



JAMAICA
STOCK
EXCHANGE

*"Providing A Fair, Efficient and
Transparent Stock Market"*



ANNUAL REPORT 2012

*"Social Changes: Catalyst for Regional
Investments, Growth & Development"*



*"Social Changes: Catalyst for Regional
Investments, Growth & Development"*

ANNUAL
REPORT
2012

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*M*ISSION STATEMENT

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

UR CORPORATE OBJECTIVES

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

Its principal objectives are:

To promote the orderly and transparent development of the stock market and the stock exchange in Jamaica.

To ensure that the stock market and its broker members operate at the highest standards practicable.

To develop, apply and enforce the rules designed to ensure public confidence in the stock market and its broker-members.

To provide facilities for the transaction of stock market business.

To conduct research, disseminate relevant information and maintain local and international relationships which can enhance the development of the Jamaica stock market.

NOTICE OF 36th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Sixth (36th) Annual General Meeting of the Jamaica Stock Exchange will be held at the Jamaica Stock Exchange, 40 Harbour Street, Kingston on Thursday, June 20, 2013, commencing at 1:00 p.m. for the following purposes:

1. To Adopt the Audited Financial Statements

To receive the Audited Group Financial Statements for the year ended December 31, 2012, together with the Directors' and Auditors' Reports.

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

Resolution No. 1

"That the Audited Group Financial Statements for the year ended December 31, 2012, and the Reports of the Directors and Auditors be adopted."

2. To Elect Directors

The Directors retiring from office by rotation pursuant to Article 103 of the Company's Articles of Incorporation are: Mr. Christopher Berry, Mr. Dennis Cohen, Mrs. Jane George, Mrs. Rita Humphries-Lewin and Mrs. Janet Morrison.

All the Directors, being eligible, offer themselves for re-election.

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

Resolution No. 2

- (i) ***"That Director Christopher Berry, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.***
- (ii) ***"That Director Dennis Cohen, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.***
- (iii) ***"That Director Allan Lewis, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.***
- (iv) ***"That Director Rita Humphries-Lewin, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.***
- (v) ***"That Director Jane George, who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.***

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

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

Resolution No. 3

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

(Cont'd on next page)

NOTICE OF 36th ANNUAL GENERAL MEETING (Cont'd)

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

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

Resolution No. 4

"That the Directors be and are hereby authorized to fix their fees for the fiscal period 2013/2014."

5. *To Transact any other Ordinary Business of the Company.*

BY ORDER OF THE BOARD



Marlene J. Street-Forrest

Secretary

Dated: April 9, 2013

IMPORTANT NOTE FOR MEMBERS WHO ARE NOT ABLE TO ATTEND:

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

DIRECTORS' REPORT

The Directors submit herewith the Audited Financial Statements for the Jamaica Stock Exchange and its wholly owned subsidiary, the Jamaica Central Securities Depository for the year ended December 31, 2012 along with the accompanying notes as follows:

1. Consolidated Statement of Comprehensive Income
2. Consolidated Statement of Financial Position
3. Consolidated Statement of Changes in Equity
4. Consolidated Statement of Cash Flows

Income for the year was \$504.3 Million compared to the Income of \$256.3 Million for 2011; an increase of 96.8%. Investment Income was \$38.2 Million, compared to \$24.9 Million in 2011 representing an increase of 53.4%. Other gains of \$5.9 Million represents a write-off of professional fees for which provision was made in a prior year.

Total Expenses for the year, (inclusive of finance cost) increased by 33.4% to \$362.8 Million in 2012, with the most significant absolute increase that of Securities Commissions fees. Profit before taxation was \$185.6 Million compared to \$37.6 Million in 2011.

Consolidated Total Assets of the Group as at December 31, 2012 were \$789.4 Million compared to \$645.4 Million for 2011. Total Equity increased from \$473.9 Million in 2011 to \$581.5 million in 2012, up 22.7%.

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



.....
Donovan H. Perkins
Chairman

DIRECTORS AND SENIOR MANAGEMENT PROFILES OF DIRECTORS



Mr. Donovan Perkins - Chairman

Donovan H. Perkins, BA (Hons.), MBA is the President & CEO of Sagicor Investments Jamaica Ltd (formerly PanCaribbean). Prior to joining Sagicor, he worked with Bank of America in Corporate Banking. In addition to serving on the Board of the Exchange, he sits on the Boards of Pan Jamaican Investment Trust Limited and Jamaica Producers Group.

He previously served the public sector as Deputy Chairman of the National Water Commission, and as a director of the National Insurance Fund and Jamaica Social Investment Fund. His private sector contribution includes lobby associations as Vice President of the Private Sector Organisation of Jamaica and the Jamaica Bankers Association.

Mr. Perkins holds a Bachelor's Degree in Finance (Hons.) from the University of South Florida and an MBA with concentrations in Finance and Marketing from the Darden School at the University of Virginia.

Mr. Allan Lewis - Deputy Chairman

Mr. Allan Lewis is the Senior Vice President, Group Strategy, of the Victoria Mutual Group Limited where he has served for the past 6 years. Prior to this, Mr. Lewis served as Managing Director of Prime Asset Management Limited, where he is currently a Director. Mr. Lewis has had a distinguished career in life insurance and pension fund risk management, asset management, and strategic planning. He achieved the designation Associate of the Society of Actuaries in 1986, and a Masters in Business Administration in 1987.

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



Mr. Curtis Martin

Mr. Curtis Martin is the former Deputy Group President of Capital and Credit Financial Group, as well as the former CEO of Capital & Credit Merchant Bank (CCMB) and Capital & Credit Securities.

He has over 30 years experience in the financial services sector and served as Chairman of the Jamaica Stock Exchange from 2006 to 2011.

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

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



Mrs. Rita Humphries-Lewin, C.D.

Mrs. Humphries-Lewin is a past Chairman of the JSE and is the Founder and Chairman of the Barita Companies, which includes Barita Investments Limited and Barita Unit Trusts Management Company Limited. A pioneer in stock broking in Jamaica and the wider Caribbean, her sterling contribution led to her being conferred with The Order of Distinction, Commander Class by the Government of Jamaica in the year 2000.

A philanthropist in many areas of the Jamaican society, her passion continues to rest in the field of early childhood education. She was honoured in 2012 with a Doctorate Degree of Education in Leadership by Mico University, for her contribution to early childhood development.

DIRECTORS AND SENIOR MANAGEMENT PROFILES OF DIRECTORS

Mr. Edwin McKie; C.D.

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

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



Mr. Christopher Berry

Christopher Berry has been the Executive Chairman of Mayberry Investments Limited since 1993. A former Deputy Chairman of the Jamaica Stock Exchange, he sits on several boards, including the Jamaica Central Securities Depository, Access Financial Services, Apex Health Care Associates Limited, Apex Pharmacy Limited, Air Jamaica Limited, Rose Town Foundation for The Built Environment and St. Edmund Trust.

He has over twenty years experience in the securities industry, having joined Mayberry Investments Limited in 1987, when he was responsible for corporate planning and information technology. He subsequently led the company's listing on the Jamaica Stock Exchange in 2005.

Mr. Berry has a Bachelor of Industrial Engineering (Hons.) from the Georgia Institute of Technology, Atlanta, Georgia.

Interests are tennis, sailing, basketball, computers and economics.

He is married to Dr. Patricia Yap-Berry with two (2) children



Mr. Mark Croskery

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

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

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

Mr. Croskery is a Director of Island Ice & Beverage Company Limited (IIBC) and is a Member of Young Presidents' Organization (YPO). Mr. Croskery is the Second Vice President of the Jamaica Securities Dealers Association (JSDA) and was also appointed to the Task Force of Caymanas Track Ltd for recommendations for the divestment of this Entity.

Mr. Croskery previously served as Chairman of the Fisheries Management & Development Fund and as a Director on the Boards of Land Administration & Management Programme, the Sugar Company of Jamaica and the Jamaica Racing Commission.

DIRECTORS AND SENIOR MANAGEMENT PROFILES OF DIRECTORS



Mr. Garth Kiddoe

Mr. Kiddoe is Chairman of the Professional Engineers Registration Board (PERB). He is a Project Supply Chain Manager in the Project Management Unit for the UTech Enhancement Project, a US\$42.6 Million project funded jointly by the Government of Jamaica, the Caribbean Development Bank and the University of Technology, Jamaica (UTech). He is a former Dean of the Faculty of Business and Management (now College of Business and Management) at Utech.

Mr. Kiddoe is also deputy Chairman of the Greater Caribbean Regional Engineering Accreditation System (GCREAS), an independent accreditation agency involving representatives from the Dominican Republic, Panama and Jamaica. He is a member of the Board of Directors of the Jamaica Stock Exchange (JSE), Chairman of the Board of the Jamaica Central Securities Depository Ltd, a subsidiary of the JSE and a member of the Public Accountancy Board. He is a past President of the Jamaica Institution of Engineers, the Institute of Chartered Accountants of Jamaica and the Institute of Chartered Accountants of the Caribbean.



Mr. Robert Drummond

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

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

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

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

Mr. Lissant Mitchell

Lissant Mitchell has over 18 years experience in the local financial industry. He joined Scotia Investments in October 2007 as SVP Treasury & Capital Markets and was promoted to Chief Operating Officer in October 2010, and appointed Senior Vice President Wealth Management – Scotiabank Group Jamaica & Chief Executive Officer – Scotia Investments Jamaica Limited in November 2011.

Lissant has served as the President of the Primary Dealers Association and is currently the Secretary of the Jamaica Securities Dealers Association. He sits on Scotiabank's and Scotia Investments' Asset & Liability Committees as well as the Group's Managed Funds Investment Committee. He is also a director of Scotia Investments Jamaica Limited, Scotia Asset Management Jamaica Limited, Scotia Caribbean Income Fund, and the Jamaica Stock Exchange.

Mr. Mitchell holds a MBA from the University of Manchester, and a BSc in Accounting and Economics from the University of the West Indies.



Mr. Julian Mair

Mr. Julian Mair is the Chief Investment Strategist at Jamaica Money Market Brokers Limited. Julian brings a wealth of experience to this position, having played a critical role in the development of Jamaica's capital market for over 19 years. Prior to his appointment, the firm benefited from his wealth of knowledge when he served as Senior Trader and Cambio Manager. He has consulted with various international financial institutions in structuring global issues, primarily for the Government of Jamaica.

Before joining JMMB, Julian worked with some of the island's leading financial institutions in key positions, including Dehring, Bunting and Golding (now Scotia Investments Jamaica) where he headed the Treasury and Investment arm and Lets Investment Ltd. where he was Managing Director. Under his leadership, that boutique operation became a global player in the trading of internationally issued securities.

Julian is a founding member and executive of the Jamaica Securities Dealers' Association and serves as a director of JMMB Securities Limited, JMMB International, JMMB BDI America and the Jamaica Stock Exchange.



DIRECTORS AND SENIOR MANAGEMENT PROFILES OF DIRECTORS



Mr. Dennis George Cohen

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

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

As Deputy Group Managing Director, Mr Cohen is charged with oversight of a number of the Group's business segments including retail, corporate, insurance and wealth management. As CEO of NCB Capital Markets Ltd., he has responsibility for the day to day management of the Group's securities dealership and stock brokerage business, which forms a major part of the wealth management segment.

Mr Cohen is the Chairman of Advantage General Insurance Company Limited. He is also a director of National Commercial Bank Jamaica Limited, NCB Capital Markets Limited, NCB Insurance Company Limited, NCB (Cayman) Limited, West Indies Trust Company Limited and Chairman for Mutual Security Insurance Brokers Limited. He is also a fellow of the Institute of Chartered Accountants of Jamaica (ICAJ).

Dennis obtain his bachelors degree at the U.W.I. before qualifying in areas as a chartered accountant.

Mrs. Marlene Street Forrest; J.P.

Mrs. Marlene Street-Forrest is the General Manager of the Jamaica Stock Exchange. Mrs. Street-Forrest has a B.Sc. in Management Studies and an MBA. She has over twenty five years of combined experience in financial and general management.

Her mandate as General Manager of the JSE is to continue the process of developing the Exchange, ensuring that cutting edge technology is used to assist in providing the greatest level of efficiencies in the market.

Mrs. Street-Forrest, who is a Justice of the Peace, serves as Secretary of the Board of the JSE and a Director of the Jamaica Central Securities Depository Ltd.



There are six alternate Directors' who have been approved by the Directors of the Exchange. These are:

1. Mr. Dylan Coke NCB Capital Markets Limited
2. Mr. Phillip Armstrong Sagicor Investments Limited
3. Mr. Ian McNaughton Barita Investments Limited
4. Mr. Gary Peart Mayberry Investments Ltd.
5. Dr. Derrick McKoy MV/L Stock Brokers Limited
6. Mr. Jason Chambers First Global Financial Services Limited

INDEPENDENT MEMBERS OF THE JSE BOARD OF DIRECTORS



Miss Dian Black

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

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

Miss Black obtained her first degree from the U.W.I. And her MBA in Banking & Finance at the University of Wales & Manchester Business School.

Mrs. Jane George

Mrs. Jane George assumed the role of Corporate Attorney-at-Law and Head of the Legal Department of The Lascelles, deMercado Group of Companies in 2001, becoming the Company Secretary and head of the Corporate Secretariat in 2005. She was admitted as a Solicitor in England and Wales and as an Attorney-at-Law in Jamaica and is a member of the Law Society of England & Wales and the Jamaican Bar Association.

Mrs. George, who has approximately 26 years experience in the legal profession in Jamaica and England, joined the Board of the Jamaica Stock Exchange in 2008. She sits on the Regulatory and Market Oversight Committee, the Corporate Governance and Nomination Committee, the Audit and Finance Committee of the Board and the Member Dealer Admissions Committee.



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

Livingstone Morrison is the Deputy Governor of the Bank of Jamaica with responsibility for Administration and Technical Services, Finance and Technology and Payment System and Risk Management.

Mr. Morrison joined the staff of the Bank of Jamaica in 1982 and worked for several years in the Financial Institutions Supervisory Division. Between 1998 and 2002, Mr. Morrison served as the Division Chief of the Finance and Technology Division, with core responsibilities for strategic management of the accounting, finance, and information and communication technology functions of the Bank. In 2011, Mr. Morrison assumed responsibility for the Administration and Technical Services Division in addition to the Finance and Technology and Payment System and Risk Management Division.

