,841
Benefits paid	(5,562)	(2,766)	(2,344)	(2,265)	(2,233)	(2,047)
Actuarial (loss)/gain	(3,505)	8,417	(2,847)	(115)	3,242	(13,876)
Closing fair value of plan assets	171,448	154,733	125,525	119,578	104,516	87,346

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

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Equity investment	45,604	42,552	29,760	31,807	28,742	20,832
Government of Jamaica securities	30,861	29,245	51,537	21,524	19,754	36,076
Real estate	24,003	19,960	20,000	16,741	13,482	14,000
Others	70,980	62,976	24,228	49,506	42,538	16,438
Fair value of plan asset	171,448	154,733	125,525	119,578	104,516	87,346

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

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

The history of experience adjustments is as follows:

	The Group				
	Defined Benefit Pension Plan				
	2012	2011	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	(101,295)	(84,316)	(71,921)	(36,362)	(30,963)
Fair value of plan assets	171,448	154,733	125,525	103,532	74,869
Fund surplus	70,153	70,417	53,604	67,170	43,906
Experience adjustments on plan liabilities	(2,586)	4,077	(24,270)	6,281	(1,243)
Experience adjustments on plan assets	3,275	(8,417)	2,847	(11,817)	15,332

	The Company				
	Defined Benefit Pension Plan				
	2012	2011	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	(70,649)	(56,952)	(50,046)	(29,090)	(24,770)
Fair value of plan assets	119,578	104,516	87,346	82,826	59,895
Fund surplus	48,929	47,564	37,300	53,736	35,125
Experience adjustments on plan liabilities	(2,919)	3,833	(12,602)	5,025	(1,265)
Experience adjustments on plan assets	(115)	(3,242)	13,876	(9,454)	12,266

The Group and the Company expect to make contributions of $6.2 million and $4.2 million respectively (2011: $5.2 million and $3.7 million respectively) to the defined benefit plan during the next financial year.

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

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

9 INVESTMENTS IN SECURITIES

	The Group			The Company		
	December 31, 2012	December 31, 2011	January 1, 2011	December 31, 2012	December 31, 2011	January 1, 2011
	$'000	$'000	$'000	$'000	$'000	$'000
Available-for-sale - At fair value						
NWC Variable Rate Note 2016, 8.375% (2011: 8.34%)	1,628	2,042	1,893	1,628	2,042	1,893
Benchmark Investment Notes						
Fixed Rate Notes 2013 to 2016 12% - 12.54% (2011: 12% - 12.54%)	99,548	38,837	35,431	77,274	36,570	35,431
Variable Rate Notes 2015 to 2018, 7.6% - 9.1% (2011: 7.6% - 9.1%)	36,763	61,314	91,102	36,763	47,317	66,988
Foreign Currency Investments						
GOJ 10.625% US$ Global Bond, 2017 (nominal value US$410,000)	46,572	41,400	41,617	46,572	41,400	41,617
Government of Belize guaranteed mortgage Notes, 2029 (nominal value US$49,201: 4.25%)	2,958	3,433	1,909	2,958	3,433	1,909
GOJ FR 6.75% and 7% US$ Benchmark Investment Notes, 2013/2014 (nominal value US$518,000)	49,456	46,583	44,691	20,812	19,601	18,784
GOJ 8% Global Euro Bond 2019 (nominal value US$600,000)	53,184	51,371	49,021	53,184	51,371	49,021
GOJ US$ Global bond 2019 (Nominal value US$200,000)	18,095	17,122	16,276	-	-	-
GOJ Fixed rate US$ indexed Bond AIC 9%	-	4,416	-	-	-	-
AIC Barbados Fixed rate US$ Indexed Bond 13.25% (nominal value US$50,000)	-	-	4,495	-	-	-
	308,204	266,518	286,435	239,191	201,734	215,643
Loans and receivables - At amortised cost						
Repurchase agreements: 5.75% - 5.98% (2011: 5.6% - 6.3%%)	20,006	14,490	-	11,090	10,567	-
Repurchase agreement: 2.25% (2011: 4% - 6.1%)	743	258	-	-	258	-
	328,953	281,266	286,435	250,281	212,559	215,643
Less: Current portion	(49,396)	(19,164)	-	(21,375)	(10,825)	-
	279,557	262,102	286,435	228,906	201,734	215,643

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

9 INVESTMENTS IN SECURITIES

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
The movement for the year in available-for-sale financial assets is as follows:						
Balance at January 1	266,518	286,435	-	201,734	215,643	-
Additions	70,521	4,416	-	49,974	-	-
Foreign exchange gain (loss)	9,834	-	-	6,776	-	-
Reclassification of investments from held-to-maturity at fair value	-	-	284,586	-	-	211,859
Movement in fair value of available-for-sale financial assets	(10,239)	8,001	1,849	(9,276)	6,178	3,784
Disposal of investments	(28,430)	(32,334)	-	(10,017)	(20,087)	-
Balance at December 31	308,204	266,518	286,435	239,191	201,734	215,643

10 LONG-TERM RECEIVABLES

These represent loans granted to employees. The loans are repayable by monthly installments and are for a period of 5 years. These loans carry an interest rate of 10% per annum. The current portion of these loans, due within twelve months from the end of the reporting period, amounting to $3.415 million (2011: $2.802 million, 2010: $2.903 million), the Company: $2.870 million (2011: $2.299 million, 2010: $1.930 million) is included in other receivable.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

11 TRADE AND OTHER RECEIVABLES

	The Group			The Company		
	December 31 2012 $'000	December 31 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Cess receivable	10,930	26,776	6,553	10,009	19,406	5,022
Fees receivable	10,648	7,029	3,553	-	-	-
E-campus	1,651	2,723	763	1,651	2,723	763
Other	49,816	31,364	17,911	29,886	20,052	12,349
	73,045	67,892	28,780	41,546	42,181	18,134
Less: Allowance for doubtful Debts - other receivables	(11,457)	(8,067)	(6,743)	(6,437)	(5,918)	(4,963)
	61,588	59,825	22,037	35,109	36,263	13,171
Prepayments	2,861	8,719	4,926	1,407	1,763	2,880
	64,449	68,544	26,963	36,516	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 100% for receivables over 180 days (except where these amounts are assessed as recoverable by management), because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable.

