Jamaica Money Market Brokers Limited

Financial Statements
31 March 2011

Jamaica Money Market Brokers Limited
Index
31 March 2011

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA MONEY MARKET BROKERS LIMITED

Report on the Financial Statements

We have audited the financial statements of Jamaica Money Market Brokers Limited (the company) and the consolidated financial statements of the company and its subsidiaries (the group), set out on pages 3 to 79, which comprise the group and company statement of financial position as at 31 March 2011, and the group and company profit and loss accounts, statements of comprehensive income, changes in equity and cash flows for the year then ended, and note comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 as to 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

To the Members of
JAMAICA MONEY MARKET BROKERS LIMITED

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 of 31 March 2011, and of the group's and company's financial performance, changes in equity and cash flows for the year then ended, so far as concerns the members of the company, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

May 30, 2011

Jamaica Money Market Brokers Limited

Consolidated Profit and Loss Account

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Net Interest Income and Other Revenue			
Interest income	5	8,813,920	12,204,029
Interest expense	5	(6,294,878)	(10,301,514)
Net interest income		2,519,042	1,902,515
Fees and commission income		114,543	73,798
Gains on securities trading, net		1,232,391	961,532
Fees earned on managing funds on behalf of clients		50,425	50,851
Foreign exchange margins from cambio trading		156,683	106,982
Operating revenue net of interest expense		4,073,084	3,095,678
Other income			
Dividends		19,314	15,315
Gains on sale of property, plant and equipment		7,101	327
		4,099,499	3,111,320
Operating Expenses			
Staff costs	6	(1,259,065)	(1,009,616)
Other expenses		(1,326,884)	(1,099,512)
		(2,585,949)	(2,109,128)
Operating Profit		1,513,550	1,002,192
Impairment loss on financial assets	7	(28,242)	-
Share of profits of associated companies (net of tax)		24,327	26,120
Profit before Taxation	8	1,509,635	1,028,312
Taxation	9	(366,705)	(41,934)
Profit for the Year		1,142,930	986,378
Attributable to:			
Equity holders of the parent		1,116,272	983,157
Non-controlling interest		26,658	3,221
		1,142,930	986,378
Earning per stock unit	10	0.76	0.67

Jamaica Money Market Brokers Limited
Consolidated Statement of Comprehensive Income
Year ended 31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

	2011 $'000	2010 $'000
Profit for the Year	1,142,930	986,378
Other comprehensive income		
Unrealised gains on available-for-sale investments	1,889,131	855,578
Gains reclassified and reported in profit	(344,726)	(127,998)
	1,544,405	727,580
Foreign exchange translation differences	29,134	25,570
Total other comprehensive income, net of taxes	1,573,539	753,150
Total comprehensive income for year, net of tax	2,716,469	1,739,528
Total comprehensive income attributable to:		
Equity holders of the parent	2,689,811	1,729,933
Non-controlling interest	26,658	9,595
	2,716,469	1,739,528

The notes on pages 16 to 79 are an integral part of these financial statements

Jamaica Money Market Brokers Limited
Consolidated Statement of Financial Position
31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
ASSETS			
Cash and cash equivalents	12	3,317,057	3,643,532
Interest receivable		1,760,130	2,656,184
Income tax recoverable		1,235,689	1,277,889
Loans and notes receivable	13	3,445,800	3,639,894
Other receivables	14	2,139,992	2,627,877
Securities purchased under agreements to resell	15	679,234	2,473,540
Investment securities	16	98,233,393	104,887,535
Membership share	17	19,520	19,520
Investment properties	19	457,591	-
Interest in associated companies	20	643,137	631,932
Intangible assets	21	77,788	83,512
Property, plant and equipment	22	991,427	1,007,805
Deferred income tax assets	23	18,300	26,150
		113,019,058	122,975,370

Jamaica Money Market Brokers Limited

Consolidated Statement of Financial Position (Continued)

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
STOCKHOLDERS' EQUITY			
Share capital	24	365,847	365,847
Share premium		13,775	13,775
Investment revaluation reserve		719,185	(825,220)
Cumulative translation reserve		20,432	(8,702)
Other reserves	25	13,672	13,672
Retained earnings		8,212,255	7,300,857
		9,345,166	6,860,229
Non-controlling interest		57,165	30,507
		9,402,331	6,890,736
LIABILITIES			
Securities sold under agreements to repurchase	26	97,068,266	102,844,985
Notes payable	27	623,873	648,650
Loans payable	28	-	7,043,932
Redeemable preference shares	24	2,924,994	2,690,085
Deferred income tax liabilities	23	1,157,747	278,902
Interest payable		922,493	1,473,460
Income tax payable		322,457	593,576
Payables		596,897	511,044
		103,616,727	116,084,634
		113,019,058	122,975,370

Approved for issue by the Board of Directors on 30 May 2011 and signed on its behalf by:

Noel A. Lyon Chairman

Keith P. Duncan Group Chief Executive Officer

Jamaica Money Market Brokers Limited

Consolidated Statement of Changes in Stockholders' Equity

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Share Premium $'000	Investment Revaluation Reserve $'000	Cumulative Translation Reserve $'000	Other Reserves $'000	Retained Earnings $'000	Total Attributable to Equity holders of the Parent $'000	Non-Controlling Interest $'000	Total $'000
Balances at 31 March 2009		**365,847**	**13,775**	**(1,552,800)**	**(27,898)**	**-**	**6,506,978**	**5,305,902**	**20,912**	**5,326,814**
Profit for the year		-	-	-	-	-	983,157	983,157	3,221	986,378
Other comprehensive income for 2010		-	-	727,580	19,196	-	-	746,776	6,374	753,150
Total comprehensive income for 2010		-	-	727,580	19,196	-	983,157	1,729,933	9,595	1,739,528
Transfer from retained earnings		-	-	-	-	13,672	(13,672)	-	-	-
Dividends	11	-	-	-	-	-	(175,606)	(175,606)	-	(175,606)
Balances at 31 March 2010		**365,847**	**13,775**	**(825,220)**	**(8,702)**	**13,672**	**7,300,857**	**6,860,229**	**30,507**	**6,890,736**
Profit for the year		-	-	-	-	-	1,116,272	1,116,272	26,658	1,142,930
Other comprehensive income for 2011		-	-	1,544,405	29,134	-	-	1,573,539	-	1,573,539
Total comprehensive income for 2011		-	-	1,544,405	29,134	-	1,116,272	2,689,811	26,658	2,716,469
Dividends	11	-	-	-	-	-	(204,874)	(204,874)	-	(204,874)
Balances at 31 March 2011		**365,847**	**13,775**	**719,185**	**20,432**	**13,672**	**8,212,255**	**9,345,166**	**57,165**	**9,402,331**

The notes on pages 16 to 79 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Consolidated Statement of Cash Flows

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Cash Flows from Operating Activities			
Profit for the year		1,142,930	986,378
Adjustments for:			
Interest income	5	(8,813,920)	(12,204,029)
Interest expense	5	6,294,878	10,301,514
Income tax charge	9	366,705	41,934
Share of profits of associated companies		(24,327)	(26,120)
Provision for credit losses		108,452	23,441
Impairment of financial assets		28,242	-
Amortisation of intangible assets	21	23,720	28,348
Depreciation of property, plant and equipment	22	85,849	83,249
Gains on disposal of property, plant and equipment		(7,101)	(330)
Foreign currency translation loss/(gains)		432,986	(916,926)
		(361,586)	(1,682,541)
Changes in operating assets and liabilities -			
Income tax recoverable, net		(551,376)	(394,842)
Notes receivable		85,642	(214,205)
Other receivables		487,885	(496,471)
Payables		85,853	(4,757)
Securities purchased under agreements to resell		1,794,306	(1,018,385)
Securities sold under agreements to repurchase		(5,776,719)	12,733,987
		(4,235,995	8,922,786
Interest received		9,709,974	12,411,696
Interest paid		(6,845,845)	(10,330,577)
Net cash (used in)/provided by operating activities (Page 9)		(1,371,866)	11,003,905

The notes on pages 16 to 79 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Consolidated Statement of Cash Flows (Continued)

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Cash Flows from Operating Activities (Page 8)		(1,371,866)	11,003,905
Cash Flows from Investing Activities			
Investment securities, net		8,711,930	(6,950,165)
Purchase of computer software	21	(18,317)	(15,455)
Purchase of property, plant and equipment	22	(125,207)	(104,323)
Proceeds from disposal of property, plant and equipment		13,586	9,679
Purchase of investment properties		(408,903)	-
Net cash provided by/(used in) investing activities		8,173,089	(7,060,264)
Cash Flows from Financing Activities			
Proceeds from issue of preference of redeemable shares		2,759,346	-
Repayment of redeemable preference shares		(2,524,437)	-
Notes payable		(24,777)	(432,754)
Loans payable		(7,043,932)	(2,205,379)
Dividends paid	11	(204,874)	(175,606)
Net cash used in financing activities		(7,038,674)	(2,813,739)
Effect of exchange rate changes on cash and cash equivalents		(89,024)	83,373
Net (decrease)/increase in cash and cash equivalents		(326,475)	1,213,275
Cash and cash equivalents at beginning of year		3,643,532	2,430,257
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	3,317,057	3,643,532

Jamaica Money Market Brokers Limited
Profit and Loss Account
Year ended 31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Net Interest Income and Other Revenue			
Interest income from securities	5	8,098,778	11,442,000
Interest expense	5	(5,684,072)	(9,314,770)
Net interest income		2,414,706	2,127,230
Fees and commission income		52,283	44,843
Gains on securities trading, net		1,193,758	881,127
Fees earned on managing funds on behalf of clients		50,425	42,733
Foreign exchange margins from cambio trading		156,713	106,982
Operating revenue net of interest expense		3,867,885	3,202,915
Other income			
Dividends		16,477	14,378
Gain on sale of property plant and equipment		984	327
		3,885,346	3,217,620
Operating Expenses			
Staff costs	6	(1,120,030)	(894,302)
Other expenses		(1,148,214)	(1,006,660)
		(2,268,244)	(1,900,962)
Operating Profit		1,617,102	1,316,658
Impairment loss on financial assets	7	(28,242)	-
Profit before Taxation	8	1,588,860	1,316,658
Taxation	9	(359,359)	(49,746)
Profit for the Year		1,229,501	1,266,912

The notes on pages 16 to 79 are an integral part of these financial statements

Jamaica Money Market Brokers Limited
Statement of Comprehensive Income
Year ended 31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

	2011 $'000	2010 $'000
Profit for the Year	1,229,501	1,266,912
Other comprehensive income		
Unrealised gains on available-for-sale investments	1,977,913	463,417
Gains reclassified and reported in profits	(344,726)	(127,998)
	1,633,187	335,419
Total comprehensive income for year, net of tax	2,862,688	1,602,331

The notes on pages 16 to 79 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Statement of Financial Position