Mr. Morrison Chair the Regulatory & Market Oversight Committee and is also a Director of the Jamaica Central Securities Depository. He studied at the U.W.I. And University of Oxford and holds a masters degree in Accounting.



INDEPENDENT MEMBERS OF THE JSE BOARD OF DIRECTORS

(Cont'd)



Mrs. Janet E. Morrison

Janet Morrison was called to the Jamaican Bar in 1978 and has been a partner at DunnCox since 1995. Her practice is primarily in the area. She is listed in IFLR 1000 as one of the world's leading lawyers.

A graduate of the University of the West Indies and the Norman Manley Law School, Janet also holds a Masters Degree in Commercial and Corporate Law from the University of the West Indies.

Janet is a member of the council of the Jamaican Bar Association and the Commercial Law Sub-Committee of the Bar Association and acted as one of its representatives in deliberations before the Jamaican Parliament in the drafting of the Companies Act. She is also a member and former chairman of the Publications Sub-committee of the Bar Association. She has presented at several conferences on Corporate Governance, the Pensions Act and the Companies Act and has contributed many legal commentaries and articles in the Jamaican press. She is an Associate Tutor at the Norman Manley Law School. Janet is also chairman of the Justice Reform Committee of the Private Sector Organization of Jamaica and is a member of Jamaica Institute of Arbitrators Limited, a charitable organization. Janet became a member of the Chartered Institute of Arbitrators in 2011.

JSE BOARD COMMITTEES 2011/2012

LISTING COMMITTEE

Chairman: Mr. Donovan Perkins
Mr. Allan Lewis
Mrs. Rita Humphries-Lewin (Alternate Mr. Ian McNaughton)
Mr. Livingstone Morrison
Miss Dian Black
Mr. Dennis Cohen (Alternate Mr. Dylan Coke)

MEMBER DEALER ADMISSION COMMITTEE

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

COMPENSATION COMMITTEE

Chairman: Mr. Donovan Perkins
Mr. Garth Kiddoe
Mr. Mark Croskery
Mr. Dennis Cohen (Alternate Mr. Dylan Coke)
Miss Dian Black

REGULATORY & MARKET OVERSIGHT COMMITTEE

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE & NOMINATION COMMITTEE

Chairman: Mrs. Janet Morrison
Mr. Garth Kiddoe
Mrs. Jane George
Mr. Lissant Mitchell
Mr. Ed McKie (Alternate Dr. Derrick McKoy)

EXECUTIVE COMMITTEE

Chairman: Mr. Donovan Perkins
Mr. Allan Lewis
Mr. Christopher Berry (Alternate Mr. Gary Peart)
Mr. Ed McKie (Alternate Dr. Derrick McKoy)
Mr. Julian Mair
Mrs. Janet Morrison
Mrs. Marlene Street Forrest (Co-opted)
Mr. Robin Levy (Co-opted)

RULES COMMITTEE

Chairman: Mr. Allan Lewis
Mr. Dennis Cohen (Alternate Mr. Dylan Coke)
Mr. Christopher Berry (Alternate Mr. Gary Peart)
Mr. Garth Kiddoe
Miss Dian Black

THE MANAGEMENT TEAM



Michelle
Sirdar
Manager,
Registrar
Services

Josephine
Lewis
Manager,
Trustee
Services

Doreen
Parsons Smith
Human
Resources
Manager

Marlene
Street Forrest
General
Manager,
JSE

Suzette
Whyte
Financial
Controller

Wentworth
Graham
Chief
Regulatory
Officer

THE MANAGEMENT TEAM



Suzette
McNaught
Manager,
Information
Technology
& Systems

Ricalya
Robb
Market
Operations
& Trading
Manager

Robin Levy
General
Manager, JCSD
& Deputy General
Manager, JSE

Kadyll
McNaught
Hermitt
Manager,
Equity
Operations

Neville Ellis
Marketing
Manager

From the Chairman's Desk



Mr. Donovan Perkins
Chairman
Jamaica Stock Exchange

On behalf of our Directors, I am pleased to report on the Group's performance in 2012. Given the challenges facing the Jamaican economy, the Jamaica Stock Exchange reported positive results with Profit after Tax of \$128.7 Million compared to \$33.9 Million in 2011.

These strong results were positively impacted by two acquisition transactions during the year: Campari's purchase of the ordinary and preference shares in Lascelles deMercardo, and JMMB Group's successful offer for Capital & Credit Financial Group. Both deals were seamlessly conducted over our Exchange, influencing the doubling of our revenues to \$504 Million.

Globally, signs of economic recovery were signaled by the number of equity markets that showed signs of improvement as many indices rose. However, in Jamaica our main market index reflected a 3% contraction while the junior market index posted a contraction of 13%. Within the region, both the main index of Trinidad & Tobago's and Barbados increased by 5.15 % and 1.10% respectively.

Junior Market

The Junior Market continued to be a growth driver with continued its positive development, with four new companies listed in 2012. These were KLE, Purity, Paramount Chemical and C2W and we welcome these new entities and their shareholders. We expect this trend to continue with additional listings in 2013.

Main Market

Despite a contraction in the fourth quarter, equities showed signs of recovery in expectation that an IMF Agreement would be signed and reduce deep concerns emerging that began to be reflected in the currency markets locally.

New Member Dealers

The JSE's strategic focus in 2012 was to increase listings, attract new investors, broaden the number of number of stockbrokers and develop more products. We believe that this will help to drive our shareholder value in the future. Accordingly, in fulfillment of these objectives, we invited Proven Investments Ltd. to join the JSE as our newest stockbroker. We expect Proven, along with all our existing stockbrokers, to compete and play an important role in growing our market and its prospects.

We also expect another new broker in 2013 to bring additional energy and customers to the equity markets.

(Cont'd on next page)

From the Chairman's Desk (Cont'd)

2013 OUTLOOK

With an IMF Agreement expected in 2013 and continuing uncertainty regarding Jamaica's growth prospects, our stock exchange must play an important role in supplying capital that creates wealth and supports Jamaica's development, economic growth and an expanding tax base. Without growth and economic recovery, it will become increasingly difficult for our listed companies to improve their earnings, pay decent salaries and reward investors through dividends and capital appreciation.

We count amongst our shareholders, some of the largest and most successful companies in Jamaica, and the Jamaica Stock Exchange will use its influence as well as that of our shareholders, to ensure that steps are taken to further encourage efficient, transparent capital markets and a business environment that promotes development of Jamaica.

THANKS

In closing, I wish to thank my fellow directors along with the executives of the Exchange for their support and advice during 2012. I also acknowledge the work of our Committee Chairmen, who do much of the work behind the scenes to make our jobs easier when we meet as directors.

The JSE's performance last year was also supported by a wider Team that gets the job done and is supportive of the listed companies and their shareholders. Their efforts deserve to be recognized and I express my appreciation on the Board's behalf.



.....
Mr. Donovan Perkins
Chairman
Jamaica Stock Exchange

Chairman's Report Regulatory & Market Oversight Committee



Mr. Livingstone Morrison
Chairman

In 2012 Jamaica celebrated its Golden Jubilee, as well as the historic achievements of its athletes at the London Summer Olympics. Both events gave Jamaicans, at home and in the diaspora, an opportunity to highlight and reflect on the country's achievements. The year 2012 also marked the fifth anniversary since the Board of the Jamaica Stock Exchange (JSE) ceded its regulatory responsibilities to the Regulatory & Market Oversight Committee (RMOC). This report provides an opportunity to review and reflect on the Committee's performance since inception and during 2012 in particular.

Principal Activities

The RMOC operates on core principles of being independent, accountable, transparent and of high integrity. Since its establishment, the Committee has demonstrated independence with it being comprised of only Independent Directors of the JSE's Board, and having all its decisions final and binding on the Exchange. The RMOC's accountability and transparency are demonstrated with the provision of monthly reports to the Board of the JSE, as well as providing the Financial Services Commission with advisories from time to time, and seeking their review and approval for rule amendments. The Committee prides itself as operating on high integrity standards based on its Terms of Reference, and against the background of a new undertaking in 2012 where members agreed to endorse a conflict of interest declaration statement to disclose whether they may be conflicted in fulfilling their responsibilities. This endorsement will be done at the beginning of each year, and as the need arises.

During the course of the year, the RMOC had one (1) Special Meeting and ten (10) Regular Meetings. All Committee members attended the Special Meeting, and members' attendance at Regular Meetings is presented in Table 1 below:

Table 1 RMOC Regular Meeting Attendance in 2012

RMOC Member s	Number of meetings out of 10
Livingstone Morrison (Chairman)	10
Dian Black	9
Jane George	8
Garth Kiddoe	10
Janet Morrison	8

Functional Deliverables

In reviewing the activities of the RMOC it will be highlighted that one of its mandates is to adopt measures and rules necessary to strengthen market integrity. In this regard, since inception the Committee has reviewed and introduced seven (7) market rules and guidelines, and of the set four (4) were done in the year 2012; they are as follows:

(Cont'd on next page)

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

- JSE Rule 402 C & 402 D Minimum Issued Capital;
- JSE Rule 215 Advertising;
- JSE Rule Appendix 3, Section 18 Listing Agreement; and
- JSE Junior Market Rule Appendix 2, Part 4 (1a)(i)&(ii)
- Ongoing Reporting Requirements.

In addition to the above mentioned rules the RMOC is forecasting the introduction of five (5) rules amendments during the course of 2013. The rules in progress are as follows:

- Jamaica Stock Exchange Model for Securities Transaction by Directors and Senior Executives of Listed Companies - Main Market;
- Jamaica Stock Exchange Model for Securities Transaction by Directors and Senior Executives of Listed Companies - Junior Market;
- JSE Rule 228 Disciplinary Proceedings;
- JSE Rule Appendix 1 Takeovers and Mergers; and
- JSE Rule Appendix 14 Fines and Penalties.

One of the objectives of the RMOC is to monitor the conduct of Member-Dealers and Listed Companies, and where necessary take steps to enforce compliance of market regulations. Over the past five (5) years the RMOC has reviewed and decided on thirty-three (33) regulatory cases involving Member dealers and Listed Companies, and of the set seven (7) were done during the course of 2012.

Another responsibility of the Committee is to create policy direction of its operational arm, the Regulatory and Market Oversight Division (RMOD). Given this undertaking, it can be reported that since its establishment the Division has operated within budget. The Division has also instituted operational procedures for reviewing prospectuses, circulars, corporate communications, preparing regulatory reports and assessing Listed Companies' and Member-Dealers' financial statements. In overseeing the policy development of the RMOD, the Committee has been very keen on building its institutional framework, and that of the wider JSE. In this regard, in 2012 on behalf of the Exchange, the RMOC signed a Memorandum of Understanding with the Institute of Chartered Accountants of Jamaica (ICAJ), which is expected to enhance information sharing between both institutions, while providing the staff of the RMOD with access to relevant training opportunities offered by the ICAJ. The RMOD is responsible for the implementation of the

Exchange's oversight responsibilities; a depiction of the Division's oversight performance activities over the past five (5) years is presented in Table 2 below:

Table 2 Performance Indicators

Activity	2012	2011	2010	2009	2008
Member - dealers timely filing of Monthly Statements	97%	99%	97%	95	95%
Member - dealers timely filing of Quarterly Statements	93%	100%	95%	93%	95%
Member - dealers timely filing of Audited Statements	91%	100%	73%	73%	64%
Member - dealers Indemnity Insurance Renewal	100	100%	100%	100%	100%
Listed Companies timely filing of Unaudited Statements	80%	76%	72%	77%	75%
Listed Companies timely filing of Audited Statements	56%	64%	61%	76%	47%
Listed Companies timely filing of Annual Reports	49%	43%	49%	48%	46%
Total Number of regulatory/compliance issues	128	127	125	123	86
Percentage of regulatory/compliance issues closed	96%	98%	98%	95%	96%
Total Number of Enforcement Actions	9	1	9	6	8
Total Enforcement Charges (\$000)	565	5	380	720	400

Based on the above performance indicators it is recognized that Listed Companies' timely filing of Audited and Annual Reports require urgent attention. It is further recognized that there are deficiencies in the existing rules to address these issues. The pending implementation of JSE Rule Appendix 14 – Fines and Penalties is intended to assist the RMOC in promoting improvement in the compliance indicators.

Closing Remarks

In closing, I wish to express gratitude to all members of the RMOC and the RMOD for the very fruitful year and note my expectation of continued intensity in the regulatory activities in 2013. It is also fitting to use this opportunity to urge members of the RMOC and RMOD to recommit to the task of solidifying the benefits of the separation of the regulatory functions of the Exchange from its commercial activities, as a critical step in the process of promoting the highest standards of market efficiency, transparency and integrity.



Mr. Livingstone Morrison.
Chairman

Audit and Finance Committee Report

The Jamaica Stock Exchange and Its Subsidiaries

During the year under review the Audit and Finance Committee of the Jamaica Stock Exchange (The Exchange) was successful in the fulfillment of its mandate to assist the Board with the oversight responsibilities regarding the integrity of the Company's financial statements, compliance, legal and regulatory requirements, and to serve as the conduit of communication between the Board, the management team and the internal and external auditors. The Committee's main focus for 2012 was on the viability and sustainability of new products launched especially JSE e-Campus, the Group's investments in light of lower than expected revenue inflows in the first half of the year that could impact cash flow and interest income, the budgetary process, financial controls, efficiencies and internal audit reviews.

The Committee focused on compliance with the Company's policy guidelines in respect of effective management of the company's resources and within each period it took a meaningful look at the outturn of the Group's financial performance for the period under review in the context of the Group's budget. Given the introduction of new trading and settlement platforms in December 2011, the Committee conducted a comprehensive post implementation review to ensure that the systems were functional, strengthened operating control and improved on the Group's risk management capabilities and service delivery. Members continued to review the level of internal audit observations and examined the responsiveness of management to effect recommended changes. The Committee was pleased with the level of responsiveness by management and their effort in ensuring that the standards set, as outlined by the policies relating to operational controls and risk management strategies, were maintained and improved. Further, the Group's responsiveness to queries and recommendations was rated as excellent by the Committee and the Internal Auditors.


The Committee continued its review of management accounts and the quarterly financial statements to ensure that the information released to the Board and or the general public was consistent with proper reporting standards and the rules of the Exchange. Another primary objective of the review of the Group's financial reports was to ensure proper and efficient cash flow management, expenditure controls, management of investment portfolios, receivables and new products. A considerable amount of time was spent in examining all aspects of the e-learning programme. The review will continue into 2013, when the Committee will examine a revised business plan for the E-Campus programme. Given the state of the economy which reflected in generally poor market conditions; the Committee conducted a six-month review of the financial projections as presented by management in order to keep a tight focus on both revenue and expenditure and ultimately the Group's profitability.