Included in other receivables however, are debtors with a carrying amount of approximately $5.524 million for the Group and $0.612 million for the Company (2011: $3.332 million for the Group and $1.179 million for the Company; 2010: $0.967 million for the Group and $0.570 million for the Company), which are past due at the reporting date for which the Group has not provided as there has not been a change in credit quality and the amounts are still considered recoverable.

Ageing of receivables that are past due but not impaired

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
180 - 365 days	3,671	3,332	773	612	1,179	376
Over 1 year	1,853	-	194	-	-	194
	5,524	3,332	967	612	1,179	570

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

Movement in allowance for doubtful debts on other receivables

	The Group			The Company		
	December 31, 2012	December 31, 2011	January 1, 2011	December 31, 2012	December 31, 2011	January 1, 2011
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at beginning of year	8,067	6,743	6,299	5,918	4,963	4,963
Impairment losses recognised on receivables	3,390	1,324	444	519	955	-
Balance at end of year	11,457	8,067	6,743	6,437	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. In 2012, cess receivable at the end of the year included $4.127 million, $1.451 million and $1.44 million and the Company $4.1 million, $1.3 million and $1.256 million (2011: $10.5 million and $10.1 million for the Group, $7.9 million and $7.6 million for the Company) due from three brokers which represent 38%, 13% and 13% for the Group, and 41%, 13% and 13% respectively for the Company (2011: 39% and 38% for two brokers of the Group and 41% and 39% respectively for the Company) which are current.

Ageing of impaired other receivables

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

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

12 CASH AND CASH EQUIVALENTS

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

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

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

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

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

13 SHARE CAPITAL

	December 31, 2012 No. of shares	December 31, 2012 No. of shares	January 1, 2011 No. of shares	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Authorised at January 1 and December 31:						
Ordinary shares - no par value	600,000,000	600,000,000	600,000,000			
Preference shares - no par value	100,000,000	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	28,050,000			
Preference shares - no par value	33,000,000	33,000,000	33,000,000			
Stated capital						
At January 1 and December 31						
Ordinary shares				168,590	168,590	168,590
Redeemable preference shares at $2.00 each (see below)				66,000	66,000	66,000
				234,590	234,590	234,590
Less: Redeemable preference shares classified as liabilities as required by IFRS (Note 16)				(66,000)	(66,000)	(66,000)
				168,590	168,590	168,590

Preference shares

- The preference shares pay a variable cumulative preferential dividend every three (3) months based on the higher of Government of Jamaica weighted average Treasury Bill yield (having a tenor of between 178 and 184 days) fixed at the beginning of every 6 months period and interest rate paid on open market instruments issued by the Bank of Jamaica that have 180 days tenor.

- The preference shares are redeemable 60 months from the date of issue, that is by June 2013. These preference shares have no voting rights.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

14 FAIR VALUE RESERVE

The reserve represents the fair value adjustment relating to available-for-sale investments in securities (Note 9).

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Balance at January 1	7,272	1,943	-	6,456	2,345	-
Net gain (loss) on reclassification of held-to-maturity financial assets to available-for-sale	-	-	1,065	-	-	(267)
Net (loss) gain arising on revaluation of available-for-sale financial assets	(10,237)	8,001	1,849	(9,274)	6,178	3,784
Net gain reclassified to surplus on sale of investments	(2)	(9)	-	(2)	(12)	-
Deferred tax adjustments on available-for-sale financial assets (Note 17)	3,413	(2,663)	(971)	3,092	(2,055)	(1,172)
	(6,826)	5,329	1,943	(6,184)	4,111	2,345
Balance at December 31	446	7,272	1,943	272	6,456	2,345

The fair value reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

15 REVENUE RESERVE

Reflected in the financial statements of the:

	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Parent company	355,305	276,653	263,998
Subsidiaries	57,157	21,342	78
	412,462	297,995	264,076

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

16 LONG-TERM LIABILITIES

These include loans from the National Commercial Bank Jamaica Limited:

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

(a) Loan 1:

The loan from National Commercial Bank is repayable by April 2014 by 47 equal monthly installments of $129,167 plus one final payment of $129,151 is charged at a fixed interest rate of 12% per annum on the reducing balance over the life of the loan. The loan is secured by unstamped Bill of Sale over Information Technology equipment valued at $6.2 million held unstamped and lien over credit balances held unstamped and hypothecation of $10 million held at NCB Capital Markets.