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
ASSETS			
Cash and cash equivalents	12	2,789,476	2,497,273
Interest receivable		1,251,156	2,241,759
Income tax recoverable		1,219,465	1,264,782
Loans and notes receivable	13	2,915,750	3,072,692
Other receivables	14	1,573,535	1,539,468
Securities purchased under agreements to resell	15	16,506,112	18,258,899
Investments	16	77,473,624	83,241,305
Interest in subsidiaries	18	1,165,490	1,153,490
Intangible assets	21	61,144	64,989
Property, plant and equipment	22	912,790	888,446
		105,868,542	114,223,103
STOCKHOLDERS' EQUITY			
Share capital	24	365,847	365,847
Share premium		13,775	13,775
Investment revaluation reserve		1,225,539	(407,648)
Retained earnings		10,689,485	9,664,858
		12,294,646	9,636,832
LIABILITIES			
Securities sold under agreements to repurchase	26	88,012,547	91,763,695
Notes payable	27	74,128	561,110
Loans payable	28	-	7,043,932
Redeemable preference shares	24	2,924,994	2,690,085
Deferred income tax liabilities	23	1,157,747	278,902
Interest payable		852,686	1,409,090
Income tax payable		322,457	593,576
Payables		229,337	245,881
		93,573,896	104,586,271
		105,868,542	114,223,103

Approved for issue by the Board of Directors on 30 May 2011 and signed on its behalf by:

Noel A. Lyon — Chairman

Keith P. Duncan — Group Chief Executive Officer

The notes on pages 16 to 79 are an integral part of these financial statements

Jamaica Money Market Brokers Limited
Statement of Changes in Stockholders' Equity
Year ended 31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Share Premium $'000	Investment Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balances at 31 March 2009		**365,847**	**13,775**	**(743,067)**	**8,573,552**	**8,210,107**
Profit for year		-	-	-	1,266,912	1,266,912
Other comprehensive income for 2010		-	-	335,419	-	335,419
Total comprehensive income for 2010		-	-	335,419	1,266,912	1,602,331
Dividends	11	-	-	-	(175,606)	(175,606)
Balances at 31 March 2010		**365,847**	**13,775**	**(407,648)**	**9,664,858**	**9,636,832**
Profit for year		-	-	-	1,229,501	1,229,501
Other comprehensive income for 2011		-	-	1,633,187	-	1,633,187
		-	-	1,633,187	1,229,501	2,862,688
Dividends	11	-	-	-	(204,874)	(204,874)
Balances at 31 March 2011		**365,847**	**13,775**	**1,225,539**	**10,689,485**	**12,294,646**

The notes on pages 16 to 79 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Statement of Cash Flows

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Cash Flows from Operating Activities			
Profit for the year		1,229,501	1,266,912
Adjustments for:			
Interest income	5	(8,098,778)	(11,442,000)
Interest expense	5	5,684,072	9,314,770
Income tax charge	9	359,359	49,746
Provision for credit losses		108,452	23,441
Impairment loss of financial assets		28,242	-
Amortisation of intangible assets	21	22,162	26,255
Depreciation of property, plant and equipment	22	80,528	77,860
Gains on disposal of property, plant and equipment		(984)	(330)
Foreign currency translation loss/(gains)		432,986	(916,926)
		(154,460)	(1,600,272)
Changes in operating assets and liabilities -			
Income tax recoverable, net		(548,259)	(388,944)
Notes receivable		48,490	(165,034)
Other receivables		(54,067)	(447,414)
Payables		(16,544)	(31,786)
Securities purchased under agreements to resell		1,752,787	1,291,201
Securities sold under agreements to repurchase		(3,751,148)	9,175,430
		(2,723,201)	7,833,181
Interest received		9,089,381	11,595,432
Interest paid		(6,240,476)	(9,337,236)
Net cash provided by operating activities (Page 15)		125,704	10,091,377

The notes on pages 16 to 79 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Statement of Cash Flows (Continued)

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Cash Flows from Operating Activities (Page 14)		125,704	10,091,377
Cash Flows from Investing Activities			
Investment securities, net		7,870,607	(6,344,251)
Interest in subsidiary		8,000	(108,674)
Purchase of computer software	21	(18,317)	(15,365)
Purchase of property, plant and equipment	22	(104,940)	(67,719)
Proceeds from disposal of property, plant and equipment		1,052	8,419
Net cash provided by/(used in) investing activities		7,756,402	(6,527,590)
Cash Flows from Financing Activities			
Proceeds from issue of preference shares		2,759,346	-
Repayment of redeemable preference shares		(2,524,437)	-
Notes payable		(486,982)	(322,390)
Loans payable		(7,043,932)	(2,205,379)
Dividends paid	11	(204,874)	(175,606)
Net cash used in financing activities		(7,500,879)	(2,703,375)
Effect of exchange rate changes on cash and cash equivalents		(89,024)	83,373
Net increase in cash and cash equivalents		292,203	943,785
Cash and cash equivalents at beginning of year		2,497,273	1,553,488
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	2,789,476	2,497,273

The notes on pages 16 to 79 are an integral part of these financial statements

Jamaica Money Market Brokers Limited

Notes to the Financial Statements
31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification

Jamaica Money Market Brokers Limited (the "company") is incorporated and domiciled in Jamaica. The registered office of the company is located at 6 Haughton Terrace, Kingston 10, Jamaica. It has three subsidiaries incorporated in Jamaica, and there are other subsidiaries incorporated outside of Jamaica. The operating subsidiaries are listed below. The company and its subsidiaries are collectively referred to as "Group"; the Group has interest in an associated company, as detailed below.

The company is exempt from the provisions of the Money Lending Act.

The principal activities of the company are securities brokering, dealing in money market instruments, operating a foreign exchange cambio and managing funds on behalf of clients. Information on the subsidiaries and the associated companies is set out below:

Name of Subsidiary	% Shareholding Held by Parent/Subsidiary		Country of Incorporation	Principal Activities
	Parent	Subsidiary		
JMMB Securities Limited	100		Jamaica	Stock brokering
JMMB Insurance Brokers Limited	100		Jamaica	Insurance brokering
Jamaica Money Market Brokers (Trinidad and Tobago) Limited and its associated company,	100		Trinidad and Tobago	Investment holding company
Intercommercial Bank Limited and its subsidiary, Intercommercial Trust and Merchant Bank Limited		50	Trinidad and Tobago	Commercial and Merchant Banking
JMMB International Limited and its subsidiaries	100		St. Lucia	Investment holding and management
JMMB Dominicana, SA		100	Dominican Republic	Investment holding and management
JMMB BDI AMERICA		80	Dominican Republic	Stock brokering
JMMB Real Estate Holdings Limited	100		Jamaica	Property rental and development
JMMB Holdings Limited	100		St. Lucia	Investment holding

Jamaica Money Market Brokers Limited
Notes to the Financial Statements
31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the relevant provisions of the Jamaican Companies Act. These consolidated financial statements have been prepared under the historical cost basis except for the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards and amendments to published standards that became effective during the year that are relevant to the Group's operations:

Certain new and revised standards and interpretations which were in issue, came into effect for the current financial year, as follows:

- Revised IFRS 3, *Business Combinations,* and Amended IAS 27, *Consolidated and Separate Financial Statements*, amended the definition of business combination and focuses on control. All items of consideration transferred by the acquirer are measured and recognised at fair value as of the acquisition date, including contingent consideration. An acquirer can elect to measure non-controlling interest at fair value at the acquisition date or on a transaction by transaction basis. New disclosure requirements were introduced. The standard did not have a significant impact on the Group's financial statements.

New standards, interpretations of, and amendments to, existing standards that were issued but not yet effective and have not been early adopted by the Group

The following standards, interpretations of, and amendments to, existing standards have been published and management considers that they may be relevant to the Group's operations when they become effective:

- IFRS 9, Financial Instruments (2009), is effective for annual reporting periods beginning on or after January 1, 2013. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The Group is assessing the impact, if any, that the standard will have on the 2014 financial statements.

- IAS 24, Related Party Disclosure*, revised* (effective January 1, 2011) introduces changes to the related party disclosure requirements for government-related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure. The Group is assessing the impact, if any, the amendment will have on the 2012 financial statements.

Jamaica Money Market Brokers Limited

Notes to the Financial Statements
31 March 2011
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New standards, interpretations of, and amendments to, existing standards that were issued but not yet effective and have not been early adopted by the Group (continued)

- Disclosures – Transfer of Financial Assets (Amendments to IFRS 7) is effective for accounting periods beginning on or after July 1, 2011. The amendment requires disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities and to evaluate the nature of and risks associated with, the entity's continuing involvement in these derecognized assets. The Group is assessing the impact, if any, the amendment will have on the 2013 financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments is effective for accounting periods beginning on or after July 1, 2010. It addresses the accounting by the debtor in a debt for equity swap transaction and specifically how the entity should measure the equity instruments issued to extinguish a financial liability. The Group is assessing the impact that the standard will have on its 2012 financial statements.

- IFRS 9, Financial Instruments (2010). The revised IFRS supersedes the previous version of IFRS 9 issued in 2009 and is effective for accounting periods beginning on or after January 1, 2013. The revised standard now includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 Financial Instruments: Recognition and Measurement on the recognition and de-recognition of financial assets and financial liabilities. The Group is assessing the impact that the standard will have on the 2014 financial statements.

- Improvements to IFRS 2010 contain amendments to six standards and to one interpretation and are effective for accounting periods beginning on or after July 1, 2010 or January 1, 2011. The main applicable amendments are as follows:

    - IFRS 3 Business Combinations is amended to state that contingent consideration arising in a business combination that had been accounted for in accordance with IFRS 3 (2004) that has been settled or otherwise resolved at the effective date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004). IFRS 3 has also been amended to limit the accounting policy choice to measure non-controlling interests (NCI) upon initial recognition either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and entitle the holder to a share of net assets in the event of liquidation. IFRS 3 was also amended to provide guidance on unreplaced and voluntary replaced share-based payment awards. The amendments are effective for accounting periods beginning on or after July 1, 2010.

    - IFRS 7 Financial Instruments: Disclosures – The standard is amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial statements. Existing disclosures relating to maximum exposure to credit risk, financial effect of collateral held as security and other enhancements in respect of a financial instrument have been amended. Certain disclosures relating to carrying amount of financial assets that are not past due or are not impaired as a result of their terms having been renegotiated and description of collateral held as security for financial assets that are past due have been removed. The amendment is effective for accounting periods beginning on or after January 1, 2011.

2. Summary of Significant Accounting Policies (Continued)

(a) **Basis of preparation (continued)**

New standards, interpretations of, and amendments to, existing standards that were issued but not yet effective and have not been early adopted by the Group (continued)

- IAS 1 Presentation of Financial Statements – IAS 1 is amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognized in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners. The amendment is effective for accounting periods beginning on or after January 1, 2011.

- IAS 27 Consolidated and Separate Financial Statements – The amendments added guidance about disposals of all or part of a foreign operation and about accounting for a loss of significant influence or joint control. The amendments are effective for accounting periods beginning on or after July 1, 2010.

- IAS 34 Interim Financial Reporting – the amendment has resulted in the addition of a number of examples of events or transactions that require disclosure. The amendment is effective for accounting periods beginning on or after January 1, 2011.

- IFRIC 13 Customer Loyalty Programmes – The terminology used in respect of the values of awards and award credits in a customer loyalty programme is amended. The interpretation as amended, now states that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendment is effective for accounting periods beginning on or after January 1, 2011.

The Group is assessing the impact, if any, that these amendments would have on the 2011 and 2012 financial statements.

- IFRS 10 *Consolidated Financial Statements* (effective from January 1, 2013) supersedes IAS 27 *Consolidated and Separate Financial Statements* and provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities. The consolidation procedures are carried forward from IAS 27 (2008). The Group is assessing the impact that this standard will have in its 2014 financial statements.

- IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures (2011) (effective from January 1, 2013) removes from IAS 31 Jointly Controlled Entities, those cases which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations and are now called joint operations. In addition, there is no longer a free choice of equity accounting or proportionate consolidation as it is now required that the equity method be used. The Group is assessing the impact that this new standard and amendments will have in its 2014 financial statements.