The Committee's effort in reviewing, evaluating and assisting in developing the methodology and policy framework for the admission of new member dealers to the Exchange resulted in the admission of one new member-dealer. The process of review now continues to further streamline and improve on the procedure where necessary.

The requirement is for the Committee to meet at least four (4) times per year. However, nine (9) meetings were held during the year with satisfactory attendance from all members. There was a decrease in the number of meetings, down from sixteen (16) in the previous financial year. The decrease was due to the fact that the budgetary process was not as extended as the previous year and the policies and procedures for trading license, which were deliberated on in the prior year, were approved by the Board.

The current members of the Committee are:-

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


.....
Dian Black
Chairman

Compensation Committee Report

The Jamaica Stock Exchange and Its Subsidiaries

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

- Mr. Mark Croskery
- Mr. Garth Kiddoe
- Mr. Dennis Cohen

The committee's mandate is to make recommendations on the Company's framework of executive remuneration. The Committee reviews and approves corporate goals in relation to the CEO's compensation; evaluates the CEO's performance in light of the company's goals and objectives and makes recommendations to the Board with respect to executive and non-executive compensation. The Committee had one meeting in 2012 to review incentive payment proposal for non-executive staff.

Directors' fee, which is normally paid to non-Executive Members of the Company, totaled \$6.8 million in 2012. This is \$0.8 million decline from 2011, which was \$7.6M. This was done as a means to assist in cost reduction.

The JSE GROUP 2012 Management's Discussion and Analysis

Executive Summary

The Jamaica Stock Exchange Group comprises of the Jamaica Stock Exchange Limited (JSE), Jamaica Central Securities Depository Limited (JCSD) and JCSD Trustee Services Limited (JCSCTS). This Management Discussion and Analysis (MD&A) of the JSE Group's financial condition and results of its operations is provided to enable stakeholders to assess the financial health, material changes and results of its operation for the year ended December 31, 2012. It provides information on liquidity and capital resources and gives a comparative examination of the current year under review against the previous year's performance. The MD&A should be read in conjunction with our Audited Financial Statements and must be considered as complementary information to that which is provided in the audited statements and the accompanying notes thereto. The information presented is based on the best judgment of management, taking into consideration all our internal systems and controls, our plans and the present programmes and policies that are being pursued.

The JSE is a publicly listed company, having listed variable preference shares in June 2008. Its wholly-own subsidiaries Jamaica Central Securities Depository, along with its subsidiary JCSD Trustees Limited, complete the companies referred to as the JSE Group. Within 2012 the Group continued to develop and sustain programmes in order to increase revenue and optimally utilize the assets of the Group. On the other hand, we have sought to manage our expenditure. The focus within the financial year was that of ensuring that proper attention was placed on the strengthening of the new products which were previously launched and on the completion and proper execution of projects that were started in the prior year. Consequently, the JSE delivered on a major strategic objective of inviting new member/dealers into the market by the sale of new licences in the form of permanent or annual renewable trading licences by selling, for the first time since its demutualization, a permanent licence to Proven Investments Ltd.

The e-Campus, another key strategic objective aimed at improving revenue, is considered a work-in-progress. It returned less than a satisfactory result, however the JSE is determined to nurture this new product with the clear mandate that there should be a significant improvement in 2012. The process of external registration and accreditation of the e-Campus will result in greater market acceptance and the expected revenue inflow from this product. The Group's revenue from Cess and Fee Income were positively impacted by two transactions which are respectively, the acquisition of Lascelles de Mercado (LdM) by Campari and the sale of the trading licence.

Despite the effort to control expenditure, the Group recorded an increase in expenditure inclusive of finance costs of \$91m or 24.3%. All expense areas showed upward movements which reflected increases associated with goods and services, additional expenditure caused by needed repairs as in the case of property expenses or depreciation and amortization costs which bear reference to capital acquisitions. The most significant increase in expenditure was associated with the securities commission fees arising from the LdM/Campari transaction.

The profitability of the Group improved over the prior period. Profit before taxation reflects increased income of \$148.0m which was buoyed by improved operating income due mainly to the improvement in Cess and Fee Income. The net profit for the year of \$128.7m reflects the significant one-off transaction, but also an improvement in market conditions in 2012 which saw an increase in the value of ordinary transactions across the main and junior markets.

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

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2012 Management's Discussion and Analysis (Cont'd)

Executive Summary of Vision, Strategies and Priorities:

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

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

Our Priorities:

- **Grow Core Business through Innovation**

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

Through market education the Group aims to retain current investors and attract new investors, as we recognize that expansion will not be successful in the long-term without an expanding pool of educated investors. Recognizing that attracting new players to the market must be supported by new and existing products which are driven by customers' demand, the JSE is treating as an imperative, the development of sustainable products and the delivery of services to our customers. Industry collaboration, stakeholder inclusion and effective lobbying are the conduits through which the innovations in the market will be best facilitated. While we believe that the Group's initiatives will result in more vibrant trading of securities on the stock market as well as a more diversified revenue stream that will augur well for the medium to long-term growth and profitability of the Group, we understand that these initiatives cannot be pursued unless they are driven by external demand.

- **Continued Diversification in Related Business Lines**

Over the past few years, the Group has diversified into related business lines. The decision taken by the Group to diversify its revenue stream is bearing fruits. New product offerings by the JCSD's Registrar Services Division and the JCSD Trustee Services have met with success and continue to make significant contributions to the bottom line. These product lines are still in their early stages and have the ability to grow even further. The provision of superior products and services compared to that of our competitors are the avenues that are being pursued to arrive at market penetration and growth.

Summary of Long Term Vision includes:

- Offering regionally and globally diversified capital market products
- Commitment to high standards of transparency and governance
- Continuously improving shareholders' value
- Setting a strong foundation in all critical divisions and subsidiaries to allow for long-term growth and development
- Enhanced attractiveness of the equities market to investors and businesses
- Participation in the development of the Fixed Income Market

(Cont'd on next page)

2012 Management's Discussion and Analysis (Cont'd)

- Strong internal competences
- Being among the top employers of choice in Jamaica
- To be considered a partner that is essential to Nation building
- To forge key regional and global partnerships in furtherance of these goals
- Consistent operational and overall profitability

Summary of Our Performance Measurements

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

Market Conditions and Outlook

While many regional and global capital markets are still grappling with the decline in their markets arising from the financial crisis that started in 2008, locally the market continued to be affected by these external factors as well as internal issues. Accordingly, though showing some signs of recovery, the market is expected to be characterized by choppy performance and will be quickly impact negatively to any negative market signal. There has been a level of renewed interest in the stock market which we believe is a direct effect of the listings on the Junior Market and the performance of that market. Other companies are however still in a 'wait and see mode' before venturing to take their companies to market.

The market in 2012 displayed mixed market statistics. For both the main and junior markets, the total volume and value of the transactions improved while the number of transactions declined when compared with the previous year.

The Junior Stock Market continues to enjoy success in listing companies to this market. For the period under review four (4) new companies listed on the market for 2012. The market will continue to experience excellent prospects with the continued support of the Government and the brokerage community.

The JSE Group's normal operating revenue is highly dependent upon the level of market activities on our Exchange. Measures of these activities include volume and value traded number of transactions, market capitalization of the securities and number of listings on the Exchange. As we had indicated last year, for the JCSD and the JCSCTS the business lines in respect to the diversification strategy continue to grow.

Our expectation is that 2013 will be a difficult year locally and any growth will be dependent on the ability of the economy to maintain stable fundamental economic indicators. Investors and businesses will also be watching the regional and global economies for signs of recovery and within Jamaica, whether the right infrastructure is being established and cultivated to foster a good business climate. A positive result will translate to a return of confidence in the market and translate to a good year. Short of that, most of our revenue will possibly come through mergers and acquisition, new listings and new member dealers to our market.

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

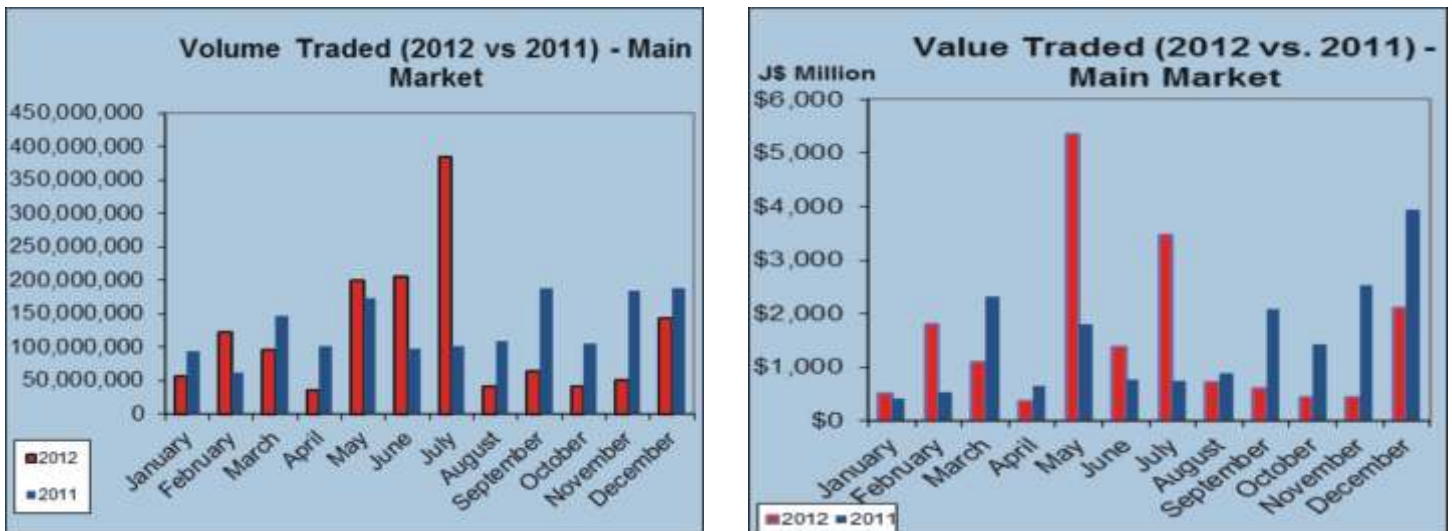
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2012 Management's Discussion and Analysis (Cont'd)

Market Operations & Trading

Considerable improvements were realized in the overall market activity of 2012 in comparison to the previous year 2011. Market activity of the main market, including trades in the block market, amounted to 19,515 transactions, volume traded of 2.6 billion units traded valued at \$61.1 billion. In comparison to the previous year, this was an increase in the volume traded and value traded of 41.9% and 191.1% respectively, while the number of transactions declined by 16.3%. For the period under review, market statistics, excluding the block market, recorded declines for the number of transactions and volume traded of 16.3% and 7.7% respectively while the value traded increased marginally by 1.1% when compared to the market activity of 2011. The total number of transactions (excluding blocks) amounted to 19,492 transactions; the volume traded (excluding blocks) amounted to 1.4 billion units and value traded amounted to \$18.3 billion for 2012. The charts below reflect the trading activity on the main market (excluding blocks) for 2012 compared to 2011. Market activity on the block market in 2012 increased significantly when compared to the activity in the previous year. On the block market, volume traded amounted to 1.15 billion units, an increase of 327.2% and valued traded amounted to \$42.8 billion, an increase of 1,380%. However, for 2012, block trades declined by 11.5% to amount to 23 trades in 2012 relative to the 26 block trades in 2011.

Chart 1



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2012 Management's Discussion and Analysis (Cont'd)

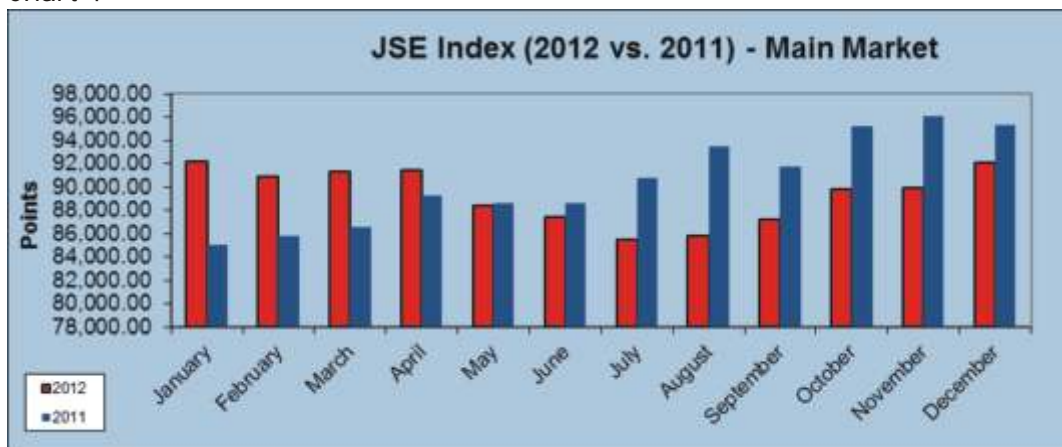
Market capitalization of the main market amounted to \$590.6 billion at the end of 2012. This was a decline of \$28.8 billion or 4.6% from the start of the year. Please view the chart below.

Chart 3



The performance of the market was negatively impacted by economic conditions which are reflected in the declines experienced by all indices, with the exception of the JSE Cross Listed Index, when compared to 2011. As at the end of 2012: the JSE Index declined by 3,195.98 points or 3.4% to close at 92,101.22 points (view Chart 4 below); the All Jamaican Composite Index declined by 11,017.19 points or 10.8% to close at 91,161.60 points; and the JSE Select Index declined by 384.34 points or 13.4% to close at 2,489.67 points, while the JSE Cross Listed Index advanced by 79.38 points or 10% to close at 873.93 points in comparison to the 2011 year end closing indices.

Chart 4



The lackluster performance of the market for 2012 was also captured in the advance/decline ratio and price depreciation. The advance/decline ratio indicated that a total of six ordinary stocks advanced while twenty-six declined. For 2012, the price depreciation of the ordinary stocks in the main market was 14.9%. The six companies that appreciated during the year are presented in Table 1. Table 1 (below) shows the ten advancers and decliners for 2012, while the succeeding Charts indicate the recent five years of JSE trading history of the main market.