(b) Loan 2:

This loan for US$300,000 from National Commercial Bank Jamaica Limited is repayable in 60 equal monthly installments of US$5,000 plus interest at a fixed interest rate of 8.25% by May 2016. The loan is secured by the hypothecation of $10 million held at NCB Capital Markets.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

17 DEFERRED TAX

This comprises:

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Deferred tax assets	1,121	14,524	6,403	765	14,090	3,972
Deferred tax liabilities	(39,059)	(38,705)	(31,946)	(29,453)	(29,854)	(25,131)
Net position at the end of the period	(37,938)	(24,181)	(25,543)	(28,688)	(15,764)	(21,159)

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

	The Group		The Company	
	December 31, 2012 $'000	December 31, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000
At January 1	(24,181)	(25,543)	(15,764)	(21,159)
Charged to income for the year (Note 25)	(17,170)	4,025	(16,016)	7,450
Credited (Charged) to fair value reserve for the year (Note 14)	3,413	(2,663)	3,092	(2,055)
At December 31	(37,938)	(24,181)	(28,688)	(15,764)

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

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

17 DEFERRED TAX (Cont'd)

Deferred Tax Assets

	The Group			The Company		
	Accrued Vacation $'000	Tax Loss $'000	Total $'000	Accrued Vacation $'000	Tax Loss $'000	Total $'000
At January 1, 2011	747	5,656	6,403	608	3,364	3,972
Credited (Charged) to income for the year	367	7,754	8,121	72	1,014	1,086
At December 31, 2011	1,114	13,410	14,524	680	4,378	5,058
Credited (Charged) to income for the year	7	(13,410)	(13,403)	85	(4,378)	(4,293)
At December 31, 2012	1,121	-	1,121	765	-	765

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

Deferred Tax Liabilities

	The Group					The Company				
	Capital Allowance in excess of Depreciation	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, 2011	(3,597)	(1,922)	(1,039)	(25,388)	(31,946)	(2,257)	(1,590)	(1,240)	(20,044)	(25,131)
Charged to income for the year	(2,932)	(18)	-	(1,146)	(4,096)	(1,836)	(63)	-	(769)	(2,668)
Charged to fair value reserve	-	-	(2,663)	-	(2,663)	-	-	(2,055)	-	(2,055)
At December 31, 2011	(6,529)	(1,940)	(3,702)	(26,534)	(38,705)	(4,093)	(1,653)	(3,295)	(20,813)	(29,854)
(Charged) Credited to income for the year	(318)	(1,580)	-	(1,869)	(3,767)	237	(1,554)	-	(1,374)	(2,691)
Credited to fair value reserve	-	-	3,413	-	3,413	-	-	3,092	-	3,092
At December 31, 2012	(6,847)	(3,520)	289	(28,403)	(39,059)	(3,856)	(3,207)	(203)	(22,187)	(29,453)

18 **PAYABLES AND ACCRUALS**

	The Group			The Company		
	December 31, 2012	December 31 2011	January 1, 2011	December 31, 2012	December 31, 2011	January 1, 2011
	$'000	$'000	$'000	$'000	$'000	$'000
Payables and accruals	82,473	54,499	40,460	67,216	29,645	27,809

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

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

19 OTHER OPERATING INCOME

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

20 STAFF COSTS

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Salaries and other employee benefits	136,170	116,632	99,319	85,904
Statutory contributions	10,862	9,189	7,920	6,883
Retirement benefit (credit) charge	(103)	1,646	(261)	1,300
	146,929	127,467	106,978	94,087

21 INVESTMENT INCOME

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
21.1 Investment income includes:				
Interest income	28,330	26,043	22,942	19,891
Foreign exchange gain (loss)	9,834	(1,189)	6,776	(1,611)
Gain on disposal of available-for-sale investments	2	9	2	12
	38,166	24,863	29,720	18,292

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
21.2 Investment income earned, analysed by category of financial asset is as follows:				
Loans and receivables	1,946	1,630	1,628	1,261
Available-for-sale	36,220	23,233	28,092	17,031
	38,166	24,863	29,720	18,292

22 OTHER GAINS

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

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

23 FINANCE COST

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

24 PROFIT BEFORE TAXATION

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

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Income:				
Interest	28,330	26,043	22,942	19,891
Expenses:				
Directors' fees	8,630	9,277	6,800	7,614
Audit fees	3,750	3,850	2,550	2,425
Depreciation of property and equipment	9,619	8,637	7,223	6,268
Amortisation of intangible assets	9,907	2,551	6,707	1,489
Interest on long-term liabilities (preference shares)	4,181	4,841	4,181	4,841
Interest on borrowings	2,201	1,798	2,164	1,639

25 TAXATION

25.1 Recognised in statement of comprehensive income

(i) The charge for the year represents:

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

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

25 TAXATION (Cont'd)

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

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

	The Group		The Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Profit before taxation	185,640	37,598	136,787	5,205
Tax at the domestic income tax rate of 33⅓%	61,880	12,533	45,596	1,735
Tax effect of items that are deductible in determining taxable profit	380	665	344	644
Prior year over provision	(287)	-	-	-
Tax effect of items not allowed for tax purposes	(5,425)	(10,690)	(2,428)	(10,550)
Other	387	1,171	385	721
	56,935	3,679	43,897	(7,450)

25.2 Recognised in other comprehensive income

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

26 NET PROFIT OF THE GROUP FOR THE YEAR

Reflected in the financial statements of the:

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

27 EARNINGS PER SHARE

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

	2012	2011
Profit ($'000)	128,705	33,919
Weighted average number of ordinary shares	28,050,000	28,050,000
Basic earnings per share	$4.59	$1.21

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

28 SEGMENT REPORTING

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

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

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

(c) Investments - Income derived from investing activities of the Group.

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

The Group's operations are located solely in Jamaica.