- IFRS 12 Disclosure of Interest in Other Entities (effective from January 1, 2013) contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. The Group is assessing the impact that this standard will have in its 2014 financial statements.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New standards, interpretations of, and amendments to, existing standards that were issued but not yet effective and have not been early adopted by the Group (continued)

- IFRS 13 Fair Value Measurement defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard is effective for annual periods beginning on or after 1 January 2013. The group is assessing the impact that this standard will have in its 2014 financial statements.

(b) Basis of consolidation

The consolidated financial statements combine the financial position, results of operations and cash flows of the company and its subsidiaries (Note 1), and the Group's interest in its associated companies, subject to the elimination described at Note 2 (b)(iii).

(i) Subsidiaries
Subsidiaries are all entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable, or exercisable after conversion of convertible instruments, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates
Associates are all entities over which the Group has significant influence but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on the equity basis, from the date that significant influence commences until the date that influence ceased. When the Group's share of losses in an associate exceeds its interest in the associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Transactions eliminated on consolidation
Intra-group balances and any unrealised gains and losses and income and expenses arising from intra-group transaction are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment of the Group's interest.

2. Summary of Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

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

For the purposes of the financial statements, financial assets have been determined to include cash and cash equivalents, loans and notes receivable, other receivables, securities purchased under agreements to resell and investments. Financial liabilities comprises securities sold under agreements to repurchase, notes payable, loans payable, payables and redeemable preference shares. Information relating to fair values and financial instruments risks is summarized below.

Financial instrument are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provision of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfer the financial assets to another party without retaining control or substantially all risks and rewards of the assets. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Fair values
Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by quoted market price, if one exists. Where quoted market prices are not available, the fair value of these instruments has been determined using a generally accepted alternative method. However, considerable judgement is required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented below are not necessarily indicative of the amounts that the Group would receive on realisation of its financial assets or pay to settle its financial liabilities.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

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2. Summary of Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

Financial Instrument	Method
Cash and cash equivalents, other receivables, resale agreements, accounts payable, repurchase agreements	Considered to approximate their carrying values, due to their short-term nature
Quoted equities	Quoted market bid prices.
Units in unit trusts	Prices quoted by unit trust managers
Non-Jamaican sovereign bonds and corporate bonds	Estimated using bid-prices published by major overseas brokers.
Government of Jamaica securities and Bank of Jamaica certificates of deposits:	
Traded overseas	Estimated using bid-prices published by major overseas brokers.
Other	Estimated by discounting future cash flows using reporting date yields of similar instruments.
Interest in money market fund	Considered to be the carrying value because of the short-term nature and variable interest rate.
Loans and notes receivable	Considered to be carrying value as the coupon rate approximates the market rate.
Notes and loans payable	Considered to be carrying value as the coupon rate approximates the market rate.

2. Summary of Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

(i) Cash and cash equivalents

Cash comprises cash in hand, demand and call deposits with banks and very short-term balances with other brokers/dealers. Cash equivalents are highly liquid financial assets that are readily convertible to known amounts of cash (that is, with original maturities of less than three months), which are subject to insignificant risk of changes in value, and are used for the purpose of meeting short-term commitments. Cash and cash equivalents are carried at cost.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Investments

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale and are carried at fair value except for unquoted equity securities whose fair value cannot be reliably measured, which are carried at cost. Changes therein, other than impairment losses [Note 2(i)], and foreign exchange gains and losses on available-for-sale monetary items [see note 2(f)], are recognised in other comprehensive income and reflected in investment revaluation reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss account.

Investments at fair value through profit or loss

The Group carries some investment securities at fair value through profit or loss if they are held for trading or designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market, and that the Group does not intend to sell immediately or in the near term.

Loans and receivables are measured at amortised cost using the effective interest method, except when the Group chooses to designate the loans and receivables at fair value through profit or loss.

(iii) Resale and repurchase agreements

Transactions involving purchases of securities under resale agreements ("resale agreements' or reverse repos') or sales of securities under repurchase agreements ('repurchase agreements' or 'repos) are accounted for as short-term collateralised lending and borrowing, respectively. Accordingly, securities sold under repurchase agreements remain on the statement of financial position and are measured in accordance with their original measurement principles. The proceeds of sale are reported as liabilities and are carried at amortised cost. Securities purchased under resale agreements are reported not as purchases of the securities, but as receivables and are carried in the statement of financial position at amortised cost. It is the policy of the Group to obtain possession of collateral with a market value in excess of the principal amount loaned under resale agreements.

Interest earned on resale agreements and interest incurred on repurchase agreements is recognised as interest income and interest expense, respectively, over the life of each agreement using the effective interest method.

2. Summary of Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

(iv) Loans and notes receivable and other receivables
Loans and notes receivable and other receivables are stated at amortised cost less impairment provisions.

(v) Account payable
Accounts payable are stated at their amortised cost.

(vi) Interest-bearing borrowings
Interest-bearing borrowings [other than repos, which are described in [Note 2(c) (iii)] are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised costs, with any difference between cost and redemption being recognised in the profit or loss over the period of the borrowings on an effective yield basis.

(d) Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the profit or loss.

Property, plant and equipment, with the exception of freehold land and paintings, on which no depreciation is provided, are depreciated on the straight-line basis at annual rates estimated to write down the assets to their residual values over their expected useful lives. The depreciation rates are as follows:

Freehold buildings	2½%
Leasehold improvements	The shorter of the estimated useful life and the period of the lease
Motor vehicles	20%
Computer equipment	25%
Other equipment, furniture and fittings	10%

The depreciation method, useful lives and residual values are reassessed at each reporting date.

(e) Intangible assets
(i) Computer software
Computer software is carried at cost, less accumulated amortisation and impairment losses. Amortisation is charged on the straight-line basis over the useful lives of the assets at a rate of 25% per annum, from the date it is available for use.

(ii) Goodwill
Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss. Goodwill is measured at cost less accumulated impairment losses.

2. Summary of Significant Accounting Policies (Continued)

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Jamaican dollars, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. These rates represent the weighted average rates at which the company trades in foreign currency.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in other comprehensive income and reflected in investment valuation reserve in stockholders' equity.

(g) Share capital

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the stockholders, or if dividends are not discretionary. Dividends thereon are recognised as interest in profit or loss.

The Group's redeemable preference shares are redeemable on specific dates, and bear entitlements to distributions that are cumulative, and not at the discretion of the directors. Accordingly, they are presented as financial liability.

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

2. Summary of Significant Accounting Policies (Continued)

(h) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

(ii) Deferred income tax

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Impairment

The carrying amounts of the Group's assets, except for deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value less any impairment loss on that financial asset previously recognised in profit or loss account.

(i) Reversals of impairment

The recoverable amount of the Group's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2. Summary of Significant Accounting Policies (Continued)

(i) Impairment (continued)

(ii) Reversals of impairment

An impairment loss in respect of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss, but through other comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit or loss.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Membership share

Membership share is stated at cost less impairment provisions.

(k) Interest income and expense

Interest income and expense are recorded on the accrual basis. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. When financial assets become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount, which is the original effective interest rate of the instrument calculated at the acquisition or origination date.

(l) Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, vacation leave; non-monetary benefits such as medical care; post-employments benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below. Other long-term benefits are not considered material and are charged off when incurred.

Pensions are the Group's only post-employment benefit. Pension fund costs included in the Group profit or loss represent contributions to the defined-contribution fund which the Group operates to provide retirement pensions for the Group's employees (Note 32). Contributions to the fund, made on the basis provided for in the rules, are accrued and charged off when due.

2. Summary of Significant Accounting Policies (Continued)

(m) Operating leases

Payments made under operating leases are recognised in the profit or loss on the straight line basis over the terms of the leases.

(n) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Board of Directors.

(o) Fees and commission income

Fees and commission income are recognised on the accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

(p) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(q) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit or loss as interest expense.

(r) Investment properties

Investment properties are held for rental yields and fair value gains and is not occupied by the Group. Investment properties are treated as a long-term investment and is carried at fair value, representing open market value determined annually by the directors or by independent valuers. Changes in fair values are recognised in the profit or loss. Rental income from investment properties is recognised in the profit and loss on a straight line basis over the tenor of the lease.

(s) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Use of estimates and judgements
The preparation of the financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of, and disclosures related to, assets liabilities, contingent assets and continent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates. The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, the area of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effects on amounts recognised in the financial statements, or which have a risk of material adjustment in the next year, are as follows:

Key sources of estimation uncertainty

(i) Allowance for losses
In determining amounts recorded for allowance for losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from investments, notes receivable and other financial assets, for example, repayment default and adverse economic conditions. The specific counterparty of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the work out strategy and estimate of cash flows considered recoverable are independently approved by the Credit and Market Risk functions.

(ii) Fair value of financial instruments
In the absence of quoted market prices, the fair value of a significant proportion of the Group's financial instrument was determined using a generally accepted alternative method. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

It is possible that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

(iii) Critical accounting judgements in applying the Group's accounting policies
The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as ''trading'', the Group has determined that they meet the description of trading assets and liabilities set out in accounting policy 2 (c)(ii).
- In designating financial assets and liabilities at fair value through profit and loss, the Group has determined that they have met one of the criteria for this designation set out in accounting policy 2(c)(ii).

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4. Segment Reporting

Segment information is presented in respect of the Group's geographical segments. In presenting information on the basis of geographical segments, segment revenue and assets are based on geographical location of assets. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

The Group has three geographical segments, namely Jamaica, St. Lucia and other.

	The Group				
	Year ended 31 March 2011				
	Jamaica	**St. Lucia**	**Other**	**Eliminations**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
External revenues	8,652,653	1,741,724	-	-	10,394,377
Inter-segment revenue	987,755	-	-	(987,755)	-
Total segment revenue	9,640,408	1,741,724	-	(987,755)	10,394,377
Segment results	1,632,373	(118,298)	(525)	-	1,513,550
Impairment loss on financial assets					(28,242)
Share of associated company profit					24,327
Profit before tax					1,509,635
Income tax expense					(366,705)
Profit for the year					1,142,930
Total segment assets	106,971,218	23,413,041	647,109	(18,012,310)	113,019,058
Total segment liabilities	94,536,525	25,929,021	531,633	(17,380,452)	103,616,727
Interest income	8,237,298	1,689,684	-	-	9,926,982
Operating expenses	2,323,325	262,099	525	-	2,585,949
Depreciation and amortisation	106,850	2,719	-	-	109,569
Capital expenditure	123,257	20,267	-	-	143,524

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4. Segment Reporting (Continued)

	The Group				
	Year ended 31 March 2010				
	Jamaica	**St. Lucia**	**Other**	**Eliminations**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
External revenues	11,697,747	1,714,938	149	-	13,412,834
Inter-segment revenue	893,503	-	-	(893,503)	-
Total segment revenue	12,591,250	1,714,938	149	(893,503)	13,412,834
Segment results	1,325,555	(317,686)	(4,624)	(1,053)	1,002,192
Share of associated company profit					26,120
Profit before tax					1,028,312
Income tax expense					(41,934)
Profit for the year					986,378
Total segment assets	114,816,396	25,021,647	636,113	(17,498,786)	122,975,370
Total segment liabilities	105,067,190	27,371,261	559,011	(16,912,828)	116,084,634
Interest income	11,864,519	1,638,161	-	-	13,502,680
Operating expenses	1,950,494	153,861	4,773	-	2,109,128
Depreciation and amortisation	106,659	4,938	-	-	111,597
Capital expenditure	119,778	-	-	-	119,778

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5. Net Interest Income

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Interest income				
Cash and cash equivalents	13,283	23,394	13,283	23,394
Loans and notes receivable	458,449	226,799	421,597	205,357
Resale agreements	690,334	1,234,057	690,334	1,234,057
Investment securities	7,651,854	10,719,779	6,973,564	* 9,979,192
Total interest income	8,813,920	12,204,029	8,098,778	* 11,442,000
Interest expense				
Repurchase agreements	5,885,900	9,516,534	5,275,731	* 8,531,274
Notes payable	21,037	89,985	21,037	89,985
Loans payable	75,090	366,156	74,453	364,672
Redeemable preference shares	312,851	328,839	312,851	328,839
Total interest expense	6,294,878	10,301,514	5,684,072	* 9,314,770
Net interest income	2,519,042	1,902,515	2,414,706	2,127,230
Total interest income on financial assets not at fair value through profit or loss	8,813,820	12,073,036	8,098,778	11,311,007

* Interest income and interest expense amounting to $1,298,651,000 has been restated for prior year to eliminate inter-segment revenue. There is no impact on net interest income.