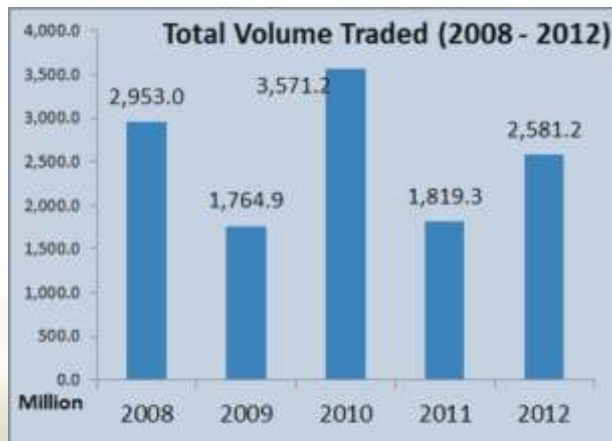
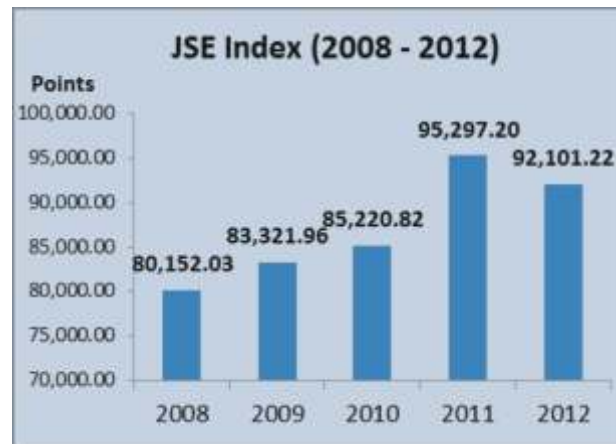
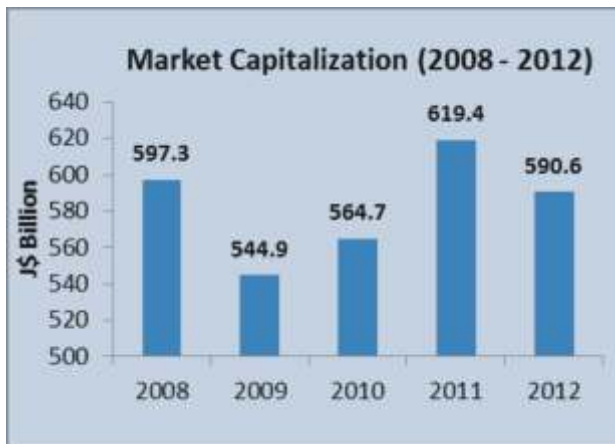
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2012 Management's Discussion and Analysis (Cont'd)

Table 1 - Top Advancers and Decliners for 2012

WINNERS	%	LOSERS	%
Guardian Holdings Limited	67.88%	Caribbean Cement Company	(66.67%)
Lascelles, deMercado & Co	33.33%	Pulse Investments	(59.18%)
Palace Amusement	20.00%	Hardware & Lumber	(42.37%)
Scotia Investments Jamaica	5.57%	Barita Investments Limited	(41.40%)
Sagikor Life Jamaica	1.10%	Ciboney Group	(40.00%)
Trinidad Cement Limited	0.11%	Gleaner Company	(36.36%)
		Jamaica Money Market Brokers	(33.79%)
		Seprod Limited	(31.17%)
		Jamaica Producers Group	(25.86%)
		Mayberry Investments Limited	(23.31%)

Charts - Recent Five Year History of Trading Data



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2012 Management's Discussion and Analysis (Cont'd)

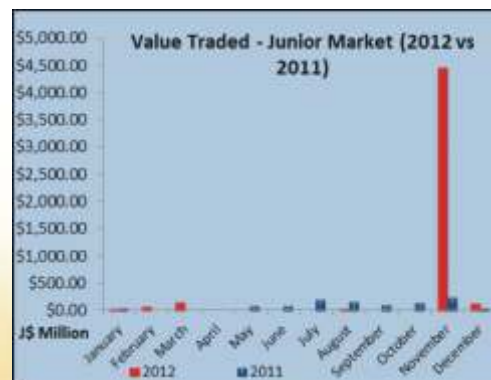
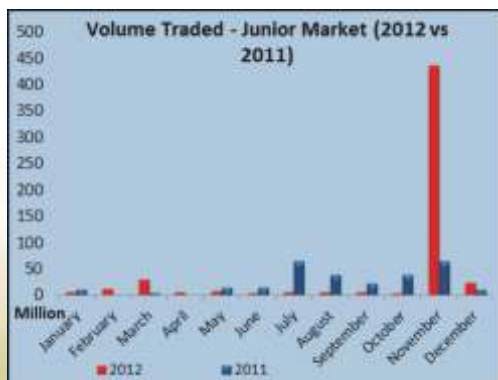
Junior Market

Despite the listing of four additional companies on the Junior Market, bringing the total listings to sixteen companies, the JSE Junior Market Index experienced a decline when compared to the JSE Junior Market Index at the end of 2011. The JSE Junior Market Index declined by 101.08 points or 13.5% to close the year at 647.78 points. Table 2 represents companies that were listed during the year, the amount raised from these listings and the closing prices as at December 31, 2012 along with listing prices:

Table 2

Company	Amount Raised	Listing Price	Close Price Dec 31, 2012	% Change since listing
C2W Music Limited	\$129 Million	\$1.29	\$1.21	(6.20%)
Consolidated Bakeries Limited	\$97.34 Million	\$1.88	\$1.88	0.00%
KLE Group Limited	\$97.86 Million	\$3.70	\$3.70	0.00%
Paramount Trading Limited	\$74.87 Million	\$2.43	\$2.79	14.81%

As at December 31, 2012, market capitalization of the Junior Market amounted to \$22.10 billion. This was a decrease of \$1.49 billion or 6.3% from the start of the year. Market volume in 2012 increased significantly by 86.1% to 569,866,235 units relative to the 306,220,533 units recorded in 2011. Market value also rose significantly to \$5.18 billion from \$1.25 billion in the previous year. On the other hand, the number of transactions declined by 36.0% to 5,047 trades in 2012. There were 250 days of trading in 2012 compared to the 252 trading days in 2011. The charts below reflect the trading activity in the Junior Market for the year under review compared to the previous year.



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2012 Management's Discussion and Analysis (Cont'd)

In the US Dollar Equities Market, the total volume amounted to 7,155,710 units valued at \$633,960.46 in 2012. This was an increase of 6.4% in the volume traded and a decrease of 26.2% in the value traded when compared to the market activity in 2011. The number of trades amounted to 123 in 2012 down by 15.8% when compared to 2011. The JSE USD Equities Index declined by 10.71 points or 13.6% to close at 67.86 points. Market capitalization declined by \$4.4 million or 15.8% to end the year at \$28.02 million.

Overview of the Business

Both the Jamaica Stock Exchange and its subsidiary, the Jamaica Central Securities Depository, are licensed to operate by the Financial Services Commission. The JSE and JCSD operate electronic trading and settlement platforms respectively through a service licensing agreement with Trayport and Percival Limited. The trading and settlement platforms allow for greater product offering and will enable us to maintain competitive pricing for the services that we provide to the market place. The JSE boasts the most listings of equity securities within the English-speaking Caribbean.

- 62 listed companies offering fifty (50) Ordinary Securities (33 listed on the JSE Main Market, 16 listed on the JSE Junior Market and 1 listed on the US Dollar Equities Market) and twelve (12) Preference Securities. Trading activities are concentrated mainly around the Ordinary Shares.
- The JSE is the primary venue for the raising of equity capital in Jamaica. The total market capitalization (main and junior markets) as at December 2012 was J\$612.74 billion. The top five stocks were in the banking and insurance sectors and represented 65.2% of overall market capitalization.
- The JSE maintained seven indices during 2012:
 - (i) The JSE Market Index
 - (ii) The JSE All Jamaican Composite Index
 - (iii) The JSE Select Index
 - (iv) The JSE Cross-Listed Index
 - (v) The JSE Junior Market Index
 - (vi) The JSE Combined Index
 - (vii) The JSE US Dollar Equities Index

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

- The JSE launched its Junior Market for small and medium sized companies that are seeking to raise between \$50 million and \$500 million via the market and whose stated capital will not exceed \$500 million. This exciting proposition has enjoyed the full support of the Government of Jamaica as evidenced by Cabinet approval of a total of up to ten (10) years of tax exemptions on the corporate profits of these companies. An amount of \$399.07 million was raised on the market during 2012 and a total of \$2.35 billion has been raised by the companies listed on the Junior Market since inception in 2009.

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2012 Management's Discussion and Analysis (Cont'd)

Year Ended December 31, 2012 Compared with Year Ended December 31, 2011

- *Net Profit*

The Net Profit of the JSE Group for the year 2012 of \$128.9 million represented an improvement of \$94.8 million against the previous year. Income before expenses of \$504.3m was higher than the previous period's \$256.3 million. With the exception of e-Campus, all areas improved over the previous period. However the most significant movements were Cess and Fee Income which recorded increases of \$177.6 million and \$69.5 million respectively. Within the grouping of income, only e-Campus showed a marginal decline in income over the previous year. Improvement in the Cess fees due to acquisition of LdM by Campari and the sale of the permanent member/dealer licence buoyed the performance of the Group. The Registrar and Trustee Services which are still considered relatively new revenue areas also improved their performance when compared to the prior year. Investment income improved over the previous year. The decline which began in 2010 due to reduced interest rate was halted in 2012 despite the continued decline in rates. The investment income of \$38.2 million represents an improvement of \$13.3 million and is due to an increase in the overall investment portfolio due to higher levels of income earned.
- *Profit & Earnings Per Share*

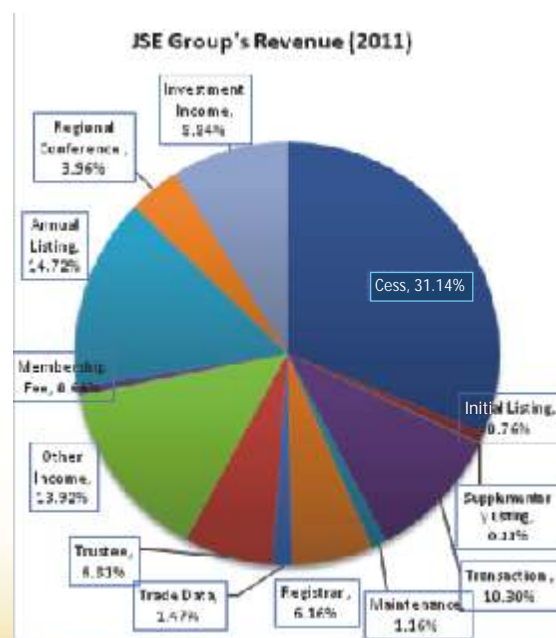
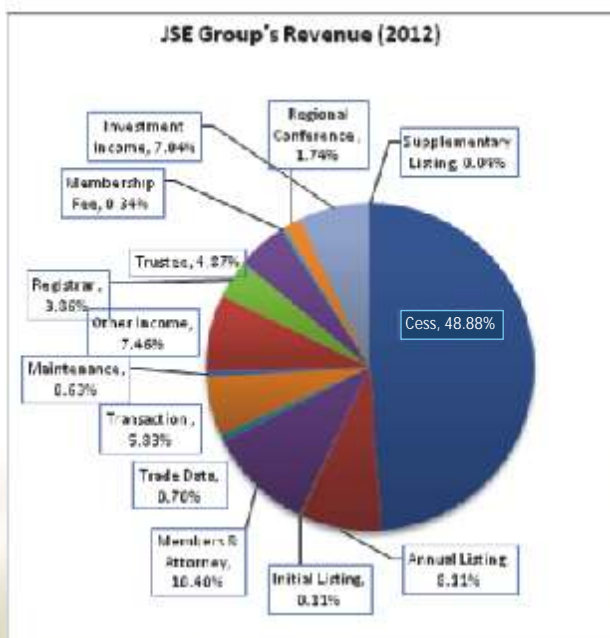
Net Profit derived from Operations was \$128.7 million in 2012 up from \$33.9 million in 2011. This translates to earning per share of \$4.59 per common share as compared with \$1.21 per common share in 2011.
- *Revenue*
 - While cess revenue has shown an improvement for the last three years, with the 2012 revenue returning to the level of 2008, the Group is continuing to actively pursue the diversification of the revenue stream. This effort is necessary as the cess revenue in 2012 is in part attributed to the large one-off transaction of \$149.8 million. The effort at diversification of the revenue stream is proving to be successful in providing a steady and predictable revenue source and a significant portion of the Group's revenue. New diversified revenue represents 26.2% of total revenue, outstripping initial and annual listing fees and just 5% below cess revenue.
 - The following table and charts provide a visual representation of the revenue structure of the JSE Group, which primarily derives income from trading and settlement, listing fees, pledge fees, investment income and other related activities.

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2012 Management's Discussion and Analysis (Cont'd)

Table 3 JSE Group Revenue 2008 through 2012 (\$'000)

	2012	2011	2010	2009	2008
Cess	265,164	87,564	82,624	50,240	260,273
Fee Income					
Annual Listing	43,969	41,373	37,957	40,806	36,085
Initial Listing	584	2,148	810	563	3,652
Supplementary Listing	209	308	218	155	700
Members & Attorney	56,390	10	8	8	18
Transaction	31,630	28,957	2,522	16,417	111,428
Maintenance	3,424	3,268	3,021	1,391	1,401
Trade Data	3,789	4,147	10	2,662	2,975
Registrar	20,954	17,313	11,975	6,374	4,410
Trustee	26,429	19,157	10,514	5,566	1,145
Membership Fee	1,854	1,792	1,179	1,325	1,124
Other Operating Income					
Regional Conference	9,421	11,128	9,777	12,180	13,255
Other Income	40,483	39,124	38,764	21,285	33,806
Investment Income	38,166	24,863	33,159	104,416	91,027
TOTAL	542,466	281,151	232,537	263,387	561,297



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2012 Management's Discussion and Analysis (Cont'd)

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

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

The Trustee Services represents one of the latest additions to the number and types of services offered. JCSCTS now ranks as the number one service provider in the industry and is the leading provider of services to the Unit Trust market. Therefore the decision taken to move into this area of the market, has paid dividends.