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

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

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

28 SEGMENT REPORTING (Cont'd)

	2011					
	Exchange Operations $'000	Depository Services $'000	Investments Other $'000	Trustees Services $'000	Eliminations $'000	Group $'000
External revenue	159,512	78,753	53,340	19,157	(1,134)	309,628
Total revenue	159,512	78,753	53,340	19,157	(1,134)	309,628
Result						
Segment result	(35,084)	18,166	53,340	8,949	(1,134)	44,237
Finance cost						(6,639)
Profit before taxation						37,598
Taxation						(3,679)
Profit for the year						33,919
Other information						
Depreciation and amortisation	7,757	3,431	-	-	-	11,188
Assets						
Segment assets	599,010	141,396	-	13,469	(99,436)	654,439
Liabilities						
Segment liabilities	147,311	66,123	-	3,953	(36,805)	180,582

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

29 RELATED PARTY TRANSACTIONS/BALANCES

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

	The Group		The Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Subsidiary				
Jamaica Central Securities Depository Limited				
Rental income	-	-	1,225	1,134

29 RELATED PARTY TRANSACTIONS/BALANCES (Cont'd)

29.2 Amount owed by related party at reporting date

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

29.3 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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Short-term benefits	34,088	32,120	23,659	20,002
Post employment benefits	2,047	1,928	1,271	1,186
	36,135	34,048	24,930	21,188

29.4 Loans to related parties

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Loans to key management personnel	2,217	2,588	2,117	2,588

30 COMMITMENTS

Capital commitments

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

31 FINANCIAL INSTRUMENTS

31.1 *Capital risk management*

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

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

i) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and

ii) Maintain a strong capital base to support the business development.

The Group's overall strategy remains unchanged from 2011.

Gearing ratio

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

	The Group			The Company		
	December 31 2012	December 31, 2011	January 1, 2011	December 31 2012	December 31, 2011	January 1, 2011
	$'000	$'000	$'000	$'000	$'000	$'000
Debt (i)	87,463	92,870	71,037	87,463	92,870	71,037
Equity (ii)	581,498	473,857	434,609	524,167	451,699	434,933
Debt to equity ratio	15.04%	19.6%	16.3%	16.7%	20.6%	16.3%

(i) Debt is defined as long- and short-term borrowings as described at Note 16.

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

31.2 *Significant accounting policies*

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

31 FINANCIAL INSTRUMENTS (Cont'd)

31.3 *Categories of financial instruments*

	The Group			The Company		
	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Financial assets						
Available-for-sale financial assets	308,204	266,518	286,435	239,191	201,734	215,643
Loans and receivables (including cash and cash equivalents)	271,880	136,926	65,695	241,334	131,656	100,257
	580,084	403,444	352,130	480,525	333,390	315,900
Financial liabilities						
Other financial liabilities at amortised cost	165,984	130,284	71,037	152,129	108,562	97,762

31.4 *Financial risk management objectives*

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

31.5 *Market risk*

The Group's investment activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and price movements (see Notes 31.6 and 31.7). The Group manages its risk through extensive research and monitors the risk exposures on the local and international markets.

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

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

31.6 ***Foreign currency risk management***

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

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

	The Group			The Company		
	December 31, 2012 J$'000	December 31, 2011 J$'000	January 1, 2011 J$'000	December 31, 2012 J$'000	December 31, 2011 J$'000	January 1, 2011 J$'000
Investment in securities	171,008	246,734	285,924	123,526	246,249	238,636
Cash and cash equivalents	147,192	3,449	7,092	132,321	3,499	45
Liabilities (bank borrowings)	(19,525)	(23,382)	-	(19,525)	(23,382)	-
Net exposure	298,675	226,801	293,016	236,322	226,366	238,681

31.6.1 Foreign currency sensitivity analysis

The Group's investment portfolio is exposed to the United States dollar. The Group's sensitivity to a 1% increase or 10% decrease in the Jamaican dollar against the United States dollar is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity of the 1% increase or 10% decrease in the Jamaican dollar against the United States dollar exposure would be an increase in net profit of the Group by J$2.99 million or $29.87 million decrease; company J$2.4 million increase or J23.6 million decrease (2011: 5% increase/decrease J$11.34 million, company J$11.32 million).

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

31 FINANCIAL INSTRUMENTS (Cont'd)

31.7 *Interest rate risk management*

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

Interest rate sensitivity analysis

Interest rate sensitivity has been determined based on the exposure to interest rates for the Company's investment in securities at the end of reporting period as these are substantially the interest sensitive instrument impacting financial results. For floating rate financial assets and financial liabilities, the analysis assumes the amount outstanding at year end was outstanding for the whole year. A 400 basis points increase/100 basis points decrease for local currency and 250 basis points increase/50 basis points decrease for United States currency represents management's assessment of the reasonable possible change in interest rates. In 2011, 50 basis points increase/decrease for investments denominated in local and United States currency applied.

Net effect on profit if market interest rates had been 400 or 100 basis points higher or lower for investment denominated in local currency and 250 or 50 basis points higher or lower for investments denominated in United States currency and all other variables were held constant is as follows:

		The Group		The Company	
		2012 $'000	2011 $'000	2012 $'000	2011 $'000
Effect on net profit increase/decrease 50 basis points		-	1,190	-	880
Effect on net profit increase 400 basis points	(J$)	3,225	-	2,724	-
Effect on net profit decrease 100 basis points	(J$)	806	-	681	-
Effect on net profit increase 250 basis points	(US$)	3,675	-	3,285	-
Effect on net profit decrease 50 basis points	(US$)	735	-	657	-

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

31.8 *Credit risk management*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is guided by the investment policies and procedures of the Stock Exchange. In relation to bank accounts and investments securities, the Group, as a policy, deals with credit worthy counterparties, to minimise credit risk exposures. In addition, limits are assigned to various counterparties by the Group.