6. Staff Costs

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Salaries and benefits, including profit-related pay	1,046,924	809,342	920,155	703,133
Statutory contributions	83,453	66,430	77,570	63,878
Pension costs	34,419	31,367	33,328	28,810
Training and development	27,683	18,685	23,176	15,469
Staff welfare	66,586	83,792	65,801	83,012
	1,259,065	1,009,616	1,120,030	894,302

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7. Impairment Loss on Financial Assets

The impairment charge was for a provision on certain of the Group's investment in its equity portfolio.

8. Profit before taxation

The following are among the items charged/(credited) in arriving at profit before taxation

	The Group		The Company	
	2011 **$'000**	**2010** **$'000**	**2011** **$'000**	**2010** **$'000**
Depreciation and amortisation	109,569	111,597	102,690	104,115
Directors' emoluments-				
Fees	31,513	28,674	25,895	22,309
Management remuneration	32,824	31,293	32,824	31,293
Auditors' remuneration	18,100	16,800	9,600	8,900
Bad debts, less recoveries	108,452	23,441	108,452	23,441
Net (gains)/losses on financial assets classified at fair value through profit or loss	3,986	(37,449)	2,145	(28,751)

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9. Taxation

(a) Income tax is computed on the profit for the years adjusted for tax purposes. The charge for taxation comprises income tax at 33⅓%:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
1% of assets – current year	22	-	-	-
Current income tax	322,457	-	322,457	-
Deferred income tax (Note 23)	44,226	41,934	36,902	49,746
	366,705	41,934	359,359	49,746

(b) The tax on profit differs from the theoretical amount that would arise using the statutory rate of 33⅓% as follows:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Profit before taxation	1,509,635	1,028,312	1,588,860	1,316,658
Tax calculated at 33⅓%	503,212	342,771	529,620	438,886
Adjusted for the effects of:				
Income not subject to tax	(191,633)	(363,167)	(191,633)	(363,086)
Disallowed expenses	114	9,018	-	8,860
Effect of lower tax rate on associated company share of profits	(4,803)	(8,706)	-	-
Adjustment to prior year estimate	59,815	62,018	21,372	(34,914)
	366,705	41,934	359,359	49,746

(c) At the reporting date, taxation losses, subject to agreement with the Commissioner of Taxpayer Audit and Assessment, available for set off against future taxable profits, amount to approximately $3,076,919,000 (2010: $4,953,223,000) for the Group and $Nil (2010: $1,532,201,000) for the company.

10. Earnings per Stock Unit

Earning per stock unit (" EPS") is computed by dividing the profit attributable to stockholders of the parent of $1,116,272,000 (2010: $983,157,000) by the number of ordinary stock units in issue during the year, numbering 1,463,386,752 (2010: 1,463,386,752).

11. Dividends

	The Group and The Company	
	2011	2010
	$'000	$'000
Final dividend in respect of 2010 @ 6.0 cents (2009: 6.0) cents per stock	87,803	87,803
Interim dividend in respect of 2011 @ 8.0 cents (2010: 6.0) cents per stock	117,071	87,803
	204,874	175,606

12. Cash and Cash Equivalents

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cash	2,545,598	2,631,213	2,018,017	1,596,324
Cash equivalents	771,459	1,012,319	771,459	900,949
	3,317,057	3,643,532	2,789,476	2,497,273

Cash equivalents of the Group and company include $322,635,000 (2010: $336,923,000) held by an investment broker as security for funding provided on certain investment securities which is not available for immediate use. In addition, the Group also has restricted amount of $7,295,958 (2010: $7,011,927) deposited at an interest rate of 4% (2010: 7.50%) under an agreement with a building society which co-ordinates and administers a home ownership assistance programme on behalf of the Group for its employees.

13. Loans and Notes Receivable

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
J$ Promissory notes 0-25% (2010 : 0-26%)	2,603,567	2,424,238	2,603,567	2,424,239
US$ Promissory notes and debenture 7:00% - 11.50% (2010: 8:00% - 11.50%)	729,229	994,814	378,060	667,569
GBP Promissory notes and debenture 7% - 10.00% (2010: 8:00% - 10:00%)	645	160	645	160
TT$ Promissory notes 14% (2010: 14%)	260,915	239,958	-	-
	3,594,356	3,659,170	2,982,272	3,091,968
Less: provision for impairment	(148,556)	(19,276)	(66,522)	(19,276)
	3,445,800	3,639,894	2,915,750	3,072,692

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13. Loans and Notes Receivable (Continued)

Notes receivable include an interest-free revolving advance of $316,000,000 (2010: $316,000,000) to the trustees of the Group's Employee Share Ownership Plan (ESOP), the repayment date for which has not yet been fixed (see also Note 14).

14. Other Receivables

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Receivables from related parties	-	-	864,475	419,394
Other receivables	2,759,926	5,356,590	1,328,994	1,390,144
Due from managed fund	277,012	610,120	277,012	604,779
Staff loans	145,534	116,710	145,534	116,596
	3,182,472	6,083,420	2,616,015	2,530,913
Less: provision for impairment	(1,042,480)	(3,455,543)	(1,042,480)	(991,445)
	2,139,992	2,627,877	1,573,535	1,539,468

Other receivables of the Group and the company include the balance of $3,972,000 (2010: $3,022,000) on an interest free loan to the Group's ESOP. The date for repayment of the loan has not yet been fixed. The number of shares held by the ESOP at 31 March 2011 was 180,027,557 (2010: 178,871,702).

15. Securities Purchased Under Agreements to Resell

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Denominated in Jamaica dollars	505,273	948,875	504,809	884,741
Denominated in United States dollars	173,961	1,524,665	14,695,233	15,370,245
Denominated in Euro	-	-	1,086,620	1,171,433
Denominated in Dominican Republic Pesos	-	-	219,450	832,480
	679,234	2,473,540	16,506,112	18,258,899

Resale agreements include balances with related parties as set out in Note 29. All resale agreements mature within twelve months after the reporting date.

The securities that the Group obtains as collateral under resale agreements may be used as collateral under repurchase agreements. Certain of these securities and interest accrued thereon are pledged as security for repurchase agreements (Note 26).

At the reporting date, the fair value of the securities obtained and held under resale agreements was $16,729,510,000 (2010: $19,548,265,000) for the company.

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16. Investments

	The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Loans and receivables				
Certificate of deposits	2,785,663	8,293,742	2,750,000	8,208,642
Government of Jamaica securities	24,487,606	35,771,970	18,535,292	26,991,375
Corporate:				
Sovereign	4,633,297	9,924,801	256,626	5,783,683
Other	6,952,452	7,696,947	6,952,452	7,696,947
	38,859,018	61,687,460	28,494,370	48,680,647
Available-for-sale securities:				
Government of Jamaica securities	47,994,759	33,458,838	47,994,759	33,458,838
Corporate bond:				
Other	148,050	-	148,050	-
Sovereign bond	10,427,579	8,545,609	143,082	-
Quoted securities	467,224	756,582	372,200	669,979
Units in unit trusts	180,209	163,440	180,209	163,440
Money Market Funds	169,196	268,401	169,196	268,401
Other	15,600	7,205	-	-
	59,402,617	43,200,075	49,007,496	34,560,658
	98,261,635	104,887,535	77,501,866	83,241,305
Less: provision for impairment losses	(28,242)	-	(28,242)	-
	98,233,393	104,887,535	77,473,624	83,241,305

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16. Investments (Continued)

Provision for impairment

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Balance as 1 April	-	285,329	-	285,329
Charge for the year	28,242	-	28,242	-
Write-offs	-	(285,329)	-	(285,329)
Balance as 31 March	28,242	-	28,242	-

Investments mature, from the reporting date, as follows:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Government of Jamaica securities				
Within 3 months	836,673	469,405	836,673	469,405
From 3 months to 1 year	1,519,801	66,349	1,519,801	66,349
From 1 year to 5 years	29,263,995	21,763,975	27,212,751	18,193,468
Over 5 years	40,861,896	46,931,079	36,960,826	41,720,991
	72,482,365	69,230,808	66,530,051	60,450,213
Certificate of deposits				
Within 3 months	2,785,663	7,293,742	2,750,000	7,208,642
From 3 months to 1 year	-	1,000,000	-	1,000,000
	2,785,663	8,293,742	2,750,000	8,208,642
Sovereign bonds and corporate bonds:				
Within 3 months	132,285	-	-	-
From 3 months to 1 year	108,616	-	108,616	-
From 1 year to 5 years	10,243,432	3,707,720	3,171,009	460,902
Over 5 years	11,677,037	22,459,637	4,220,577	13,019,728
	22,161,370	26,167,357	7,500,202	13,480,630
Other [see (c) below]	803,995	1,195,628	693,371	1,101,820
	98,233,393	104,887,535	77,473,624	83,241,305

(a) Government of Jamaica securities and certain other bonds are pledged as security for repurchase agreements (Note 26) and loans payable (Note 28).

(b) Government of Jamaica securities having an aggregate face value of $275,000,000 (2010: $275,000,000) have been pledged as collateral against possible overdrafts at the Central Bank and against uncleared effects at one of the company's bankers.

16. Investment (Continued)

(c) Other includes quoted equities, unit trusts and interest pooled money market fund for which there are no fixed maturity dates.

17. Membership Share

This represents one qualifying share held in the Jamaica Stock Exchange Limited ("JSE"), at cost. The qualifying share entitles JMMB Securities Limited to operate as a broker/dealer and be a member of the Council of the JSE. Under the JSE's constitution, its members are not entitled to dividends from JSE, and are not entitled to its residual assets or the assets of the Compensation Fund, upon a winding up or liquidation, as the assets would be required to be used for development of the securities market in Jamaica.

18. Interest in Subsidiaries

	The Company	
	2011 $'000	2010 $'000
JMMB Securities Limited		
Shares, at cost – equity	26,050	26,050
– preference	79,000	79,000
Subordinated loan	-	8,000
	105,050	113,050
JMMB Insurance Brokers Limited		
Shares, at cost - equity	125,000	105,000
Jamaica Money Marker Brokers (Trinidad and Tobago) Limited		
Shares, at cost – equity	-	-
Loan	336,765	336,765
	336,765	336,765
JMMB International Limited		
Shares, at cost – equity	500,000	500,000
JMMB Real Estate Holdings Limited		
Shares, at cost – equity	1	1
JMMB Holdings Limited		
Shares, at cost - equity	9	9
Loan	98,665	98,665
	98,674	98,674
	1,165,490	1,153,490

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19. Investment Properties

	The Group	
	2011 $'000	2010 $'000
Transferred from fixed assets	48,688	-
Asset acquired at fair value	408,903	-
Balance at end of year	457,591	-

The properties are stated at fair market value, as appraised by professional, independent valuers. Investment properties generated revenue of $536,000 and expenses of $2,988,000 for the year.