Expenditure

The Exchange continues to monitor expenditure by applying tight procurement guidelines. Despite this, however, the increase in the level of expenditure has been directly affected by the increase in the price of goods and services. All areas of expenditure increased. Staff costs and Securities Commission fees recorded the most significant increases of \$19.5 million and \$35.4 million respectively. The 15.3% increase in staff cost was mainly triggered by year-end incentive payment made in keeping with the incentive policy. The increase in securities commission fee is directly proportional to the level of cess revenue recorded.

Securities Commission Fee

This is a function of the level of Cess Revenue earned and service fee from the JCSD. The Exchange levies 0.393 of 1% of the value of each transaction on the market and the Financial Services Commission (FSC) earns 0.08% of this amount. On the other hand the FSC receives 5 % of the income earned by the Depository. In 2012, with the increase in the Cess Revenue of \$265.2 million compared to \$87.6 million in 2011, and the increased fee income from the JCSD, this resulted in an increase in the amount paid to the FSC from \$19.0 million in 2011 to \$54.4 million or 186.3% for the current year under review.

Total Expenditure in 2012 of \$362.8 million inclusive of the finance costs of \$6.4 million was higher than the 2011's \$272 million (inclusive of finance cost). This represents a 33.4% increase when compared with 2011. All expense areas increased over the prior year. Key highlights are below:

- Staff Costs
Staff Costs of \$146.9 million in 2012, increased by \$19.5million or 15.3% over the previous year's expenditure of \$127.5 million. The primary reason was an increase in salaries of a maximum of 8%.
- Property expenses
Property expenses of \$57.9 million in 2012, increased by \$10 million or 20.9% over the previous year's expenditure of \$47.9 million. The primary reason was an increase in maintenance cost.
- Professional Fees
Professional Fees of \$28.1 million in 2012, increased by \$8.4 million or 42.9% over the previous year's expenditure of \$19.6 million. The primary reasons were an increases in legal cost and services rendered in respect to the preparation of the Jamaica Stock Exchange's initial public offering of its ordinary shares.

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2012 Management's Discussion and Analysis (Cont'd)

- Allowance for Doubtful Debts
Allowance for Doubtful Debts of \$3.4 million in 2012 increased by \$2.1 million over the previous year's provision of \$1.3 million.

- e-Campus
The full impact of the expenditure for the programme was experienced in 2012 resulting in an expenditure of \$12.5m compared to \$5.6m in 2011. There was also increase in the cost of delivery of the programme. Changes have been made to reduce cost by ensuring that where possible the Group's facilities and expertise is employed. Further as most of the costs are fixed, the effort now is to drive revenue.

- Revenue Reserves
The Group's Revenue Reserves improved in 2012 to \$412.5 million from \$298.0 million in 2011 or 38.4% due to a net profit of \$128.7 million derived from operations.

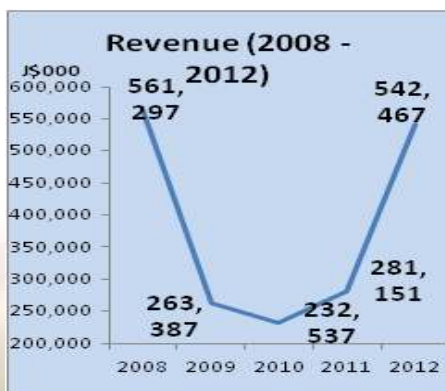
Five Year Financial Highlights

The table below shows that after consecutive declines in revenue between the periods 2009-10, the consolidated statement of comprehensive income shows the second year of improved performance. The year under review shows an improvement of 92.9% over the prior year.

With the exception of 2008, 2012 returned the highest performance measured in respect to Net Profit and Earnings per share. The surplus was \$128.7 million or 279% above the previous year's \$33.9 million. Earnings per share of \$4.59 were 279% higher than the previous year. In 2012 as in the year 2008 the Group enjoyed the benefit of a large one-off transaction but there was also a steady growth in revenue from operation. Please refer to table and graphs below:

Table 4 Five Year Financial Highlights

(\$000)	2008	2009	2010	2011	2012
Income	561,297	263,387	232,537	281,151	542,467
Net Profit	173,589	-17,033	8,735	33,919	128,705
Earnings per share \$	6.19	-0.61	0.31	1.21	4.59



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2012 Management's Discussion and Analysis (Cont'd)

- Risk Management

A review of The Group's overall risk management strategies shows that JSE continues to be responsive to changes in our environment, both internal and external, and that our practices, policies and procedures are robust. We continue to update our overall risk management systems and our internal auditors have commended the level of responsiveness to their recommendations for improvements.

Our diversification strategy which started in 2005 with the introduction of the JCSD's Registrar Services continued with our foray into the offering by the JSE of workshop training and other educational offerings. Trustee Services, e-Campus, creation of the Junior Market and the US Denominated Securities Market are other areas in which the diversification strategy has helped. The Group depends far less now on interest income, which continues to decline. The aim is to continue to diversify the stream to improve the bottom-line. Additional strategies to diversify the revenue stream will be put in place in a measured and timely manner.

Investments

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

- Other Operational Risk Mitigation Strategies

- IT Risk Management and Compliance

IT governance, risk management and compliance and are areas that are critical to the support of business processes, enable effective management and control and align business with IT. Through continued audits, risks are continually managed to ensure compliance with established policies and international standards. Additionally, we continue to enhance the capabilities of system redundancies, data protection, business continuity and physical and virtual security measures in place to ensure the systems are resilient, allowing for 100% availability during business hours.

These controls are reviewed quarterly to ensure they provide effective governance and compliance, especially given the rapid change in technology.

The Group continues to enhance its governance structure through review of the latest standards. With the introduction of Cobit 5, the Group will review this framework to ensure:

1. IT and business strategies are aligned to achieve strategic goals and realize business benefits
2. Maintenance of effective controls and adherence to policies
3. IT-related risks are maintained at an acceptable level
4. IT infrastructure is optimized to minimize costs
5. Employee training and continuing to increase awareness and ensure compliance

Business Continuity:

Business continuity is an essential element of the Group's risk management strategy and consequently the Group continues to enhance its disaster recovery and continuity capabilities. Within the year 2013, the full development of a business continuity programme will be complete.

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2012 Management's Discussion and Analysis (Cont'd)

The thrust therefore is to ensure commitment to developing a business continuity culture within the organization, particularly since the business relies heavily on information technology. This initiative is supported by

1. Business Continuity Policy
2. Business Continuity Investment
3. Employee Training

Group Medium and Long Term Strategies

Not much has changed in respect to the behavior of the markets regionally, globally or in the domestic sphere. Markets globally continue to behave erratically, with good periods and bad periods and this mirrors the current state of the economies of many countries, regardless of size and perceived economic strength. In instances where there are appearances of market recovery, the fragility of the movement impacts on the ability of investors and companies to properly plan. While this pattern impacts on the Group, there are many opportunities for us. The Group's medium and long term strategies therefore are to engage and encourage investors to the market by market education and providing the best medium for the transaction of our services. While the Exchange continues to be faced with the significant challenge of attracting new entrants to the market and retaining current market players, we believe that potential companies have seen the positive results of the more recently listed companies while investors have benefited from investing in these companies. We intend to continue encouraging business owners to raise capital through the market and to provide the level of float to sustain a vibrant secondary market. Our expectation is that the Exchange must remain poised to fill those needs, provide new and interesting products to the market, bring global and regional markets closer home and to capitalize on renewed interest in the market. We also expect that with the addition of one new member-dealer and others in the future that there will be greater vibrancy to the market as these new members compete and bring new products and services to the market.

To ensure that the Group is properly positioned for growth, the focus will be on the following activities:

- Increased market educational activities through companies' and investors' outreach, school programmes and training of market intermediaries
- The continued focus through the JSE independent Regulatory and Market Oversight Division of market surveillance and member dealer inspection. The revision and or addition of new rules towards greater market efficiencies.
- More product offerings through the sale of market data; the development of and maintenance of new indices; and derivative products.
- Growing the Junior Market for the Small and Medium Sized Companies.
- Expansion and growth of Registrar and Trustee Services, to possibly include Corporate Secretarial Services
- The operational integration of our regional exchanges through the Caribbean Exchange Network
- Utilization of Information Technology to facilitate greater efficiencies in cost reduction and new product introduction. The introduction of new member dealers to assist with the creation of new products and the servicing of the market.
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GENERAL MANAGER'S REPORT - JSE



Mrs. Marlene Street Forrest
General Manager
Jamaica Stock Exchange

The Jamaica Stock Exchange Group experienced mixed fortunes in what could be considered a difficult economic climate in Jamaica for 2012. Arising from the protracted discussions for Jamaica to arrive at an agreement with the International Monetary Fund (IMF), confidence and optimism were subdued despite the celebration of the country's 50th Anniversary. The Jamaica Stock Market mirrored the sentiment of the population, where the questions that had to be asked and answered were, 'to list or not to list?' and 'to invest or not to invest?' These were difficult questions for investors and were as challenging for us at the Exchange, as we tried to encourage businesses and investors of positive long-term prospects.

The Exchange Group itself continues to take the long view in respect to market growth and development. Hence we continued to pursue the major plans which were earmarked in order to ensure that the Exchange serves Jamaica and resulted in our addition of a new broker member, Proven Investments, to further deepen the services to investors and businesses alike.

ENVIRONMENTAL FACTORS

The global and especially the local economic conditions created the climate for many market participants to retreat and for potential participants to shy away from or delay activities in the market such as listing, investing or pledging of their securities. Uncertainties about employment, the stability of the Jamaican dollar relative to the US dollar and other hard currencies as well as inflation, stacked the deck away from decisions being made in term of long-term investments, whether viewed from the lens of businesses or individuals.

Despite the downsides that were experienced, some companies and investors recognized the opportunities that existed in the market where there was either value to be had based on the price of particular stocks on the market, the investment in new growth companies or the capital that can be still be raised by businesses from investors seeking solid companies in which to invest.

It is anticipated that 2013 will be another challenging year. While some confidence will return with the signing of an IMF agreement, this must be followed by a properly structured and well-articulated economic plan backed by sustainable economic policies. We wish to record our appreciation to the Government for its confidence in the equities market, which is demonstrated by their continued support of the Junior Market, and their encouragement which has raised awareness in small and medium sized companies of the importance of equity financing especially in our current economic environment.

JSE PERFORMANCE IN 2012

In light of environmental factors, the stock market achieved mixed results. The value of ordinary transactions on the main market increased by 1.1%; moving from \$18.1b in 2011 to \$18.3b in 2012 but when compared to 2011, the number of transactions and volumes traded declined by 16.3% and 7.7% respectively. While the value of ordinary transactions increased, block transactions increased significantly; moving from \$2.9b in 2011 to \$42.8b in 2012. The acquisition of Capital & Credit Group by JMMB Group and Lascelles

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

2012. The acquisitions of Capital & Credit Group by JMMB Group and Lascelles deMercado by Campari presented the market with two major block transactions.

The main market retreated by 3.35% over the previous year evidenced by a decline in the main index which moved from 95,297.20 points to 92,101.22 points. Market Capitalization also declined by 4.7% which resulted from generally lower share prices and the delisting of Capital & Credit Financial Group, Montego Freeport and Pegasus.

Our Junior Market also suffered mixed fortunes. When compared with the previous year, the number of transactions on the market, declined by 36 %. However, volumes and value increased by 86.1% and 315.5% respectively. Market capitalization also decreased by 6.3 %, while the index declined by 13.5%.

Overall four (4) companies were listed on the Junior Market, which was below our target but still significant in light of the persistent economic malaise. As with every year since the inception of the market, investors remained enthusiastic and receptive to investing in new companies.

Intentionally, no new product or service was offered to the market, as strategically the Exchange took the opportunity to streamline and improve upon the new products or services offered in prior years with a view of ensuring their acceptance, usefulness and viability. We also took the opportunity to begin working on other products and services and infrastructural improvements and are as successful as the market players who take advantage of the infrastructure that which we expect to roll out for the ensuing year.

We will continue our thrust to educate the market, utilizing print, electronic, face to face outreaches, seminars and interactive products.

OPPORTUNITIES

There are many opportunities to grow the market. We believe that with the collaboration of all our member-dealers we should be able to develop new products and services aimed at different investor types. The newly introduced trading and settlement platforms provide the infrastructure that can be leveraged for fixed income trading, futures and options, closed end funds and depository receipts among other products offered in other markets.

Even where focus is placed primarily on the products and services currently offered, there is room for further growth. The eagerly awaited FSC regulation in respect of Collective Investment Schemes will make it easier for more persons to

access our market. On the other hand we expect that as soon as more confidence is restored to the market, in light of the National Debt Exchange (NDX) more persons will be encouraged to explore other options of investments rather than a concentration of investing in Fixed Income Securities.

New companies, listing ordinary or preference shares either on the main or junior market, have the opportunity, of accessing equity capital which provides the investors with a larger pool of securities in which to invest. This also provides an opportunity for the Exchange Group to deepen our market. We believe that there is still the opportunity through the pricing of our service, incentives given and the empirical data on the growth and expansion of companies post listing, to encourage more companies to list on the Exchange.

There is always merit in introducing new blood to the market place through additional member-dealers. We will continue to pursue this imperative for 2013 provided that the timing is right.

The listing of the JSE's Ordinary shares is another deliverable slated for the upcoming year.

STAYING THE COURSE

Our vision remains focused on improving the capital market by creating products that will enhance investment experience and encourage new companies to list on either the Main or the Junior Market, thus creating new markets in which investors can participate. We understand and appreciate that this must be achieved in order to create real returns to our shareholders. This must however be pursued in conjunction with all who have a stake in ensuring that the market serves the purpose of mobilizing capital and providing an avenue for long-term investment.

JSE OPERATING PLATFORMS

Our trading and settlement software and hardware platforms remained robust in 2012 and we are now focused on leveraging the platforms introduced in 2011. In 2012 we introduced the ISIN Generation service and are now focused on streamlining the platforms to ensure that there is full utilization in the areas of Trustee and Registrar Services. The technical capabilities of the system will also allow us to introduce other services such as Online Trading.

During the year 2012, we experienced no significant downtime. This was evidenced by the fact that during the Hurricane in October 2012 our systems were not affected.

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

The market opened, closed and settled on time every day after resuming normal operations.

As we seek to enhance our capabilities, the JSE will continue to ensure that we take advantage of available market technologies.