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

The carrying amount of financial assets recorded in the financial statements (as disclosed in Note 31.3), which is net of impairment losses, represents the Group's maximum exposure to credit risk.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

31.9 ***Liquidity risk management***

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

31.9.1 Liquidity and interest rate tables

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

	The Group						
	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
2012							
Financial assets							
Non-interest bearing		48,325	-	10,959	-	-	59,284
Variable interest rate instruments	2.8	160,370	1,031	3,148	28,242	40,200	232,991
Fixed interest rate instruments	11.02	17,339	36,178	21,892	200,735	82,599	358,743
		226,034	37,209	35,999	228,977	122,799	651,018
Financial liabilities							
Non-interest bearing		101,212	-	7,125	-	-	108,337
Interest bearing loan	10.13	590	1,586	6,354	17,412	-	25,942
Redeemable preference shares	6.5	-	1,058	68,116	-	-	69,174
		101,802	2,644	81,595	17,412	-	203,453
2011							
Financial assets							
Non-interest bearing		51,961	-	7,613	-	-	59,574
Variable interest rate instruments	6.62	46,022	1,164	3,555	40,051	41,131	131,923
Fixed interest rate instruments	12.47	1,645	7,794	15,899	168,878	78,608	272,824
		99,628	8,958	27,067	208,929	119,739	464,321
Financial liabilities							
Non-interest bearing		74,845	-	3,741	-	-	78,586
Interest bearing loan	10	560	1,680	5,039	19,466	-	26,745
Redeemable preference shares	7.1	-	1,155	3,466	68,324	-	72,945
		75,405	2,835	12,246	87,790	-	178,276

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

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

31.9.1 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
2012							
Financial assets							
Non-interest bearing		44,795	-	-	-	-	44,795
Variable interest rate instruments	2.46	160,370	772	2,358	17,849	35,003	216,352
Fixed interest rate instruments	12.24	-	12,383	15,599	176,813	63,503	268,298
		205,165	13,155	17,957	194,662	98,506	529,445
Financial liabilities							
Non-interest bearing		64,920	-	-	-	-	64,920
Interest bearing loan	10.13	590	1,586	6,354	17,412	-	25,942
Redeemable preference shares	6.5	-	1,058	68,116	-	-	69,174
		65,510	2,644	74,470	17,412	-	160,036
2011							
Financial assets							
Non-interest bearing		45,379	-	-	-	-	45,379
Variable interest rate instruments	12.47	46,022	906	2,768	29,077	34,757	113,530
Fixed interest rate instruments	6.62	-	1,263	11,774	128,962	59,376	201,375
		91,401	2,169	14,542	158,039	94,133	360,284
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

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

31.10 ***Fair value of financial instruments***

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

The following methods and assumptions have been used:

(i) Financial assets classified as available-for-sale are measured at fair value by reference to quoted market prices and or dealer/broker price quotations where available. If quoted market prices are not available these fair values are estimated on the basis of pricing models or recognised valuation techniques.

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

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

Management considers that the carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair values.

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). There were no Level 3 fair value investments.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

31 FINANCIAL INSTRUMENTS (Cont'd)

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

	The Group			
	2012			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available-for-sale financial instruments				
Other				
Debt securities	-	308,204	-	308,204
	-	308,204	-	308,204

	The Group			
	2011			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available-for-sale financial instruments				
Other				
Debt securities	-	266,518	-	266,518
	-	266,518	-	266,518

	The Company			
	2012			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Available-for-sale financial instruments				
Other				
Debt securities	-	239,191	-	239,191
	-	239,191	-	239,191

31 FINANCIAL INSTRUMENTS (Cont'd)

31.11 *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				
Other				
Debt securities	-	201,734	-	201,734
	-	201,734	-	201,734

32 DIVIDEND

On April 30, 2012, a dividend of 51 cents per share (total dividend $14.2385 million) was paid to stockholders of fully paid ordinary shares.

A dividend declared by the Directors on January 17, 2013 of 3.14 cents per share was paid to shareholders on February 6, 2013. The total dividend paid is $88 million. The payment of this dividend will not have any tax consequence on the Group.

33 COMPENSATION FUND

33.1 Compensation fund financial position

(a) Compensation fund receipts

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

(b) Contingency reserve

This fund is created out of surpluses for the purpose of providing some protection to the investing public should they suffer pecuniary loss as a result of defalcation or fraudulent misuse of securities or documents of titles to securities. Provisions in respect of the fund are in accordance with Sections 27 to 35 of The Securities Act.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

33 COMPENSATION FUND (Cont'd)

33.1 Compensation fund financial position (Cont'd)

	Notes	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
ASSETS				
Non-current assets				
Investment in securities	33.3	502,866	406,978	395,122
Current assets				
Income tax recoverable		4,809	813	111
Other receivables		10,823	4,260	3,880
Investment in securities	33.3	87,649	161,742	76,539
Cash and cash equivalents	33.4	10,572	15,459	95,468
		113,853	182,274	175,998
Total assets		616,719	589,252	571,120
EQUITY AND LIABILITIES				
Contingency reserve	33.5	604,296	578,617	559,818
Non-current liabilities				
Deferred tax liabilities	33.6	6,356	4,916	4,246
Current liabilities				
Payable and accruals		6,067	5,719	7,056
Total equity and liabilities		616,719	589,252	571,120