20. Interest in Associated Companies

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Shares, at cost	331,042	331,042	-	-
Shares of post-acquisition profits	237,521	165,985	-	-
Share of investment revaluation reserve	(5,926)	(25,977)	-	-
Cumulative translation reserve	80,500	160,882	-	-
	643,137	631,932	-	-

The summarized financial information for the associates are as follows:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Assets	12,995,604	17,458,048	-	-
Liabilities	11,706,233	16,188,235	-	-
Revenue	828,587	908,844	-	-
Profit	46,063	52,240	-	-

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21. Intangible Assets

	Group		
	Computer Software $'000	Goodwill $'000	Total $'000
Cost			
At 31 March 2009	353,808	16,744	370,552
Additions	15,365	-	15,365
Adjustment	90	-	90
At 31 March 2010	369,263	16,744	386,007
Additions	18,317	-	18,317
At 31 March 2011	387,580	16,744	404,324
Accumulated Amortisation			
At 31 March 2009	274,147	-	274,147
Charge for the year	28,348	-	28,348
At 31 March 2010	302,495	-	302,495
Charge for the year	23,720	-	23,720
Adjustment	321	-	321
At 31 March 2011	326,536	-	326,536
Net Book Value			
31 March 2011	61,044	16,744	77,788
31 March 2010	66,768	16,744	83,512
31 March 2009	79,661	16,744	96,405

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21. Intangible Assets (Continued)

	Company	
	Computer Software $'000	Total $'000
Cost		
At 31 March 2009	327,559	327,559
Additions	15,365	15,365
At 31 March 2010	342,924	342,924
Additions	18,317	18,317
At 31 March 2011	361,241	361,241
Accumulated Amortisation		
At 31 March 2009	251,680	251,680
Charge for the year	26,255	26,255
At 31 March 2010	277,935	277,935
Charge for the year	22,162	22,162
At 31 March 2011	300,097	300,097
Net Book Value		
31 March 2011	61,144	61,144
31 March 2010	64,989	64,989
31 March 2009	75,879	75,879

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22. Property, Plant and Equipment

The Group

	Freehold Land and Buildings $'000	Leasehold Improvement $'000	Motor Vehicles $'000	Computer Equipment $'000	Equipment, Furniture and Fittings $'000	Total $'000
				The Group		
Cost						
At 31 March 2009	789,643	83,017	60,576	262,537	239,815	1,435,588
Additions	62,950	5,689	5,150	16,954	13,579	104,322
Disposals	(8,501)	-	(7,442)	(123)	-	(16,066)
At 31 March 2010	844,092	88,706	58,284	279,368	253,394	1,523,844
Additions	23,136	14,065	18,195	30,731	39,080	125,207
Transfer to investment properties	(48,688)	-	-	-	-	(48,688)
Disposals	-	(8,219)	(41,898)	-	(1,602)	(51,719)
At 31 March 2011	818,540	94,552	34,581	310,099	290,872	1,548,644
Accumulated Depreciation						
At 31 March 2009	34,240	65,714	45,514	192,962	101,078	439,508
Charge for the year	10,465	5,144	6,988	38,582	22,070	83,249
Disposals	(637)	-	(6,078)	(123)	-	(6,838)
Adjustment	-	25	6	68	21	120
At 31 March 2010	44,068	70,883	46,430	231,489	123,169	516,039
Charge for the year	15,276	4,908	5,237	36,336	24,092	85,849
Disposals	-	(6,003)	(38,716)	-	(534)	(45,253)
Adjustment	-	59	29	336	158	582
At 31 March 2011	59,344	69,847	12,980	268,161	146,885	557,217
Net Book Value						
At 31 March 2011	759,196	24,705	21,601	41,938	143,987	991,427
At 31 March 2010	800,024	17,823	11,854	47,879	130,225	1,007,805
At 31 March 2009	755,403	17,303	15,062	69,575	138,737	996,080

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22. Property, Plant and Equipment (Continued)

The Company

	Freehold Land and Buildings	Leasehold Improvement	Motor Vehicles	Computer Equipment	Equipment, Furniture and Fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
At 31 March 2009	715,472	67,092	57,950	258,728	227,038	1,326,280
Additions	32,976	5,266	-	16,740	12,737	67,719
Disposals	(8,500)	-	(4,807)	(123)	-	(13,430)
At 31 March 2010	739,948	72,358	53,143	275,345	239,775	1,380,569
Additions	23,136	1,500	14,796	30,162	35,346	104,940
Disposals	-	-	(37,353)	-	(413)	(37,766)
At 31 March 2011	763,084	73,858	30,586	305,507	274,708	1,447,743
Accumulated Depreciation						
At 31 March 2009	34,241	63,082	44,016	180,871	97,394	419,604
Charge for the year	10,465	3,502	5,995	37,194	20,704	77,860
Disposals	(638)	-	(4,580)	(123)	-	(5,341)
At 31 March 2010	44,068	66,584	45,431	217,942	118,098	492,123
Charge for the year	15,276	3,006	4,128	35,956	22,162	80,528
Disposals	-	-	(37,353)	-	(345)	(37,698)
At 31 March 2011	59,344	69,590	12,206	253,898	139,915	534,953
Net Book Value						
At 31 March 2011	703,740	4,268	18,380	51,609	134,793	912,790
At 31 March 2010	695,880	5,774	7,712	57,403	121,677	888,446
At 31 March 2009	681,231	4,010	13,934	77,857	129,644	906,676

23. Deferred Income Taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same fiscal authority on either the taxable entity or different taxable entity where there is an intention to settle the balances on the net basis.

Deferred income tax is calculated in full on temporary differences under the liability method using a principal tax rate of 33⅓%.

Deferred tax assets and liabilities recognised on the statement of financial position are as follows:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred income tax assets	18,300	26,150	-	-
Deferred income tax liabilities	(1,157,747)	(278,902)	(1,157,747)	(278,902)
Net deferred income tax liabilities	(1,139,447)	(252,752)	(1,157,747)	(278,902)

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23. Deferred Income Taxes (Continued)

The movement in the net deferred income tax balance is as follows:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance at beginning of year liabilities	(252,752)	(99,919)	(278,902)	(119,045)
Charged to profit or loss (Note 9)	(44,226)	(41,934)	(36,902)	(49,746)
Charged to other comprehensive income	(842,469)	(110,899)	(841,943)	(110,111)
Balance at end of year liabilities	(1,139,447)	(252,752)	(1,157,747)	(278,902)

Deferred income tax assets and deferred income liabilities are due to the following items:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred income tax assets -				
Investments	1,887	786,747	-	787,055
Payables	1,568	4,124	1,552	4,109
Unrealised foreign exchange losses	453	-	-	-
Interest payable	284,200	469,650	284,200	469,650
Tax losses carried forward	16,810	525,608	-	497,432
	304,918	1,786,129	285,752	1,758,246
Deferred income tax liabilities -				
Investments	34,749		34,223	-
Unrealised foreign exchange gains	1,028,712	1,298,486	1,028,712	1,298,288
Property, plant and equipment	4,007	22,810	3,940	22,639
Accounts receivable	273	1,364	-	-
Interest receivable	376,624	716,221	376,624	716,221
	1,444,365	2,038,881	1,443,499	2,037,148
Net deferred income tax liabilities	(1,139,447)	(252,752)	(1,157,747)	(278,902)

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24. Share Capital

	2011	2010
	Number of Shares 000	Number of Shares 000
Authorised:		
Ordinary stock units of no par value	1,566,400	1,566,400
12.25% cumulative redeemable preference shares of no par value	-	783,776
12% cumulative redeemable preference shares of no par value	-	70,776
12.15% cumulative redeemable preference shares of no par value	47,328	47,328
8.75% cumulative redeemable preference shares of no par value	889,073	-
8.5% cumulative redeemable preference shares of no par value	26,322	-
	2,529,123	2,468,280

	2011 $'000	2010 $'000
Stated capital:		
1,463,386,752 (2010: 1,463,386,752) ordinary stock units	365,847	365,847
783,776,000 12.25% cumulative redeemable preference stock units	-	2,312,139
70,766,000 12% cumulative redeemable preference stock units	-	212,298
47,328,000 (2010: 47,328,000)12.15% cumulative redeemable preference stock units	165,648	165,648
889,073,000 8.75% cumulative redeemable preference stock units	2,667,219	-
26,322,000 8.5% cumulative redeemable preference stock units	92,127	-
	3,290,841	3,055,932
Less redeemable preference stock units required by IFRS to be accounted for as liabilities in the financial statements	(2,924,994)	(2,690,085)
	365,847	365,847

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24. Share Capital (Continued)

On December 14, 2010, the 12% cumulative redeemable preference stock and 12.25% cumulative redeemable preference stock units matured and were paid out in full.

From January 3, 2011 to 7 January 2011, 889,073,000 8.75% fixed rate cumulative redeemable preference shares and 26,322,000 8.5% fixed rate cumulative redeemable preference shares were sold at a price of $3.00 and $3.50 per share respectively to the public by public offering.

The holders of ordinary stock units are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Annual General meetings of the company.

The significant terms and conditions of the preference stock units are as follows:

(i) The right to a cumulative preferential dividend payable monthly at the rate agreed for each class;

(ii) The right, on winding up, to receive all arrears of dividend and repayment of the capital in priority to the ordinary shareholders;

(iii) No right to vote except where dividends are not paid for twelve months or on winding up of the company.

25. Other Reserves

This represents transfer of 5% of liquid profit of a subsidiary to a non distributable reserve until this reserve equals 10% of the subsidiary's capital stock.

26. Securities Sold Under Agreements to Repurchase

	The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Denominated in Jamaica dollars	40,642,839	39,505,765	40,803,644	39,590,417
Denominated in United States dollars	48,044,359	56,015,144	43,300,468	47,946,186
Denominated in Pound Sterling	1,758,820	2,072,772	1,758,820	2,072,772
Denominated in Euro	640,595	4,165,823	1,727,214	1,660,487
Denominated in Dominican Republic Peso	5,559,252	591,648	-	-
Denominated in Canadian dollars	422,401	493,833	422,401	493,833
	97,068,266	102,844,985	88,012,547	91,763,695

Repurchase agreements are collateralized by certain securities and other instruments held by the Group and the company with a carrying value of $101,792,221,000 (2010: $105,091,641,000) and $92,736,502,000 (2010: $97,677,696,000) respectively (Notes 13, 15 and 16).

Repurchase agreements include balances with related parties as set out in Note 29. Certain of these securities and interest accrued thereon are pledged as security for repurchase agreements (Note 15).

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27. Notes Payable

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
(i) 8.25% US$ 12,500,000 promissory note	74,128	561,110	74,128	561,110
(ii) 12.00% TT$14,000,000 commercial paper promissory note	87,010	87,540	-	-
(iii) 7% US$4,068,000 promissory note	348,336	-	-	-
(iv) 6.75% US$1,336,000 promissory note	114,399	-	-	-
	623,873	648,650	74,128	561,110

(i) This note is unsecured and the entire amount is repayable on 30 June 2011. Interest is paid semi-annually, and may be varied at the option of the promisee, in consultation with the promissor, provided that the rate does not exceed the Central Bank of Trinidad and Tobago's 90-day Treasury bill rate.