JSE CORPORATE ACTIVITIES AND NEW INITIATIVES

On-going Activities

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

DEPARTMENTAL HIGHLIGHTS

MARKETING ACTIVITIES

The Stock Exchange Group continues to be driven by the research data and information received from the JSCD that although more persons are investing in the market, we need to double our effort at growing the market. We are sensitive to the fact that while we add new investors, we have to be sensitive to the needs of existing clients in order to encourage them to continue to participate in the market. To this end the Marketing Department is developing programmes to engage all our constituents and at the same time grow the number of investors.

Some of the programmes being pursued are:

Capital Market Conference

The Regional Conference on Investments and the Capital Market Conference, hosted by the Jamaica Stock Exchange celebrated its seventh year in 2012. There is no better testimony to the success of any Conference than the fact that the major sponsors remain on-board year after year. Over the years we have sponsors such as Oppenheimer & Co., Inc. which is based in USA as our lead sponsor. TVJ and Jamaica Observer as our major local sponsors have

partnered with us in advertising and providing coverage of the Conference. We have had tremendous support from our repeated sponsors who have time and again signaled their willingness to continue to participate in this important Conference. Our new sponsors have now shared in the vision of the Conference of this nature and the benefits to be derived from having this important calendar event which kick-starts and helps to set the tone for the New Year.

Every year the Conference focuses on areas of local, regional and global interest to discuss how economies can position itself to capitalize on any opportunities that presents itself, but most importantly how organizations can facilitate the growth and development in Jamaica. The JSE has been able to interest some of the world's leading experts as well as local resource persons to stimulate thought provoking discussions and postulate solutions and directions in which organizations can position themselves to ensure continued positive return on their investments.

Stock Market Game

The Jamaica Stock Exchange's Stock Market Game for High Schools ended its fourth season on April 30, 2012. In this season, there were four first time entrants, namely, Guy's Hill High, Holy Childhood High, York Castle High, and Ocho Rios High.

This website-based simulation game allows students to buy and sell stocks traded on the JSE Stock Market. Each participating school is comprised of two students who will trade and compete against each other and students from other schools over a seven month period. Each student is given a portfolio with JA\$100,000.00 to invest and the students with the highest portfolio value at the end of the period are declared the winners. The school with the highest aggregate portfolio value will be crowned the JSE School Champion.

Calabar High School after winning their first JSE Stock Game for High School title in 2009-2010, made it two in a row in 2011. In 2012, their centenary year they once again won the JSE Stock Market Game for High Schools title, making it three in a row.

The Calabar High pair of Lavois Cruickshank and Jevaughn Leon placed their school first with an aggregate portfolio value of \$1,714,920.00. Kingston College placed second with an aggregate portfolio value of \$269,577.80. In third place was Kingston Technical High with a portfolio value of \$200,818.50.

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

Market Research Competition

For every quarter of the year, the JSE invites analysts from the securities industry, tertiary institutions and the media to submit analyses based on the past performance and future expectations of listed companies.

Participants conduct research, perform analyses and prepare submissions on the selected company, using the JSE's required format.

A select panel (drawn from academic institutions, the financial services sector, the investing community and the media) judges these submissions based on stated criteria and determines the winning entry and runner-up for each quarter. The panel conducts briefings periodically to provide feedback to participants. At year-end, the panel will determine the top two winners who will make final presentations (written and oral) for a select panel of judges to determine the overall winner for the year.

Throughout the year, winning analyses are published. Quarterly and overall winners receive cash prizes. In addition, winning entrants may be submitted for publication in the print and electronic media.

The 2012/13 winner of the Market Research Competition was NCB Capital Markets Limited's Shellon Williams, while Scotia Investments' Najja Daley was the first runner up.

High School Education Programme

The JSE continues its drive towards assisting High School students, who are pursuing the CSEC and CAPE exams, to understand the roles and functions of the Stock Exchange and to allow students to develop an appreciation for investments. In summary the programme aims to introduce students from an early age to:

- ✓ The role & functions of the stock market
- ✓ The importance of Savings & Investments
- ✓ Investing using stocks and
- ✓ The importance of financial literacy

Workshops

The JSE's workshops provide an avenue for complex matters to be addressed in an interactive and supportive environment which is conducive to positive learning outcomes. Participants of these workshops are usually drawn from Listed Companies, Member Dealer firms and persons in the related field, based on the material to be explored. The JSE's workshops seek to introduce new concepts aimed at stimulating individuals towards further

research and or application. These workshops also demonstrate and encourage practical and current techniques to help spur participants to remain current with the latest trends and for them to take back to their business places.

The JSE's Workshops are an ideal way to teach hands-on skills because they offer participants a chance to delve into new methods and share experiences.

JSE's Public Investor Outreach

The Jamaica Stock Exchange (JSE) continues to reshape the financial landscape with our informative and engaging public awareness programmes. We aim to transform how people view the stock market by enabling them to embrace investing in securities on the Exchange as a viable medium for wealth creation. The Exchange hosted three Public Investor Outreaches in 2012. These were held in Kingston & St. Andrew and Manchester. They were well received and built awareness in respect to raising capital through listing on the main and junior markets and the creation of wealth by investing in equities.

Based on our success to date, the JSE will continue to host our branded *Public Education Outreach* Forum. Through each of these events, which enable a partnership between the JSE and our associates drawn primarily from our member-dealer firms, major towns across the island are visited. We engage in honest discussion with enthusiastic and sometimes skeptical participants, on the role of the stock market and introduce to them to ways they can benefit from investment opportunities in the stock market.

Corporate Outreach

As a part of the JSE's thrust to educate the market on how to invest in the stock market, the Group offers an exciting 30-minute presentation geared towards employees in the Jamaican workforce. The aim of the programme is to present simple and concise information about how the stock market works to benefit Jamaicans. In 2012 the Stock Exchange visited 24 institutions, ranging from top corporations to tertiary institutions. This represents a fifty percent (50%) increase over 2011, when the Exchange visited 16 institutions.

National Investor Education Week

In 2012, The Jamaica Stock Exchange in association with its partners, Supreme Ventures, Financial Services Commission, the Gleaner Company, JN Fund Manager, Sagicor, RBC Bank, First Global Financial Services and Barita Investments Ltd. joined forces in hosting the 4th National Investor Education Week from October 1-4, 2012 under the theme "Securing

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

your Financial Future over the next 50 Years". This was a part of Jamaica's 50th anniversary celebration.

The objectives of the week were to:

- Be a part of the 50th anniversary celebration
- Bring into focus the importance of the Equities Market
- Educate the investing public in these towns about the benefits of listing on the market, investing in equities and the regulatory framework that is in place to protect their investments
- Increase the number of equity investors on the market
- Reconnect with existing investors and business associates

The major highlights of the week were the contribution of \$50,000.00 to 10 companies which was aimed at assisting them with their business development plans. The JSE with the partnership of First Global, Sagicor and RBC Bank was able to make the contribution to these fledging organizations. Ten Companies that were listed on the Exchange from the inception of the JSE were also recognized at a Luncheon.

Best Practices Awards

National Commercial Bank walked away with four of the top awards including the Governor General's Award for Excellence at the Jamaica Stock Exchange's eight Best Practices Awards, which was held at the Jamaica Pegasus Hotel on December 5, 2012. National Commercial Bank beat the 2011 winner PanCaribbean Financial (Sagicor) into second place.

The JSE Best Practices Awards were established in 2004 by the Jamaica Stock Exchange as a medium to encourage listed companies and stockbrokers in the securities industry to adopt and uphold best practices standards and to enhance the relationship between the JSE and its stakeholders. The JSE has over the years refined these awards and has added several new awards since its inception. Chief among these are:

- ✓ Junior Market Awards 2012
- ✓ The Member Dealers Awards category in 2011
- ✓ The PSOJ Award for Corporate Governance in 2008

Each year these prestigious awards are now seen as a listed company or a member-dealer's mark of excellence.

Publication

The Exchange publishes a number of publications aimed at assisting investors, potential investors and the investment community to make more informed decisions and generally to provide market updates. These publications are:

1. The Stock Market Review
2. The Pocket Book
3. The Year Book
4. CEO's Report
5. A Guide to the Jamaican Securities Markets

E-Campus

In the face of a changing global economy and evolving technology, the Jamaica Stock Exchange introduced a game changer: it recognized that persons in the financial services industry needed to remain current and relevant within their field, but without sacrificing family and social time, and eliminating the hassle of frequent travel to brick and mortar institutions. In March 2012 the JSE introduced its e-Campus.

The JSE e-Campus is a web-based learning system that allows students to attend courses online. Lessons are interactive with video and audio clips of lecturers. Students are able to view content material and e-books, do tests and interact with lecturers, from anywhere, at any time. In addition to the online component, students are also afforded the opportunity to interact with their lecturers and peers in face-to-face Sunday lecture sessions at least once during each course.

INTERNAL AUDIT

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

INFORMATION TECHNOLOGY

The Group's technology unit continues the journey of ensuring we keep current relevant areas of the IT infrastructure. We have made significant progress in this area to ensure the organization's strategic objectives are met.

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

Successful initiatives during 2012 and continuing into 2013 were:

1. Replacing obsolete computers across the group
2. Introduction of a new service offering: ISIN Generation, a direct result of our new settlement system implemented in 2011
3. Commencement of the implementation of a new telephone system
4. Commencement of activities for the implementation of an Online Trading System
5. Commencement of activities related to continued improvement in our Business Continuity planning process
6. Commencement of activities geared towards the JSE establishing a mobile presence
7. Commencement of the implementation of a Business Process Improvement and document management systems
8. Launch of the Stock Market Game for the public

In the area of Risk Management and Compliance we continue to enhance and maintain system redundancies which allows for 100% availability during business hours. Our risk management policies and procedures ensure that we are compliant with established policies and international standards geared towards ensuring compliance through continued audits.

Our team remains committed to the initiatives to be achieved in 2013 and will continue to expand its capacity to ensure that the Group takes advantage of market opportunities through the utilization of efficient and effective use of technology.

HUMAN RESOURCE DEVELOPMENT

The JSE Group continues to invest in various training and development programmes to facilitate staff advancement and development. Team members participated in different workshops, seminars in both operational support and other courses specific to their respective areas of responsibility. Our Chief Regulatory Officer, Mr. Wentworth Graham is now a Professional Member of the International Compliance Association after successfully completing the ICA International Diploma in Compliance. Additionally, Miss Josephine Lewis, Manager Trustee Services Department, successfully completed the JSE's e-Campus Post Graduate Diploma in Financial Services Managements and was among the first graduates of JSE's e-Learning Cohort 1.



Miss Josephine Lewis

The JSE Group embraces staff advancement, and in 2012 five (5) team members were promoted, to managerial and officer levels.

We continue to enable staff to have access to resources which will allow them to make important personal lifelong decisions. This is done through our Chat-In Sessions where representatives from different financial institutions engage staff in discussion on matters such as financial planning/wealth management and health and gender issues.

Recognizing that good health and regular health checks are of paramount importance, we continue to hold our annual health fair in collaboration with the Heart Foundation of Jamaica.

Safety is everyone's business and staff members from different departments participated in Safety Awareness Training (including the matter of civil unrest, fire and disaster preparedness). These employees were appointed as Safety Wardens with their main responsibilities being that of identifying safety hazards and engaging their colleagues on the matter of safety in the workplace.

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

While we have free flowing communications within the Group which is aided by our Snap Communication tool, going forward, we will be increasing internal communications by having regular interface between regular staff and members of the Senior Management team. These meetings which will be called 'Garden Chit-Chat' would be one-on-one informal group meetings with the General Manager and other Senior Managers. This will facilitate improved staff engagement, employee feedback on issues governing the Group and the building of more effective rapport between Senior Management team and Staff.

CORPORATE SOCIAL RESPONSIBILITY

The JSE continues to recognize the importance of Corporate Social Responsibility and our major thrust is in the area of education. To this end we continued the school-feeding programme at St. Michael's All Age School which has resulted in an improvement in both attendance and punctuality of the students. It is our intention to become more involved in the school through its PTA so as to improve the prospects of the students.

FOCUS - 2013

2013 Initiatives Growing our business and improving processes

In 2013, the JSE's primary main focus will be on the implementation of the following:

- Business Process Improvement and Document Management geared towards full process automation
- Development of Stock Market mobile application
- Enhancement of Disaster Recovery & Business Continuity capabilities
- Improvement in our website
- Improvements in our internal capabilities and infrastructure for better service delivery

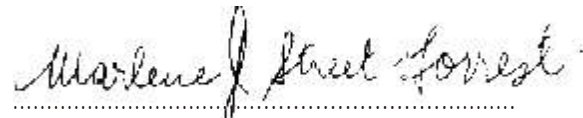
Our team is committed to continuing the thrust to implement solutions that are geared towards allowing the Group to take advantage of market opportunities which will increase revenue and improve quality of service. We will also seek to leverage the existing technology and reduce expenses by rationalization of the IT infrastructure.

In addition, the JSE and its subsidiary will look for opportunities within the market to grow and expand our services. We intend to listen to the market and provide solutions in keeping with these calls. The focus will be on people, place, products and portal.

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

Finally I wish to take this opportunity to commend the dedicated employees who, despite the tough economic climate and sometimes limited resources, so ably perform the tasks of developing new products, energizing old ones and just simply maintaining them. The enthusiasm was always on display whether to our internal or external customers. Many thanks to the members of the Board and the Committee who continue to play their part in ensuring that the strategies and the underlying fabric of the Group is current, modern and appropriate and that good governance is not just a catch-phrase but is practiced.

The Stock Market is relevant, it is timely and, as with all good products and services it must be properly utilized. The team stands ready to continue to deliver on the promise of 'providing a fair, efficient and transparent market'.



Marlene J. Street Forrest
General Manager, JSE

The Regulatory & Market Oversight Division's 2012 Year In Review of JSE's Regulatory Activities



Mr. Wentworth Graham
Chief Regulatory Officer

Overview

In 2012 global economies placed emphasis on rebuilding their economic base while bolstering systems to prevent deteriorated conditions that they experienced during the World Financial Crisis; in realizing desired national outcomes most nation states relied on financial market oversight.

The Jamaica Stock Exchange (JSE) plays a pivotal role in Jamaica's economic development and stability, and as a Self-Regulatory Organization its regulatory responsibilities are critical and essential. The JSE's regulatory activities are undertaken by its divisional unit: the Regulatory & Market Oversight Division (RMOD). The RMOD reports to the Regulatory & Market Oversight Committee (RMOC), the independent body of the Exchange's Board which is responsible for JSE's regulatory matters. During the course of 2012 the RMOD undertook necessary engagements to ensure that JSE's oversight activities continue to be adequate and effective; and in satisfying its regulatory objectives the Division concentrated on the following core functions: Listed Company Compliance, Member-dealer Regulation, Market Surveillance, Enforcement, Dispute Resolution/Arbitration and Risk Assessment.