33.2 Compensation fund - comprehensive income

	Notes	2012 $'000	2011 $'000	2010 $'000
INCOME				
Investment income		51,321	48,126	58,872
Gain (loss) in value of investments		9,706	(901)	(5,029)
		61,027	47,225	53,843
EXPENSES				
Administrative expenses	33.7	(25,722)	(22,336)	(21,567)
Net income		35,305	24,889	32,276
Taxation	33.8	(8,517)	(8,498)	(3,609)
NET PROFIT		26,788	16,391	28,667
OTHER COMPREHENSIVE INCOME				
Net fair value (loss) gain on revaluation of available-for-sale financial assets during the year		(1,109)	2,408	955
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		25,679	18,799	29,622

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

33 COMPENSATION FUND (Cont'd)

33.3 Investments in securities

	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Held-to-maturity - at amortised cost			
Government of Jamaica Securities			
NWC Variable rate bond 8.375% (2011: 8.31%)	24,363	30,451	30,528
GOJ Benchmark Investment Notes			
Fixed Rate Notes 11.5% (2011: 12.63%)	224,316	165,138	151,609
Variable Rate Notes 8.2% (2011: 7.66%)	156,385	150,070	151,498
Foreign Currency Investments			
GOJ Fixed Rate US$ Global Bonds; 10.625%, 2017 (nominal value US$350,000)	36,753	31,244	30,935
Government of Belize guaranteed mortgage Notes, 2029 (nominal value US$55,200: 4.25%)	4,824	4,313	4,350
GOJ US$ 8% Global Bond 2019 (nominal value US$195,000)	13,927	13,018	13,583
GOJ Fixed Rate US$ Benchmark investment Note 6.75% to 7%, 2013 - 2014 (nominal value US$144,000)	13,632	12,747	12,619
GOJ FR US$ BMI Note 7.25%, 2016 (nominal value US$442,283)	42,376	-	-
	516,576	406,981	395,122
Available-for-sale - At fair value			
Investment in Unit Trusts (see below)	15,548	17,211	13,599
Loans and receivables - At amortised cost			
Repurchase agreements: 5.36% (2011: 3.75% - 7.5%)	6,427	75,667	11,524
Repurchase agreement (nominal value US$571,989; 2.0% - 4.6% (2011: nominal value US$816,827; 2% - 4.6%)	51,964	68,862	51,416
	58,391	144,529	62,940
	590,515	568,721	471,661
Less: Current portion	(87,649)	(161,742)	(76,539)
	502,866	406,979	395,122

The movement for the year in available-for-sale financial assets is as follows:			
Balance at January 1	17,211	13,599	12,166
Movement in fair value	(1,663)	3,612	1,433
Balance at December 31 (see above)	15,548	17,211	13,599

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

33 **COMPENSATION FUND (Cont'd)**

33.4 **Cash and cash equivalents**

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

33.5 **Contingency reserve**

	December 31, 2012 $'000	December 31, 2011 $'000	January 1, 2011 $'000
Opening contingency reserve	578,617	559,818	530,196
Net fair value loss after deferred tax	(1,109)	2,408	955
Net profit	26,788	16,391	28,667
Closing contingency reserve	604,296	578,617	559,818

33.6 **Deferred tax liabilities**

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

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

33 COMPENSATION FUND (Cont'd)

33.8 Income tax

This comprises:

	2012 $'000	2011 $'000
Income tax	6,523	9,032
Deferred tax	1,994	(534)
	8,517	8,498
The charge for the year is reconciled to the net income as follows:		
Net profit before taxation	35,305	24,889
Tax at 33⅓%	11,768	8,296
Tax effect of items not (chargable) deductable in determining taxable profits	(3,251)	202
	8,517	8,498

34 PRIOR YEAR RESTATEMENT

The Compensation Fund was set up for the purpose of providing protection to the investing public in accordance with the Securities act (see Note 33). The contingency reserve which is built up from assets comprising the fund is not part of the Group's distributable reserves.

During the financial year the directors took the decision to clearly separate the assets and liabilities of the Compensation Fund from the Group's consolidated position. The effect of the restatement on the Group's financial position and statement of comprehensive income are as detailed below. The operations of the compensation fund are separately disclosed in Note 33.

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 PRIOR YEAR RESTATEMENT (Cont'd)

34.1.1

	December 31, 2011		
	Previously Reported $	Adjustments $	Restated $
Consolidated statement of financial position			
ASSETS			
Non-current assets			
Property and equipment	93,087	-	93,087
Intangible assets	24,610	-	24,610
Post employment benefits	79,601	-	79,601
Investment in securities:			
Compensation Fund	406,978	(406,978)	-
Other	262,102	-	262,102
Long-term receivables	7,524	-	7,524
Total non-current assets	873,902	(406,978)	466,924
Current assets			
Income tax recoverable	45,791	(9,845)	35,946
Trade and other receivables	68,544	-	68,544
Investment in securities:			
Compensation Fund	175,742	(175,742)	-
Other	19,164	-	19,164
Cash and cash equivalents	54,829	-	54,829
Total current assets	364,070	(185,587)	178,483
Total assets	1,237,972	(592,565)	645,407
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	168,590	-	168,590
Fair value reserve	7,272	-	7,272
Revenue reserve	297,995	-	297,995
	473,857	-	473,857
Contingency reserve	578,617	(578,617)	-
Total equity	1,052,474	(578,617)	473,857
Non-current liabilities			
Long-term liabilities	86,124	-	86,124
Deferred tax liabilities	38,129	(13,948)	24,181
Total non-current liabilities	124,253	(13,948)	110,305
Current liabilities			
Payables and accruals	54,499	-	54,499
Current portion of long-term liabilities	6,746	-	6,746
Total current liabilities	61,245	-	61,245
Total equity and liabilities	1,237,972	(592,565)	645,407