(ii) This note is unsecured and the entire amount is repayable by 5 October 2011.

(iii) This note is unsecured and the entire amount is repayable on 4 March 2013. Interest is paid semi-annually at a fixed rate of 7% per annum.

(iv) This note is unsecured and the entire amount is repayable on 31 March 2013. Interest is paid semi-annually at a fixed rate of 6.75% per annum.

28. Loans Payable

Loans payable for the Group and the company comprise the following:

US$ Nil (2010: US$78,800,000) loan that bears interest at a fixed rate of 4% per annum. Certain GOJ securities owned by the company are pledged as collateral for this loan. This amount was repaid during the financial year.

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29. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

Related companies include ultimate parent company, parent company, fellow subsidiaries and associated company. Related parties include directors, key management and companies for which the Group provides management services.

(i) The statement of financial position includes balances, arising in the normal course of business, with related parties, as follows:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Directors				
Notes receivable	16,849	19,487	16,849	19,487
Interest payable	(776)	(1,807)	(776)	(1,807)
Repurchase agreements	(136,421)	(140,533)	(136,421)	(140,533)
Major Shareholders -				
Notes receivable	481,761	480,089	481,761	480,089
Interest payable	(1,564)	(1,211)	(1,564)	(1,211)
Repurchase agreements	(106,787)	(88,113)	(106,787)	(88,113)
Subsidiaries -				
Resale agreements	-	-	15,988,147	17,082,160
Other receivables	-	-	-	-
Interest receivable	-	-	5,205	4,179

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29. Related Party Transactions and Balances (Continued)

(ii) The income statement includes the following income earned from, and expenses incurred in, transactions with related parties, in the ordinary course of business:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Directors				
Interest income	3,242	6,858	3,242	6,858
Interest expense	(10,195)	(15,478)	(10,195)	(15,478)
Major Shareholders -				
Interest income	12,069	23,372	12,069	23,372
Interest expense	(2,178)	(873)	(2,178)	(873)
Subsidiaries -				
Interest income	-	-	978,880	983,313
Managed funds				
Gain on sale of securities	429,629	306,101	429,629	306,101

(iii) Key management compensation includes directors, senior management of the company and company secretary. The compensation paid or payable to key management for employee services is as shown below:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Short-term employee benefits including directors fees (Note 8)	132,968	116,830	125,713	116,830
Post-employment benefits	6,627	6,818	6,627	6,818
	139,595	123,648	132,340	123,648

30. Financial Risk Management

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

(a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

Risk management framework
The risks are managed through an established risk management framework for the Group, which involves the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board has established committees/departments for managing and monitoring risks, as follows:

(i) Risk Management Committee
The Risk Management Committee is a Board Committee responsible for the supervision of the overall risk management functions of the Group. The committee decides the policy and strategy for integrated risk management of the various risk exposures of the Group.

(ii) Board Credit Committee
The Board Credit Committee is responsible for approving all credit requests above a specified threshold and ensuring that all lending facilities conform to standards agreed by the Board and embodied in Credit Risk Policy. The committee is ultimately responsible for determining the composition and management of the credit portfolio and has available a number of measures it can employ in this respect including the making of specific and general provisions against actual or potential bad debts. The committee is supported in its work by the Management Credit Committee.

30. Financial Risk Management (Continued)

(a) Introduction and overview (continued)

(iii) Audit Committee

The Audit Committee monitors the quality of the Group's internal controls and compliance with regulatory requirements. The Audit Committee is assisted in its oversight role by the Internal Audit Function and the Risk Management and Compliance Units. Internal Audit undertakes both regular and ad hoc reviews of the risk management controls and procedures, the results of which are reported quarterly to the Audit Committee.

The management of the specific aspects of operational risk, such as fraud, is also within the purview of the Audit Committee.

(iv) Investment Committee

The Investment Committee is a senior management level committee responsible for the management of market risks. The committee monitors the composition of assets and liabilities, evaluates potential market risk involved in launching new products, reviews and articulates funding policy and decides optimal ways of managing the Group's liquidity.

(b) Credit risk

The Group assumes credit risk, which is the risk that its customers or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit exposures arise principally in lending and investment activities. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty, or groups of related counterparties and to geographical and industry segments.

Credit review process

The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

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30. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Loans and notes receivable

The Group assesses the probability of default of individual counterparties using internal ratings. Clients of the Group are segmented into rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Group's internal rating scale:

Rating grades	Description of the grade
1	Excellent
2	Good credit
3	Average credit
4	Acceptable
5	Marginal
6	Substandard
7	Doubtful

Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risk to which it is exposed and to take corrective action.

Loan and notes receivable that are cash secured are not included in a credit classification, based on the Group's rating grades.

(ii) Investments and resale agreements

The Group limits its exposure to credit risk by investing in liquid securities, with counterparties that have high credit quality. As a consequence, management's expectation of default is low.

The Group has documented investment policies which facilitate the management of credit risk on investment securities and resale agreements. The Group's exposure and the credit ratings of its counterparties are continually monitored.

(iii) Cash and cash equivalents

Cash and cash equivalents are held in financial institutions which management regards as strong and there is no significant concentration. The strength of these financial institutions is constantly reviewed by the Credit and Risk Management Committees.

30. Financial Risk Management (Continued)

(b) Credit risk (continued)

Collateral and other credit enhancements
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

Notes receivable – Cash and other near cash securities, mortgages over commercial and residential properties, charges over general business assets such as premises, equipment, inventory, accounts receivable, marketable securities and motor vehicles.

Resale agreements – Government of Jamaica securities and Bank of Jamaica securities. The collateral obtained (including accrued interest) is at least 100% of the sum of the principal value of the resale agreement plus interest to be earned.

Management monitors the market value of collateral held and requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral held.

Impairment
The main considerations for the loans and notes receivable impairment assessment include arrears of principal, or interest overdue by more than 90 days, or whether are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract.

The Group addresses impairment assessment by reviewing all loans and notes receivable with risk ratings of 5 and above.

Individually assessed allowances are provided for financial assets based on a review conducted at least annually, or more regularly, when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

The internal rating tool assists management to determine whether objective evidence of impairment exists, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower’s competitive position; and
- Deterioration in the value of collateral.

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30. Financial Risk Management (Continued)

(b) Credit risk (continued)

Impairment (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

	Maximum exposure			
	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Credit risk exposures relating to carrying amounts are as follows:				
Cash and cash equivalents	3,317,057	3,643,532	2,789,476	2,497,273
Investment securities	98,233,393	104,887,535	77,473,624	83,241,305
Loans and notes receivable	3,445,800	3,639,894	2,915,750	3,072,692
Securities purchased under agreements to resell	679,234	2,473,540	16,506,112	18,258,899
Other receivable, net of provision	2,139,992	2,627,877	1,573,535	1,539,468
	107,815,476	117,272,378	101,258,497	108,609,637
Credit risk exposures relating to off balance sheet items are as follows:				
Loan commitments	39,707	43,304	39,707	43,304
Guarantees and letters of credit	15,454	16,361	15,454	16,361
	55,161	59,665	55,161	59,665

The above table represents a worst-case scenario of credit risk exposure to the Group and company at 31 March 2011 and 2010, without taking account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

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30. Financial Risk Management (Continued)

(b) Credit risk (continued)

Loans and notes receivable, other receivables and investment securities

(i) **Financial assets – individually impaired**
Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	The Group and Company	
	2011 $'000	2010 $'000
Loans and notes receivable	742,535	313,895

(ii) Full provision has been made for financial assets that are individually impaired.

The fair value of the collateral that the Group and company held as security for individually impaired investment and loans and notes receivable was $875,692,000 (2010: $Nil).

There are no financial assets other than loans and notes receivable and other receivables that were individually impaired.

(iii) Financial assets that are past due but not impaired amount to $533,340,000 (2010: $625,152,000) for the Group and company.

(iv) During the year, the company renegotiated credit to the value of $31,740,000 and had repossessed collateral amounting to $6,250,000.

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30. Financial Risk Management (Continued)

(b) Credit risk (continued)

(v) The Group and company monitor concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the balance sheet date is shown below:

The Group

	2011				
	Cash and cash equivalents	**Loans and notes receivable**	**Resale agreements**	**Investments**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Carrying amounts	3,317,057	3,445,800	679,234	98,233,393	105,675,484
Concentration by sector					
Government of Jamaica	-	-	-	72,482,365	72,482,365
Sovereign bonds	-	-	-	15,060,876	15,060,876
Bank of Jamaica	-	-	-	2,785,663	2,785,663
Corporate	-	695,580	77,809	148,050	921,439
Financial institutions	3,317,057	-	601,425	7,756,439	11,674,921
Retails	-	2,750,220	-	-	2,750,220
	3,317,057	3,445,800	679,234	98,233,393	105,675,484
Concentration by location					
Jamaica	1,766,353	3,445,800	679,234	91,818,618	97,710,005
North America	1,384,267	-	-	-	1,384,267
Trinidad	4,939	-	-	-	4,939
Other	161,498	-	-	6,414,775	6,576,273
	3,317,057	3,445,800	679,234	98,233,393	105,675,484

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30. Financial Risk Management (Continued)

(b) Credit risk (continued)

The Group

	2010				
	Cash and cash equivalents	**Loans and notes receivable**	**Resale agreements**	**Investments**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Carrying amounts	3,643,532	3,639,894	2,473,540	104,887,535	114,644,501
Concentration by sector					
Government of Jamaica	-	-	-	73,371,926	73,371,926
Sovereign bonds	-	-	-	5,783,683	5,783,683
Bank of Jamaica	-	-	-	8,208,642	8,208,642
Corporate	-	567,202	2,473,540	7,696,947	10,737,689
Financial institutions	3,643,532	-	-	5,902,104	9,545,636
Retails	-	3,072,692	-	3,924,233	6,996,925
	3,643,532	3,639,894	2,473,540	104,887,535	114,644,501
Concentration by location					
Jamaica	1,754,517	3,291,898	2,473,540	90,465,938	97,985,893
North America	946,444	-	-	1,985,651	2,932,095
Trinidad	6,477	239,957	-	-	246,434
Other	936,094	108,039	-	12,435,946	13,480,079
	3,643,532	3,639,894	2,473,540	104,887,535	114,644,501

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30. Financial Risk Management (Continued)

(b) Credit risk (continued)

The Company

	2011				
	Cash and cash equivalents	**Loans and notes receivable**	**Resale agreements**	**Investments**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Carrying amounts	2,789,476	2,915,750	16,506,112	77,473,624	99,684,962
Concentration by sector					
Government of Jamaica	-	-	-	66,530,051	66,530,051
Sovereign bonds	-	-	-	399,708	399,708
Bank of Jamaica	-	-	-	2,750,000	2,750,000
Corporate	-	-	77,809	7,100,502	7,178,311
Financial institutions	2,789,476	-	16,428,303	693,363	19,911,142
Retails	-	2,915,750	-	-	2,915,750
	2,789,476	2,915,750	16,506,112	77,473,624	99,684,962
Concentration by location					
Jamaica	1,431,218	2,915,750	16,506,112	75,604,550	96,457,630
North America	1,336,143	-	-	-	1,336,143
Trinidad	22,115	-	-	27,921	50,036
Other	-	-	-	1,841,153	1,841,153
	2,789,476	2,915,750	16,506,112	77,473,624	99,684,962

	2010				
	Cash and cash equivalents	**Loans and notes receivable**	**Resale agreements**	**Investments**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Carrying amounts	2,497,273	3,072,692	18,258,899	83,241,305	107,070,169
Concentration by sector					
Government of Jamaica	-	-	-	60,450,213	60,450,213
Sovereign bonds	-	-	-	5,783,683	5,783,683
Bank of Jamaica	-	-	-	8,208,642	8,208,642
Corporate	-	-	673,169	7,696,947	8,370,116
Financial institutions	2,497,273	-	17,187,132	1,101,820	20,786,225
Retails	-	3,072,692	398,598	-	3,471,290
	2,497,273	3,072,692	18,258,899	83,241,305	107,070,169
Concentration by location					
Jamaica	1,590,874	3,072,692	17,426,419	77,457,622	99,547,607
North America	901,460	-	-	-	901,460
Trinidad	4,939	-	-	-	4,939
Other	-	-	832,480	5,783,683	6,616,163
	2,497,273	3,072,692	18,258,899	83,241,305	107,070,169

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30. Financial Risk Management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Group is exposed to daily calls on its available cash resources from overnight placement of funds, maturing placement of funds and loan draw-downs. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of investment of maturing funds can be predicted with a high level of certainty.