Listed Company Compliance

One aspect of Listed Company Compliance is Listed Companies' Financial Compliance, which involves the RMOD's review of Listed Companies' financial results before and after listing on the JSE. For the 2012 calendar year RMOD reviewed the five (5) new listings on the JSE to ensure that their financial results satisfied JSE's listing requirements; in 2011 seven (7) new listings were reviewed. Additionally, during the year the Division reviewed two hundred and forty-eight (248) Financial Statements (Unaudited, Audited and Annual Reports) that were filed with the Exchange to verify that continued listing standards were satisfied; and of the set sixty-seven (67) had to be amended. In 2011 the Division reviewed two hundred and sixty-four (264) Financial Statements, and of the set eighty-nine (89) had to be amended.

Listed Companies' Corporate Compliance is the other aspect of Listed Company Compliance, and in this regard the RMOD ensures that Listed Companies satisfy the highest standards of accountability and transparency. For the year 2012 the Division examined five hundred and seventeen (517) Corporate Notices, twenty-nine of which were considered non-compliant. In 2011 the Division reviewed five hundred six-five (565) Corporate Notices and twenty-three (23) were determined as non-compliant.

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The Regulatory & Market Oversight Division's 2012 Year In Review of JSE's Regulatory Activities (Cont'd)

Member-dealers Regulation

Member-dealers regulation entails examinations, monitoring, rules development and educating industry practitioners. For year in review, as part of its member-dealer examination, the RMOD reviewed one hundred and eight-seven (187) financial filings (Monthly, Quarterly and Audited Reports) that were made by member-dealers. Equally, in 2012 the Division did two (2) on-site member-dealer inspections, and two (2) off-site inspection updates. The RMOD identified two (2) issues as part of its monitoring of member-dealers' activities during 2012, and it undertook one (1) rule amendment for member-dealers. As it relates to educating industry practitioners, in addition to publishing two (2) issues of its newsletter entitled "Inside the RMOD", the Division had two (2) training sessions for member-dealers; one which took the form of a joint workshop with the Institute of Chartered Accountants of Jamaica, and the other as a member-dealer's orientation session.

Market Surveillance

The RMOD market surveillance responsibilities take the form of monitoring trading activities to identify market infractions and irregular trading patterns. The Division has direct access to JSE's trading and settlement platforms which aid its market surveillance activities, and given this access during 2012 nine (9) trading exceptions were identified. All issues were thoroughly investigated and requisite clarifications were provided. In 2011 the Division identified five (5) trading exceptions.

Enforcement

As a consequence of determining that there has been a violation of the JSE's Rules and other market regulations the RMOD is required to administer enforcement actions. During 2012 the number of enforcement actions that were taken against member-dealers and Listed Companies were seven (7) and two (2), respectively. In 2011 one (1) enforcement action was administered, and it was against a member-dealer.

Dispute Resolution/Arbitration

The Division has a duty to provide a neutral setting for dispute resolution between investors, member-dealers and Listed Companies. During 2012 the Division was called upon to settle one (1) issue between an investor and a Listed Company; in 2011 the Division also handled one (1) issue between an investor and a Listed Company.

Risk Assessment

In fulfilling its risk assessment objective the RMOD is required to assess the risks in the industry as well as to measure the efficacy of its own regulatory programmes. Given the size of its operations, the RMOD treats with the industry's risks by conducting Risk Based Inspections. In satisfying the foregoing, during 2012, the Division did onsite and follow-up inspections as detailed above. In relation to testing of the Division's inspection programme, during the course of 2012, the JSE's Internal Auditors did an examination of the unit and provided recommendations that have been duly accepted.

Closing Comments

In addition to the above mentioned core activities, it is suitable also to mention that during the course of 2012 the RMOD reviewed twenty-seven (27) Circulars (Prospectuses, Take-over Bids, Directors' Circulars) that were submitted to the JSE; the amount equaled 2011's tally. The Division attended 37 of the 45 Special and Regular meetings convened during the year by Listed Companies.' In 2011 the Division attended thirty-seven (37) of the forty-three (43) Special and Regular Meetings convened by Listed Companies.

In closing, I wish to acknowledge the RMOC for its indefatigable direction of the RMOD, as well as the invaluable support and teamwork of the Division's officers, and assistance provided by staff of the wider JSE. Given the role and responsibilities of the RMOD, I wish to assure all stakeholders that in the ensuing year every effort will be made to advance the Exchange's regulatory responsibilities.

JSE CORPORATE HIGHLIGHTS 2012



National Commercial Bank Wins 2011 Governor General's Awards for Excellence

It was a night when National Commercial Bank walked away with four of the top awards at the Jamaica Stock Exchange Best Practices Awards, which was held at the Jamaica Pegasus Hotel on Wednesday, December 5, 2012. The event was fully supported by corporate Jamaica. This prestigious gathering included the Honourable Steadman Fuller, Custos Rotulorum of Kingston, representing His Excellency, the Most Honourable Patrick Allen- the patron of the event, and the Honourable Marigold Harding, Custos Rotulorum of St. Andrew.



Dennis Cohen, Deputy Group Managing Director of National Commercial Bank Jamaica receives the Governor General's Award for Excellence from the Hon Steadman Fuller, Custos of Kingston at the JSE's Best Practices Awards 2011 held December 5, 2012.

Mrs. Marlene Street Forrest, General Manager of the Jamaica Stock Exchange opened the event by welcoming the guests. Mrs. Street Forrest lauded the efforts of the various companies throughout the Jamaica and the Caribbean that have focused on Corporate Social Responsibility (CSR). According to her, "Many persons do not know that the purpose, content and structure of a company's CSR are reviewed as part of these best practices awards. So often persons speak to how much more corporate Jamaica should or could be doing for social development without stopping to recognize the major contributions that are already made by these companies. Indeed, we shudder to think what Jamaica and the wider Caribbean would look like without these contributions and those of civil society. We wish to congratulate all companies that are often tirelessly and thanklessly doing their part and urge you to continue to do your best".

The Guest Speaker for the eighth Best Practices Awards was Dr. Claire Nelson; Founder and President of the Institute of Caribbean Studies, a think-tank based in Washington DC. She gave a riveting presentation advocating that Jamaica as a country can achieve excellence and Jamaicans in particular have the ability to achieve excellence. She spoke of Marcus Garvey, who had no cellular phone and no Twitter account, yet had over one million followers in over twenty countries. She told the audience that the four basic and essential ingredients to achieve excellence are vision, perseverance, passion and love. The first ingredient is instilled in us through our national anthem, the second requires determination or 'stick-to-it-iveness', the third is energy or motivation and finally love, which she described as all-encompassing and holds everything

together. Love, she said, transcends all boundaries and has the ability to lift the spirits of individuals.

Professor Neville Ying, the Chairman of the Best Practices Committee next threw out an appeal to the Listed Companies and Brokerage, to be the best that they can be. According to Professor Ying " As we are living in a global village where companies have to compete against the best of the best, it is very important that we change our mind-set in Jamaica and ensure that mediocrity has no place amongst institutions. The world is at our fingertips; this means by the click of a mouse, business can be done anywhere in the world. Therefore, it is imperative that companies have the best Board of Directors, the best management team, the best customer service, the best products, the best

(Cont'd on next page)



JSE CORPORATE HIGHLIGHTS 2012 (Con'td)

website and as a matter of fact simply the best of everything to be able to effectively and efficiently compete in the global market place”.

It was now left to the Master of Ceremonies, Mr. Michael Anthony Cuffe, along with Dr. Nsombi Jaja to announce the winners. They started with the Member Dealers Awards. In the category of Revenue Generation & Market Activity, the JSE recognized Member Dealers that, during the year, “Traded the most value on the Exchange” and participated in the JSE's programmes:

2nd Runner up was JMMB Securities Ltd., 1st Runner up was NCB Capital Markets Ltd. and the winner in this category was Pan Caribbean Financial Services Ltd. for the second year running.

The next category to be announced was that of Investor Relations. This award recognizes the Member Dealer that “consistently exceeds customers' expectations by providing excellent customer service.” The 1st Runner ups were Barita Investments Ltd. & Capital & Credit Securities Limited and the winner for the second year running was PanCaribbean Financial Services Ltd.

JSE Member-Dealers Award for Best Website was next. This award is given to encourage member dealers to raise the quality and efficiency of the dissemination of information to the investing public via the website. Stocks & Securities Limited was the 2nd Runner up, with the 1st runner up being Capital & Credit Securities Limited and the winner for the second year running was First Global Financial Services Ltd.



Terry-Ann Jamieson Warren (left), Research Analyst - Pan Caribbean Financial Services receives the winning award for JSE Member-Dealers Investor Relations Award from Hon Marigold Harding, Custos of St. Andrew.



Angeline Carr (left), Compliance Officer, Stock & Securities Ltd accepts the 2nd Runner up prize in the JSE Member Dealers Website category from Dr. Claire Nelson, Founder & President, Institute of Caribbean Studies.



Lissant Mitchell (left) Chief Operating Officer, Scotia Investments Jamaica Ltd accepts the 2nd runner up award for the JSE Member Dealers Expansion of Investors & Listed Companies base from Alvaro Casserly, Director, JCSD.

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JSE CORPORATE HIGHLIGHTS 2012 (Con'td)

The next category to be announced was the “Expansion of Investors & Listed Companies Base”. This award recognizes the Member Dealer that has; “increased the number of clients in the JCSD and has listed the most companies within 2011”. The 2nd runner up in this category was Scotia Investments Jamaica Limited, the 1st runner up position went to JMMB Securities Ltd. and the winner was Mayberry Investments Ltd for the second year in a row.

The Jamaica Stock Exchange Member Dealers Overall Winner went to Mayberry Investments Ltd. for the second consecutive year!

It was now time for the Best Practices Awards 2011 for Listed Companies to be announced. This year both Junior Market and Main Market companies were recognized. The first award in this category was the presentation of the Best Practices - Annual Report Award for Junior & Main Markets Listed Companies. This award is given to encourage publicly listed companies to produce clearer, more reader-friendly annual reports and to provide greater insight into the companies' financial affairs, governance practices and business activities. General Accident Insurance Company Ltd. was the only winner in the Junior Market category. While in the Main Market, 2nd Runner up went to Sagicor Life Jamaica Ltd. and Joint Winners were PanCaribbean Financial Services Ltd & National Commercial Bank Jamaica Ltd.

Best Performing Company Award seeks to identify and recognize outstanding performance by Listed Companies in enhancing shareholder value in the areas of capital efficiency, profitability and direct return on

Lennox Channer (left), Assistant General Manager, Group Managing Director's Office, NCB receives the award for Best Practices Annual Report Main Market (joint with Pan Caribbean) from Professor Neville Ying, Chairman of the Best Practices Committee.



Allan Lewis, Deputy Chairman - JSE presents the JSE Member-Dealers Revenue Generation & Market Activity Award to Kirk Al Brown, Senior Equity Trader, Pan Caribbean Financial Services Limited.

Odel Johnson, Financial Controller of Jamaica Property Company Limited a subsidiary of Pan-Jamaican Investment Trust Ltd accepts the 2nd runner up award for the JSE Best Performing Company (Main Market) from Donovan Perkins, Chairman - JSE.



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JSE CORPORATE HIGHLIGHTS 2012 (Con'td)

shareholdings. In the Junior Market category the 2nd Runner up was Lasco Financial Services Ltd., while 1st Runner up went to Lasco Manufacturing Ltd. and Cargo Handlers emerged the winner. In the Main Market category the 2nd Runner up was PanJamaican Investment Trust Ltd., while the 1st Runner up was Scotia Investments Jamaica Ltd. and the winner was Carreras Ltd.

Corporate Disclosure & Investor Relations award serves to recognize companies that maintain good investor relations with the wider investing public and make timely and accurate reports and announcements to the JSE. In the Junior Market category, the 1st runner up was Caribbean Producers Jamaica Limited and the winner was Honey Bun Ltd. The Main Market had Joint 2nd Runner up in Grace Kennedy Ltd. & Scotia Group Jamaica Ltd., while the 1st Runner up was PanCaribbean Financial Services Ltd. The Winner was National Commercial Bank Jamaica Ltd.

The Best Practices Website Award seeks to encourage listed companies to raise the quality and efficiency of the dissemination of information to the investing public via their websites. The Junior Market awards were handed out as usual with 2nd Runner up- Lasco Manufacturing Ltd., 1st Runner up - Honey Bun Ltd. and the winner was Caribbean Producers Jamaica Ltd. The Main Market presentation 2nd Runner up went to Sagicor Life Jamaica Ltd., 1st Runner up went to Trinidad Cement Limited and Guardian Holdings Ltd was the winner for the second year running.

The penultimate award was the PSOJ/JSE Corporate Governance Award which seeks to recognize companies that demonstrate and practice outstanding corporate governance. The 2nd Runner up was Pancaribbean Financial Services, followed by the 1st Runner up - Scotia Group and National Commercial Bank emerged the winner.

Overall Best Practices Award had Joint Overall Winners Caribbean Producers Jamaica Ltd and Honey Bun Ltd.

The company to walk away with Governor General's Award for Excellence and the overall winner of the competition was National Commercial Bank Jamaica Ltd.

In the end the JSE's Junior Market



Patrice Gray, Finance Director Carreras Ltd., receives the winning award for the JSE Best Performing Company (Main Market) from Donovan Perkins, Chairman-JSE.



Robin Levy, General Manager JCSD presents 2nd Runner up award for Best Practices Corporate Disclosure & investor Relations to Ms. Gene Douglas, Company Secretary Pan Caribbean Financial Services.

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JSE CORPORATE HIGHLIGHTS 2012 (Con'td)



Custos Harding Rings Bell to Mark The Opening of The Market At JSE's New on October 4, 2012 and in the background is Mr. Robin Levy, General Manager JCSD and Deputy General Manager; JSE.



From left Mr. Gary Peart, Mr. Robin Levy, Mrs. Marlene Street Forrest, Mr. John Mahfood and Mr. Brian George at the Gleaner Editor's Forum as part of the JSE National Investor Education Week 2012.