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 **PRIOR YEAR RESTATEMENT (Cont'd)**

34.1.2

	Year Ended December 31, 2011		
	Previously Reported $	Adjustments $	Restated $
Consolidated statement of comprehensive income			
Income	256,288	-	256,288
Expenses	265,391	-	265,391
	(9,103)	-	(9,103)
Investment income	24,863	-	24,863
Other gains	28,477	-	28,477
Compensation Fund income (net)	24,889	(24,889)	-
Finance costs	(6,639)	-	(6,639)
PROFIT BEFORE TAXATION	62,487	(24,889)	37,598
Taxation	(12,177)	8,498	(3,679)
NET PROFIT FOR THE YEAR	50,310	(16,391)	33,919
Net fair value gain on available-for-sale financial assets during the year - contingency reserve	2,408	(2,408)	-
Net fair value gain on available-for-sale financial assets during the year	5,329	-	5,329
OTHER COMPREHENSIVE INCOME	7,737	(2,408)	5,329
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	58,047	(18,799)	39,248

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 PRIOR YEAR RESTATEMENT (Cont'd)

34.2.1

	January 1, 2011		
	Previously Reported $	Adjustments $	Restated $
Consolidated statement of financial position			
ASSETS			
Non-current assets			
Property and equipment	87,555	-	87,555
Intangible assets	12,977	-	12,977
Post employment benefits	76,163	-	76,163
Investment in securities:			
Compensation Fund	395,122	(395,122)	-
Other	286,435	-	286,435
Long-term receivables	6,935	-	6,935
Total non-current assets	865,187	(395,122)	470,065
Current assets			
Income tax recoverable	37,787	111	37,898
Trade and other receivables	26,963	-	26,963
Investment in securities:			
Compensation Fund	169,053	(169,053)	-
Cash and cash equivalents	36,723	-	36,723
Total current assets	270,526	(168,942)	101,584
Total assets	1,135,713	(564,064)	571,649
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	168,590	-	168,590
Fair value reserve	1,943	-	1,943
Revenue reserve	264,076	-	264,076
	434,609	-	434,609
Contingency reserve	559,818	(559,818)	-
Total equity	994,427	(559,818)	434,609
Non-current liabilities			
Long-term liabilities	69,487	-	69,487
Deferred tax liabilities	29,789	(4,246)	25,543
Total non-current liabilities	99,276	(4,246)	95,030
Current liabilities			
Payables and accruals	40,460	-	40,460
Current portion of long-term liabilities	1,550	-	1,550
Total current liabilities	42,010	-	42,010
Total equity and liabilities	1,135,713	(564,064)	571,649

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 **PRIOR YEAR RESTATEMENT (Cont'd)**

34.2.2

	Year Ended December 31, 2010		
	Previously Reported $	Adjustments $	Restated $
Consolidated statement of comprehensive income			
Income	199,378	-	199,378
Expenses	216,439	-	216,439
	(17,061)	-	(17,061)
Investment income	33,159	-	33,159
Compensation Fund income (net)	32,276	(32,276)	-
Finance costs	(13,800	-	(13,800)
PROFIT BEFORE TAXATION	34,574	(32,276)	2,298
Taxation	2,828	(3,609)	(781)
NET PROFIT FOR THE YEAR	37,402	(35,885)	1,517
Net fair value gain on available-for-sale financial assets during the year - contingency reserve	955	(955)	-
Net fair value gain on available-for-sale financial assets during the year	878	-	878
Net gain arising on held-to-maturity financial assets reclassified to available-for-sale during the year	1,065	-	1,065
OTHER COMPREHENSIVE INCOME	2,898	(955)	1,943
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	40,300	(36,840)	3,460

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 **PRIOR YEAR RESTATEMENT (Cont'd)**

34.3.1

	December 31, 2011		
	Previously Reported $	Adjustments $	Restated $
The company statement of financial position			
ASSETS			
Non-current assets			
Property and equipment	85,806	-	85,806
Intangible assets	11,095	-	11,095
Investment in subsidiary	61,000	-	61,000
Post employment benefits	62,439	-	62,439
Investments in securities			
Compensation Fund	406,978	(406,978)	-
Other	201,734	-	201,734
Long-term receivable	7,111	-	7,111
Total non-current assets	836,163	(406,978)	429,185
Current assets			
Income tax recoverable	44,330	(9,845)	34,485
Trade and other receivables	38,026	-	38,026
Investments in securities			
Compensation Fund	175,742	(175,742)	-
Other	10,825	-	10,825
Due from related party	36,805	-	36,805
Cash and cash equivalents	40,652	-	40,652
Total current assets	346,380	(185,587)	160,793
Total assets	1,182,543	(592,565)	589,978
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	168,590	-	168,590
Fair value reserve	6,456	-	6,456
Revenue reserve	276,653	-	276,653
	451,699	-	451,699
Contingency reserve	578,617	(578,617)	-
Total shareholders' equity	1,030,316	(578,617)	451,699
Non-current liabilities			
Long-term liabilities	86,124	-	86,124
Deferred tax liabilities	29,712	(13,948)	15,764
Total non-current liabilities	115,836	(13,948)	101,888
Current liabilities			
Payables and accruals	29,645	-	29,645
Current portion of long-term liabilities	6,746	-	6,746
Total current liabilities	36,391	-	36,391
Total equity and liabilities	1,182,543	(592,565)	589,978