The Group's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Group's reputation.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Optimising cash returns on investments;

(iv) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

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30. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

The tables below present the residual contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the Group's and the company's financial liabilities.

	2011				
	The Group				
	Within 3 Months	3 to 12 Months	1-5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Notes payable	74,128	-	549,745	623,873	623,873
Securities sold under agreements to repurchase	71,510,200	25,556,966	1,100	97,068,266	97,068,266
Redeemable preference shares	-	-	2,924,994	2,924,994	2,924,994
Payables	596,897	-	-	596,897	596,897
	72,181,225	25,556,966	3,475,839	101,214,030	101,214,030

	2010				
	The Group				
	Within 3 Months	3 to 12 Months	1-5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Notes payable	-	648,650	-	648,650	648,650
Loans payable	-	7,043,932	-	7,043,932	7,043,932
Securities sold under agreements to repurchase	80,533,083	22,304,206	7,696	102,844,985	102,844,985
Redeemable preference shares	-	2,690,085	-	2,690,085	2,690,085
Payables	511,044	-	-	511,044	511,044
	81,044,127	32,686,873	7,696	113,738,696	113,738,696

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30. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Residual contractual maturities of financial liabilities (continued)

	2011				
	The Company				
	Within 3 Months	3 to 12 Months	1-5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Notes payable	74,128	-	-	74,128	74,128
Securities sold under agreements to repurchase	64,557,214	23,454,233	1,100	88,012,547	88,012,547
Redeemable preference shares	-	-	2,924,994	2,924,994	2,924,994
Payables	229,337	-	-	229,337	229,337
	64,860,679	23,454,233	2,926,094	91,241,006	91,241,006

	2010				
	The Company				
	Within 3 Months	3 to 12 Months	1-5 Years	Contractual Cash Flow	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Notes payable	-	561,110	-	561,110	561,110
Loans payable	-	7,043,932	-	7,043,932	7,043,932
Securities sold under agreements to repurchase	69,536,434	22,219,565	7,696	91,763,695	91,763,695
Redeemable preference shares	-	2,690,085	-	2,690,085	2,690,085
Payables	245,881	-	-	245,881	245,881
	69,782,315	32,514,692	7,696	102,304,703	102,304,703

30. Financial Risk Management (Continued)

(d) Market risk

The Group assumes market risks, which are the changes in market prices, such as interest rates, equity prices, foreign exchange rates and commodity prices, that will affect the Group's income or value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return on risk.

The overall responsibility for market risk management is vested in the Board Risk Management Committee. The Risk Department is responsible for the development of detailed risk management policies (subject to review and approval by the Board Risk Management Committee) and for the day-to-day review of their implementation.

The principal tool used to measure and control market risk exposures within the Group is Value at Risk (VaR). The VaR of a portfolio is the estimated loss that will arise on the portfolio over a specified period of time (the holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based on a 99 percent confidence level and assumes a 10 day holding period. The VaR model used is based mainly on the Monte Carlo simulation model. Taking account of market data from the previous year and observed relationships between differences in market prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 10 day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a reasonable assumption, but may not be the case in situations in which there are severe market illiquidity for a prolonged period;
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used, there is a one percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on position during the trading day;
- The use of historical data to determine the relationships between different market prices may not cover all possible scenarios, as these relationships may break down in times of market stress;
- The VaR Measure is dependent on the Group's positions and volatility of market prices. The VaR of an unchanged position reduces if the market prices volatility declines and vice-versa.

The Group uses VaR limits for its overall portfolio and for sub-portfolios. The overall structure of VaR limits is subject to review and approval by the Board Risk Management Committee. VaR is measured at least once daily. Daily reports of utilization of VaR limits are prepared by the Risk department and regular summaries submitted to the Board Risk Management Committee.

A summary of the VaR position of the Group's overall portfolio as at 31 March 2011 and during the year is as follows:

	31 March	**Average for Year**	**Maximum during Year**	**Minimum during Year**
	$'000	**$'000**	**$'000**	**$'000**
2011 Overall VaR	1,303,612	1,461,375	2,691,693	938,179
2010 Overall VaR	2,680,825	1,992,769	4,779,341	1,109,495

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration of risks within the portfolio.

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30. Financial Risk Management (Continued)

(d) Market risk (continued)

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on transactions that it undertakes in foreign currencies that give rise to the net currency gains and losses recognised during the year. Such exposures comprise the assets and liabilities of the Group that are not denominated in its functional currency. The Group ensures that the risk is kept to an acceptable level by monitoring its value at risk exposure.

At the reporting date, the Jamaica dollar equivalents of net foreign currency assets/(liabilities) were as follows:

	The Group		The Company		Exchange rates	
	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000		
United States dollars	4,952,772	6,952,944	4,952,772	6,952,944	85.63	89.39
Great Britain pounds	71,796	(22,068)	71,796	(22,068)	137.45	133.53
Euros	(14,049)	(157,674)	(5,355)	(188,979)	120.71	119.81
Trinidad and Tobago dollars	237,133	(77,882)	55,254	86,502	13.33	14.03
Canadian dollars	(40,295)	12,809	(40,295)	12,809	87.20	87.22
Peso	-	834,031	220,370	834,031	2.26	2.45

Foreign currency sensitivity

The following tables indicate the currencies to which the Group and company had significant exposure on their monetary assets and liabilities and their forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates:

	The Group			
	Change in Currency Rate	Effect on Profit	Change in Currency Rate	Effect on Profit
	2011 %	2011 $'000	2010 %	2010 $'000
Currency:				
USD	1	49,528	5	347,647
GBP	1	718	5	(1,103)
EUR	1	(140)	5	(7,884)
PESO	1	-	5	41,702
CAD	1	(403)	5	640
TT$	1	2,371	5	(3,894)
		52,074		377,108

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30. Financial Risk Management (Continued)

(d) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity (continued)

	The Company			
	Change in Currency Rate	**Effect on Profit**	**Change in Currency Rate**	**Effect on Profit**
	2011	**2011**	**2010**	**2010**
	%	**$'000**	**%**	**$'000**
Currency:				
USD	1	49,528	5	347,647
GBP	1	718	5	(1,103)
EUR	1	(54)	5	(9,449)
PESO	1	2,204	5	41,702
CAD	1	(403)	5	640
TT$	1	553	5	4,325
		52,546		383,762

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The following tables summarise the Group's and the company's exposure to interest rate risk to earnings. It includes the Group's and company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

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30. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group				
	Within 3 Months	**3 to 6 Months**	**6 to 12 Months**	**1 to 5 Years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
At 31 March 2011:					
Assets					
Cash and cash equivalents	3,317,057	-	-	-	3,317,057
Loans and notes receivable	2,660,787	785,013	-	-	3,445,800
Securities purchased under agreements to resell	666,891	12,343	-	-	679,234
Investment securities	4,281,290	1,708,265	30,383,760	61,860,078	98,233,393
Total interest bearing assets	10,926,025	2,505,621	30,383,760	61,860,078	105,675,484
Liabilities					
Notes payable	74,128	87,012	462,733	-	623,873
Securities sold under agreements to repurchase	71,541,645	16,917,197	8,608,324	1,100	97,068,266
Redeemable preference shares	-	-	-	2,924,994	2,924,994
Total interest bearing liabilities	71,615,773	17,004,209	9,071,057	2,926,094	100,617,133
Total interest sensitivity gap	(60,689,748)	(14,498,588)	21,312,703	58,933,984	5,058,351
Cumulative interest sensitivity gap	(60,689,748)	(75,188,336)	(53,875,633)	5,058,351	

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30. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group				
	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
At 31 March 2010:					
Assets					
Cash and cash equivalents	3,643,532	-	-	-	3,643,532
Loans and notes receivable	2,425,687	90,235	749,485	374,487	3,639,894
Securities purchased under agreements to resell	2,473,540	-	-	-	2,473,540
Investment securities	46,298,028	33,860,606	3,260,148	21,468,753	104,887,535
Total interest bearing assets	54,840,787	33,950,841	4,009,633	21,843,240	114,644,501
Liabilities					
Notes payable	648,650	-	-	-	648,650
Loans payable	-	7,043,932	-	-	7,043,932
Securities sold under agreements to repurchase	74,357,518	14,722,225	8,335,790	5,429,452	102,844,985
Redeemable preference shares	2,690,085	-	-	-	2,690,085
Total interest bearing liabilities	77,696,253	21,766,157	8,335,790	5,429,452	113,227,652
Total interest sensitivity gap	(22,855,466)	12,184,684	(4,326,157)	16,413,788	1,416,849
Cumulative interest sensitivity gap	(22,855,466)	(10,670,782)	(14,996,939)	1,416,849	

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30. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company				
	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
At 31 March 2011:					
Assets					
Cash and cash equivalents	2,789,476	-	-	-	2,789,476
Loans and notes receivable	2,444,829	470,921	-	-	2,915,750
Securities purchased under agreements to resell	16,493,769	12,343	-	-	16,506,112
Investment securities	4,280,044	1,628,417	30,383,760	41,181,403	77,473,624
Total interest bearing assets	26,008,118	2,111,681	30,383,760	41,181,403	99,684,962
Liabilities					
Notes payable	74,128	-	-	-	74,128
Securities sold under agreements to repurchase	64,557,214	15,380,487	8,073,746	1,100	88,012,547
Redeemable preference shares	-	-	-	2,924,994	2,924,994
Total interest bearing liabilities	64,631,342	15,380,487	8,073,746	2,926,094	91,011,669
Total interest sensitivity gap	(38,623,224)	(13,268,806)	22,310,014	38,255,309	8,673,293
Cumulative interest sensitivity gap	(38,623,224)	(51,892,030)	(29,582,016)	8,673,293	

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30. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company				
	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
At 31 March 2010:					
Assets					
Cash and cash equivalents	2,497,273	-	-	-	2,497,273
Loans and notes receivable	2,185,730	90,235	749,485	47,242	3,072,692
Securities purchased under agreements to resell	18,258,899	-	-	-	18,258,899
Investment securities	46,120,551	33,860,606	3,260,148	-	83,241,305
Total interest bearing assets	69,062,453	33,950,841	4,009,633	47,242	107,070,169
Liabilities					
Notes payable	561,110	-	-	-	561,110
Loans payable	-	7,043,932	-	-	7,043,932
Securities sold under agreements to repurchase	69,536,352	13,893,650	8,325,997	7,696	91,763,695
Redeemable preference shares	2,690,085	-	-	-	2,690,085
Total interest bearing liabilities	72,787,547	20,937,582	8,325,997	7,696	102,058,822
Total interest sensitivity gap	(3,725,094)	13,013,259	(4,316,364)	39,546	5,011,347
Cumulative interest sensitivity gap	(3,725,094)	9,288,165	4,971,801	5,011,347	

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30. Financial Risk Management (Continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity
The following tables indicate the sensitivity to a reasonably possible change of 200 basis points in interest rates, with all other variables held constant, on the Group's and company's profit and loss account and stockholders' equity.