(Cont'd on next page)

JSE CORPORATE HIGHLIGHTS 2012 (Con'td)



Salada Foods Jamaica
one of the sponsors of
the JSE National
Investor Education
Week 2012.

Attendees at the
JSE/JMMB Investor
Forum speak with a
JMMB Representative
the seminar held April
17, 2012.



From Left Mr. Roy Reid,
Mrs. Marlene Street
Forrest and Paul Gray
speak with participants at
the JSE/JMMB Investor
Forum held April 17, 2012.

SHAREHOLDINGS

Top 10 for Jamaica Stock Exchange As at December 31, 2012

Name Account(s)	Joint Holders	Volume	Percentage
FIRST GLOBAL FIN. SERV. LTD-TRADING A/C		<u>1,408,803.00</u> 1,408,803.00	<u>4.27</u> 4.27
DEREK DEMERCADO		<u>1,254,489.00</u> 1,254,489.00	<u>3.80</u> 3.80
WILFORD REID	Ronton Constantine Schrouder	<u>1,249,511.00</u> 1,249,511.00	<u>3.79</u> 3.79
CHARLES LEIBA		<u>1,200,000.00</u> 1,200,000.00	<u>3.64</u> 3.64
VICTORIA MUTUAL BUILDING SOCIETY		<u>1,011,747.00</u> 1,011,747.00	<u>3.07</u> 3.07
WINSTON COLE		<u>1,008,705.00</u> 1,008,705.00	<u>3.06</u> 3.06
BERRIST ALFANZO PHILLIPS	Cherrie Evadney Phillips	<u>1,000,618.00</u> 1,000,618.00	<u>3.03</u> 3.03
VMWM CLIENT 1		<u>918,821.00</u> 918,821.00	<u>2.78</u> 2.78
ONIS JOHNSON	Monica Johnson	<u>751,725.00</u> 751,725.00	<u>2.28</u> 2.28
LASCALLE LENFORD BROWN	Paula Ann Sinclair	<u>627,278.00</u> 627,278.00	<u>1.90</u> 1.90

Executives Holdings for Jamaica Stock Exchange As at December 31, 2012

Name Account(s)	Joint Holders	Volume	Percentage
MARLENE STREET-FORREST 1656248		<u>8,333.00</u> 8,333.00	<u>0.03</u> 0.03
ROBIN LEVY 1903798		<u>25,000.00</u> 25,000.00	<u>0.08</u> 0.08

(Cont'd on next page)

SHAREHOLDINGS Cont'd

Executives Holdings for Jamaica Stock Exchange As at December 31, 2012

Name Account(s)	Joint Holders	Volume	Percentage
SUZETTE MCNAUGHT 1300367	Minette McLeish	<u>25,000.00</u> 25,000.00	<u>0.08</u> 0.08
DOREEN PARSONS-SMITH 1902782		<u>8,333.00</u> 8,333.00	<u>0.03</u> 0.03
SUZETTE WHYTE 1902956	Felix Whyte	<u>10,000.00</u> 10,000.00	<u>0.03</u> 0.03
NEVILLE ELLIS 1902931		<u>8,333.00</u> 8,333.00	<u>0.03</u> 0.03
JOSEPHINE LEWIS 1303106		<u>25,000.00</u> 25,000.00	<u>0.08</u> 0.08

Directors Holdings for Jamaica Stock Exchange As at December 31, 2012

Name Account(s)	Joint Holders	Volume	Percentage
RITA HUMPHRIES LEWIN 1012871		<u>19,978.00</u> 19,978.00	<u>0.06</u> 0.06
EDWIN MCKIE 1002955	Beulah McKie	<u>49,846.00</u> 49,846.00	<u>0.15</u> 0.15

(Cont'd on next page)

SHAREHOLDINGS Cont'd**Ordinary Shareholdings for Jamaica Stock Exchange
As at December 31, 2012**

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



FINANCIAL & STATISTICAL HIGHLIGHTS

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue (\$)		+309,628,000	232,537,000	263,387,000	561,297,000	240,797,000	294,515,000	313,590,000	219,395,000
Expenses(\$)		272,030,000	230,239,000	283,248,000	302,306,000	212,796,000	323,349,000	180,099,000	135,495,000
Income Before Taxes (\$)		37,598,000	2,298,000	-19,861,000	258,991,000	28,001,000	0-28,834,000	133,491,000	83,900,000
Net Income After Tax (\$)		50,310,000	37,402,000	43,018,000	207,703,000	44,116,000	8,213,000	114,213,000	109,001,000
Compensation Fund (\$)		582,720,000	564,125,000	544,281,000	510,134,000	463,759,000	434,686,000	404,253,000	378,839,000
Members' Equity (\$)		473,857,000	434,609,000	423,931,000	436,956,000	486,273,000	465,872,000	484,043,000	403,770,000
Reported Share Volume (Millions)* (Units)		2,125.52	3,617.26	1,764.89	2,953.01	2,433.48	5,639.39	2,498.03	5,194.56
Daily Average Share Volume (Millions)* (Units)		8.43	10.66	6.98	11.81	9.73	22.55	9.91	20.45
Reported Dollar Value (Millions)* (\$)		22,241.92	21,020.82	12,189.89	67,026.87	29,047.42	37,041	40,747	35,994.85
Daily Average Dollars Value (Millions)* (\$)		88.26	69.6	48.12	268.10	116.18	148.16	161.69	141.71
JSE Combined Index as at December 31	93,503.79	97,134.00							
JSE Market Index as at December 31	92,101.22	95,297.20	85,220.82	83,321.96	80,152.02	107,968.00	100,678	104,510	112,655.51
JSE Junior Market Index as at December 31	647.78	748.86	379.92	150.01					
Member Organizations	11	11	11	11	11	11	11	11	11
New Listed Companies/Securities*	4/05	5/7	8/10	1	9	1	3	1	Nil
Total Listed Companies/Securities*	61	52	51	44	45	44	44	41	40
Total Shares Listed (Billions) (Reg and Jnr)	51.04	51.51	47.65	47.16	47.49	47.16	49.23	46.19	42.28
Market Capitalization as at December 31: (Billion) (\$) (Reg and Jnr)	612.74	691.44	564.72	544.88	597.28	876.69	822.86	839.85	879.30
JSE USD Market Index as at December	67.86	78.57							
Total Shares Listed	294,951,884	294,951,884							

*Includes Junior Market

△ Restated

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

+ One off gain from disposal of property



AND ITS SUBSIDIARY

AUDITORS' REPORT & FINANCIAL STATEMENTS

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the members of

THE JAMAICA STOCK EXCHANGE LIMITED

Report on the financial statements

We have audited the financial statements of The Jamaica Stock Exchange Limited (the Company) and the financial statements of the Company and its subsidiary (the Group), set out on pages 58 to 126, 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.

(Cont'd on next page)

Report on the financial statements (Cont'd)

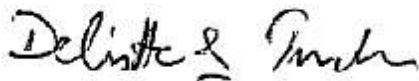
Opinion

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.



.....
Chartered Accountants


Kingston, Jamaica,
February 27, 2013

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	448	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	15	82,473	54,499	40,460
Current portion of long-term liabilities	15	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 66 to 126 form an integral part of the financial statements.

The financial statements Pages 58 to 126 were approved and authorized for issue by the Board of Directors on February 27, 2013 and are signed on its behalf by:



.....
Director



.....
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2012

	<u>Notes</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
Income			
Cess		265,164	87,564
Fee income		189,232	119,759
E-campus		4,386	5,432
Other operating income	19	<u>45,519</u>	<u>43,533</u>
		<u>504,301</u>	<u>256,288</u>
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	3,380	1,324
E-campus		12,532	5,580
Other operating expenses		<u>12,714</u>	<u>12,517</u>
		<u>356,376</u>	<u>265,391</u>
Investment income	21	36,166	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	<u>128,705</u>	<u>33,919</u>
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		<u>121,879</u>	<u>39,248</u>
Earnings per share	27	\$4.59	\$1.21

The notes on Pages 66 to 126 form an integral part of the financial statements.

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		<u>168,590</u>	<u>1,943</u>	<u>264,076</u>	<u>559,818</u>	<u>994,427</u>
Prior year restatement	34	<u>-</u>	<u>-</u>	<u>-</u>	<u>(559,818)</u>	<u>(559,818)</u>
Balance at January 1, 2011 restated		<u>168,590</u>	<u>1,943</u>	<u>264,076</u>	<u>-</u>	<u>434,609</u>
Profit for the year as restated	34	<u>-</u>	<u>-</u>	<u>33,919</u>	<u>-</u>	<u>33,919</u>
Other comprehensive income for the year	14	<u>-</u>	<u>5,329</u>	<u>-</u>	<u>-</u>	<u>5,329</u>
Total comprehensive income for the year as restated		<u>-</u>	<u>5,329</u>	<u>33,919</u>	<u>-</u>	<u>39,248</u>
Balance at December 31, 2011 as restated		<u>168,590</u>	<u>7,272</u>	<u>297,995</u>	<u>-</u>	<u>473,857</u>
Profit for the year		<u>-</u>	<u>-</u>	<u>128,705</u>	<u>-</u>	<u>128,705</u>
Other comprehensive income for the year	14	<u>-</u>	<u>(6,826)</u>	<u>-</u>	<u>-</u>	<u>(6,826)</u>
Total comprehensive income for the year		<u>-</u>	<u>(6,826)</u>	<u>128,705</u>	<u>-</u>	<u>121,879</u>
Payment of dividend	32	<u>-</u>	<u>-</u>	<u>(14,239)</u>	<u>-</u>	<u>(14,239)</u>
Balance at December 31, 2012		<u>168,590</u>	<u>446</u>	<u>412,462</u>	<u>-</u>	<u>581,498</u>

The notes on Pages 66 to 126 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

	<u>Note</u>	<u>2012</u> \$'000	<u>2011</u> \$'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		<u>6,382</u>	<u>6,639</u>
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		<u>177,230</u>	<u>(49,599)</u>
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		<u>25,863</u>	<u>31,918</u>
Cash (used in) provided by investing activities		(31,903)	<u>46,105</u>
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)	<u>21,535</u>
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		<u>255</u>	<u>65</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	<u>180,766</u>	<u>54,829</u>


The notes on Pages 66 to 126 form an integral part of the financial statements.

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	228,900	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	29	29,174	36,805	64,705
Cash and cash equivalents	12	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	13	168,590	168,590	168,590
Fair value reserve	14	272	6,466	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	17,34	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 66 to 126 form an integral part of the financial statements.

The financial statements Pages 58 to 126 were approved and authorized for issue by the Board of Directors on February 27, 2013 and are signed on its behalf by:



.....
Director



.....
Director

COMPANY STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2012

	<u>Notes</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
INCOME			
Cess		229,860	65,690
Fee income		101,052	43,839
E-campus		4,386	5,432
Other operating income	19	<u>44,431</u>	<u>44,551</u>
		<u>379,729</u>	<u>159,512</u>
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		<u>12,532</u>	<u>5,580</u>
		<u>266,317</u>	<u>194,596</u>
Investment income	21	29,720	18,292
Other gains	22	-	28,477
Finance costs	23	<u>(6,345)</u>	<u>(6,480)</u>
PROFIT BEFORE TAXATION	24	136,787	5,205
Taxation	25	<u>(43,897)</u>	<u>7,450</u>
NET PROFIT		<u>92,890</u>	<u>12,655</u>
OTHER COMPREHENSIVE INCOME			
Net fair value(loss) gains on available-for-sale financial assets during the year	14	<u>(6,184)</u>	<u>4,111</u>
Other comprehensive income for the year, net of taxes		<u>(6,184)</u>	<u>4,111</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>86,706</u>	<u>16,766</u>

The notes on Pages 66 to 126 form an integral part of the financial statements.



**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		169,592	2,345	263,208	530,812	964,957
Prior year restatement	31	-	-	-	(538,878)	(538,878)
Balance at January 1, 2011 restated		169,592	2,345	263,208	-	434,935
Profit for the year as restated		-	-	12,055	-	12,055
Other comprehensive income for the year	14	-	4,111	-	-	4,111
Total comprehensive income for the year as restated		-	4,111	12,055	-	16,166
Balance at December 31, 2011 as restated		169,592	6,456	275,263	-	451,309
Profit for the year		-	-	92,880	-	92,880
Other comprehensive income for the year	14	-	(6,184)	-	-	(6,184)
Total comprehensive income for the year		-	(6,184)	92,880	-	86,696
Payment of dividends	32	-	-	(1,142,338)	-	(1,142,338)
Balance at December 31, 2012		169,592	272	365,305	-	534,969

The notes on Pages 66 to 126 form an integral part of the financial statements.

COMPANY STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

	<u>Note</u>	<u>2012</u> \$'000	<u>2011</u> \$'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		<u>6,345</u>	<u>6,480</u>
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		<u>(3,862)</u>	<u>(3,608)</u>
Cash used in operations		162,615	(57,540)
Income tax paid		(3,636)	(3,232)
Interest paid		<u>(6,345)</u>	<u>(6,480)</u>
Cash provided by (used in) operating activities		<u>152,634</u>	<u>(67,262)</u>
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		(1,880)	(1,709)
Interest received		<u>18,279</u>	<u>26,030</u>
Cash (used in) provided by investing activities		<u>(16,156)</u>	<u>69,755</u>
FINANCING ACTIVITIES			
Dividend paid		(14,238)	-
Proceeds from loans		-	25,863
Loan repaid		<u>(5,407)</u>	<u>(4,128)</u>
Cash (used in) provided by financing activities		<u>(19,645)</u>	<u>21,535</u>
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		<u>256</u>	<u>4</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	<u>157,741</u>	<u>40,652</u>

The notes on Pages 66 to 126 form an integral part of the financial statements.

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:

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

Both the JCSD and its subsidiary are incorporated in Jamaica.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

2.2 New and reviewed standards applied with no effect on the financial statements (Cont'd)

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.

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 140 Investment Property, are presumed to be recovered entirely through sales for the purposes of measuring deferred tax 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:

		<u>Effective for annual periods beginning on or after</u>
<u>New Standards</u>		
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
<u>Revised Standards</u>		
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

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)

		<u>Effective for annual periods beginning on or after</u>
<u>Revised Standards</u> (Cont'd)		
IFRS 7	Financial Instruments: Disclosures - Amendments requiring disclosures about the initial application of IFRS 9 - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	(i) (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 - 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	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 - 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, 2013
IAS 19	Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 1, 2014 January 1, 2013