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 **PRIOR YEAR RESTATEMENT (Cont'd)**

34.3.2

	Year Ended December 31, 2011		
	Previously Reported	Adjustments	Restated
	$	$	$
The Company statement of comprehensive income			
Income	159,512	-	159,512
Expenses	194,596	-	194,596
	(35,084)	-	35,084
Investment income	18,292	-	18,292
Other gains	28,477	-	28,477
Compensation Fund income (net)	24,889	(24,889)	-
Finance costs	(6,480)	-	(6,480)
PROFIT BEFORE TAXATION	30,094	(24,889)	5,205
Taxation	(1,048)	(8,498)	7,450
NET PROFIT FOR THE YEAR	29,046	(16,391)	12,655
Net fair value gain on available-for-sale financial assets during the year - contingency reserve	2,408	(2,408)	-
Net fair value gain on available-for-sale investment assets during the year	4,111	-	4,111
OTHER COMPREHENSIVE INCOME	6,519	(2,408)	4,111
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	35,565	(18,799)	16,766

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 **PRIOR YEAR RESTATEMENT (Cont'd)**

34.4.1

	January 1, 2011		
	Previously Reported $	Adjustments $	Restated $
The company statement of financial position			
ASSETS			
Non-current assets			
Property and equipment	79,582	-	79,582
Intangible assets	9,192	-	9,192
Investment in subsidiary	56,000	-	56,000
Post employment benefits	60,131	-	60,131
Investments in securities			
Compensation Fund	395,122	(395,122)	-
Other	215,643	-	215,643
Long-term receivable	5,771	-	5,771
Total non-current assets	821,441	(395,122)	426,319
Current assets			
Income tax recoverable	31,142	111	31,253
Trade and other receivables	16,051	-	16,051
Investments in securities			
Compensation Fund	169,053	(169,053)	-
Due from related party	64,705	-	64,705
Cash and cash equivalents	16,610	-	16,610
Total current assets	297,561	(168,942)	128,619
Total assets	1,119,002	(564,064)	554,938
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	168,590	-	168,590
Fair value reserve	2,345	-	6,456
Revenue reserve	263,998	-	263,998
	434,933	-	434,933
Contingency reserve	559,818	(559,818)	-
Total shareholders' equity	994,751	(559,818)	434,933
Non-current liabilities			
Long-term liabilities	69,487	-	69,487
Deferred tax liabilities	25,405	(4,246)	21,159
Total non-current liabilities	94,892	(4,246)	90,646
Current liabilities			
Payables and accruals	27,809	-	27,809
Current portion of long-term liabilities	1,550	-	1,550
Total current liabilities	29,359	-	29,359
Total equity and liabilities	1,119,002	(564,064)	554,938

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

34 PRIOR YEAR RESTATEMENT (Cont'd)

34.4.2

	Year Ended December 31, 2010		
	Previously Reported $	Adjustments $	Restated $
The Company statement of comprehensive income			
Income	145,258	-	145,258
Expenses	164,550	-	164,550
	(19,292)	-	(19,292
Investment income	27,679	-	27,679
Compensation Fund income (net)	32,276	(32,276)	-
Finance costs	(13,800)	-	(13,800)
PROFIT (LOSS) BEFORE TAXATION	26,863	(32,276)	(5,413)
Taxation	4,434	3,609	825
NET PROFIT (LOSS) FOR THE YEAR	31,297	(28,667)	(4,588)
Net fair value gain on available-for-sale financial assets during the year - contingency reserve	955	(955)	-
Net fair value gain on available-for-sale investments during the year	2,612	-	2,612
Net gain on held-to-maturity financial assets reclassified to available-for-sale during the year	(267)	-	(267)
OTHER COMPREHENSIVE INCOME	3,300	(955)	2,345
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	34,597	(29,622)	2,243

35 SUBSEQUENT EVENT

On February 12, 2013 the Government of Jamaica (GOJ) invited holders of certain domestic debt instruments to voluntarily participate in the National Debt Exchange (NDX) programme. The stated objectives of the programme are to reduce the interest expense, as well as lengthen the maturity profile, of GOJ's domestic debt portfolio. Under the NDX, GOJ intends to retire certain existing debt instruments ("Benchmark Investment Notes") and issue new debt instruments ("New Benchmark Investment Notes") of longer duration with coupon rates that are lower than the rates of the existing debt instruments.

At December 31, 2012, holdings of the relevant debt instruments were as follows:

	Nominal Value $'000	Inclusive of US$'000
The Group	153,708	259
The Company	117,983	109

35 **SUBSEQUENT EVENT (Cont'd)**

The Company accepted the invitation to participate in the NDX. The Company's portfolio of Old Notes has been replaced with a portfolio of New Notes on a "par for par" basis such that the principal amounts that would have been received at maturity from the Old Notes are equal to the corresponding amounts to be received from the New Notes. Any gain or loss on derecognition of the Old Notes, will be recognised in the statement of comprehensive income for year ending December 31, 2013. Concerning the defined benefit pension plan for employees of the Group and the Company, the NDX may also have an impact on the defined benefit obligations going forward. At December 31, 2012 post employment benefit asset of $85.208 million and $66.562 million were included in the statement of financial position of the Group and the Company respectively.