The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2010.

	The Group			
	Effect on Profit	Effect on Equity	Effect on Profit	Effect on Equity
	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Change in basis points				
-200	-	3,504,401	1,193,413	1,512,336
200	-	(3,313,338)	(1,193,413)	(1,512,336)

	The Company			
	Effect on Profit	Effect on Equity	Effect on Profit	Effect on Equity
	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Change in basis points				
-200	-	2,178,147	1,193,413	1,114,316
200	-	(1,987,085)	(1,193,413)	(1,114,316)

The impact on stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk.

(ii) Equity price risk
Equity price risk arises on equity securities held by the Group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primarily goal of the Group's investment strategy is to maximize investment returns while managing risk so as to minimize potential adverse effects on the Group's financial performance.

The Group's equity securities are listed on the Jamaica and Trinidad and Tobago Stock Exchanges. A 5% increase or decrease in quoted bid prices at the reporting date would result in an increase or decrease, respectively, in equity of $23,516,000 (2010: $38,725,000) for the Group and $9,262,000 (2010: $36,407,000) for the company.

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30. Financial Risk Management (Continued)

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirement for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of control and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks indentified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of a contingency plan;
- risk mitigation, including insurance where this is effective.

Compliance with the Group's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to senior management and the Audit Committee.

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30. Financial Risk Management (Continued)

(f) Capital management

The Group's lead regulator, the Financial Services Commission (FSC), monitors the capital requirements for the Group as a whole.

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

(i) To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;

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

(iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by the Group's management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), Jamaica Stock Exchange (JSE) and the Risk Management Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The FSC require each regulated entity to:

(i) Hold the minimum level of the regulatory capital; and

(ii) Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The Group's regulatory capital is divided into two tiers:

(i) Tier 1 capital: share capital, share premium, retained earnings, negative investment revaluation reserve and cumulative translation reserve.

(ii) Tier 2 capital: redeemable preference shares and investment revaluation reserve.

The risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

There have been no material changes in the Group's management of capital during the period,

The regulated companies within the Group are: Jamaica Money Market Brokers Limited (JMMB), JMMB Securities Limited (JMMBSL), JMMB Insurance Brokers Limited (JMMBIB) and JMMB BDI America (JMMBBDI).

The table below summarises the composition of regulatory capital and the ratios of the regulated companies within the Group for the years ended 31 March 2011 and 31 March 2010.

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30. Financial Risk Management (Continued)

(f) Capital management (continued)

	JMMB	JMMB	JMMBSL	JMMBSL	JMMBIB	JMMBIB
	2011 $'000	**2010 $'000**	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**
Tier 1 capital	11,483,573	9,636,832	116	99	25,600	13,000
Tier 2 capital	2,207,477	2,690,085	24	32	-	-
Total regulatory capital	13,691,050	12,326,917	140	131	25,600	13,000
Risk-weighted assets:						
On-balance sheet	34,327,163	12,668,553	203	176	-	-
Foreign exchange exposure	4,714,764	8,688,474	18	13	-	-
Total risk-weighted assets	39,041,927	21,357,027	221	189	-	-
Total regulatory capital to risk weighted assets	35%	58%	63%	69%	-	-
Actual capital base to risk weighted assets	40%	45%	63%	69%	-	-
Required capital base to risk weighted assets	10%	10%	10%	10%	-	-

(i) Capital requirement for JMMBIB is to maintain a minimum capital base of $10 million.

(ii) Capital requirement for JMMB BDI America Puesto is RD$5 million plus other reserve which is 5% of liquid profits.

The individually regulated entities within the Group have complied with all externally imposed capital requirements throughout the year.

Jamaica Money Market Brokers Limited

31. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the reporting date.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Investment securities at fair value through profit or loss are measured at fair value by reference to quoted prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount of these items.

(ii) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices or dealer quotes when available. If quoted market prices are not available, then fair values are based on pricing models or other recognised valuation techniques.

(iii) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.

(iv) Loans are net of provision for impairment. The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(v) Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

The following table provides an analysis of financial instruments that are measured in the balance sheet at fair value at 31 March 2011, grouped into Levels 1, 2 and 3 based on the degree to which the fair value is observable:

(i) Level 1: Fair values are quoted prices (unadjusted) in active markets for identical instruments;

(ii) Level 2: Fair value measurements are those derived from valuation techniques based on inputs other than quoted market prices included within level 1, that are observable for the instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3: Fair value measurements are those derived from valuation techniques using significant inputs for the instrument that are not based on observable market data (unobservable inputs).

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31. Fair Value of Financial Instruments (Continued)

	2011 The Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Available for sale securities				
Government of Jamaica securities	-	47,994,759	-	47,994,759
Sovereign bonds	-	10,427,579	-	10,427,579
Corporate	-	148,050	-	148,050
Quoted securities	467,224	-	-	467,224
Units in unit trusts	-	180,209	-	180,209
Money market funds	-	169,196	-	169,196
Other	-	15,600	-	15,600
	467,224	58,935,393	-	59,402,617

	2011 The Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Available for sale securities				
Government of Jamaica securities	-	33,458,838	-	33,458,838
Sovereign bonds	-	8,545,609	-	8,545,609
Quoted securities	756,582	-	-	756,582
Units in unit trusts	-	163,440	-	163,440
Money market funds	-	268,401	-	268,401
Other	-	7,205	-	7,205
	756,582	42,443,493	-	43,200,075

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31. Fair Value of Financial Instruments (Continued)

	2011 The Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Available-for-sale securities				
Government of Jamaica securities	-	47,994,759	-	47,994,759
Sovereign	-	143,082	-	143,082
Corporate	-	148,050	-	148,050
Quoted securities	372,200	-	-	372,200
Units in unit trusts	-	180,209	-	180,209
Money market funds	-	169,196	-	169,196
	372,200	48,635,296	-	49,007,496

	2010 The Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Available-for-sale securities				
Government of Jamaica securities	-	33,458,838	-	33,458,838
Quoted securities	669,979	-	-	669,979
Units in unit trusts	-	163,440	-	163,440
Money market funds	-	268,401	-	268,401
	669,979	33,890,679	-	34,560,658

Jamaica Money Market Brokers Limited

31. Fair Value of Financial Instruments (Continued)

Reclassification of investment securities

Under IAS 39 (Amendment), which became effective 1 October 2008, the Group reclassified the following investment securities from available-for-sale to loans and receivables, as the market for these securities became inactive. In December 2010, the Institute of Chartered Accountants of Jamaica (ICAJ), in conjunction with the Jamaica Securities Dealers Association (JSDA) deemed that the market for the GOJ Global bonds had regained its active status. The Group's accounting policy is to hold these assets as loans and receivable to maturity. The fair value at the reclassification date became the amortised cost of the newly reclassified loans and receivables. The table below shows the carrying value and the fair value of these securities at the reporting date.

	The Group			
	Carrying Value 2011 $'000	Fair Value 2011 $'000	Carrying Value 2010 $'000	Fair Value 2010 $'000
Financial Assets				
Government of Jamaica securities	24,487,606	24,874,946	35,771,970	34,534,409
Sovereign bonds	4,633,297	4,697,991	9,924,801	9,483,008
Corporate and other bonds	6,952,452	7,413,077	7,696,947	7,891,435

	The Company			
	Carrying Value 2011 $'000	Fair Value 2011 $'000	Carrying Value 2010 $'000	Fair Value 2010 $'000
Financial Assets				
Government of Jamaica securities	18,535,292	18,713,011	26,991,375	26,006,295
Sovereign bonds	256,626	182,636	5,783,683	5,496,475
Corporate and other bonds	6,952,452	7,413,077	7,696,947	7,891,435

Fair value losses of $619,287,000 (2010: $1,128,418,000) and $384,508,000 (2010: $658,486,000) exclusive of deferred tax, for the Group and company respectively were recognized in equity in relation to the above investments that were reclassified.

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32. Post-employment Benefits

Pensions are the only post-employment benefits to which the Group is committed. To better secure the payment of promised benefits, the company operates a defined-contribution pension fund for the Group's Jamaican employees who have satisfied certain minimum service requirements. The Fund is financed by equal contributions of employer and employees of 5% of pensionable salaries with an option for employees to contribute up to an additional 5% of pensionable salaries.

The Fund is administered by trustees and the assets are held separately from those of the Group, except for some of the assets which are included in funds being managed by the company (Note 33). Under the rules of the Fund, an actuarial valuation should be carried out by the appointed actuaries every three years. An actuarial valuation of the Fund was done as at 31 December 2008 by ACTMAN International Limited, independent actuaries. The valuation report dated 29 May 2009 revealed a funding surplus, a portion of which the trustees have decided will be allocated to the members' accounts.

The contributions for the year amounted to $ 34,419,000 (2010: $31,367,000) for the Group and $33,328,000 (2010: $28,810,000) for the company.

The pension benefit is the annuity that can be purchased by the amount standing to the credit of the member's account at the date of retirement.

33. Managed Funds

The Group acts as agent and earns fees for managing clients' funds on a non-recourse basis under a management agreement. This includes some of the assets of the Group's pension scheme (Note 32). Although the Group is the custodian of the securities in which the clients participate, it has no legal or equitable right or interest in these securities. Accordingly, the securities in which the client's funds are invested have been excluded from these financial statements.

At 31 March 2011, for the Group and the company, funds managed in this way amounted to $17,378,565,000 (2010: $15,335,875,000) which includes pension scheme contributions (Note 32), inclusive of accrued interest, amounting to $75,887,815 (2010: $69,193,128) for the Group and the company. The financial statements included the following assets held in (liabilities payable to) the managed funds:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Investments	169,489	268,401	169,489	268,401
Interest payable	(379)	(21,330)	(379)	(21,330)
Securities sold under agreements to repurchase	(7,563,219)	(8,469,254)	(7,563,219)	(8,469,254)

34. Lease Commitments

Commitments under non-cancellable operating lease agreements, expiring between 2011 and 2012, amounted to $20,360,000 at 31 March 2011 (2010: $19,046,147). The lease rentals are payable within one year.

35. Contingent Liability

As indicated in Note 33, the Group's business includes managing funds on behalf of clients. The Commissioner, Taxpayer Audit and Assessment Department ("TAAD"), wrote to the company in 2005 advising that consideration received for this service is subject to General Consumption Tax ("GCT"). However, in common with other licensed securities dealers providing this type of service in Jamaica, the company has not charged or paid GCT on the consideration received for this service. Counsel for the Jamaica Securities Dealers Association has written to the TAAD giving reasons why the consideration concerned is not subject to GCT. Based on the foregoing, no provision has been made in this regard, as the amount of the liability, if any, in respect of the relevant periods ended on 31 March 2010 has not yet been determined.