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Independent Auditors' Report

To the Members of
JAMAICA SELECT INDEX FUND LTD.
(formerly JMMB Select Index Fund Ltd.)

We have audited the accompanying financial statements of Jamaica Select Index Fund Ltd. (the Fund), which comprise the balance sheet as at March 31, 2007, and the income statement, statement of changes in net assets attributable to holders of redeemable shares and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, 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 principles 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 opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

May 29, 2007


JAMAICA SELECT INDEX FUND LTD.*(formerly JMMB Select Index Fund Ltd.)*


Balance Sheet

March 31, 2007*(Stated in Jamaica dollars)*

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
ASSETS			
Cash and cash equivalents	4, 9	3,631,865	8,044,747
Subscriptions receivable	5	10,460	-
Other receivables	6	2,058,858	8,076,896
Equity investments			
[Cost: \$293,788,588 (2006: \$349,788,795)]	7	259,000,537	277,610,482
Total assets		<u>264,701,720</u>	<u>293,732,125</u>
LIABILITIES			
Redemptions payable	8	374,901	1,329,023
Other payables		1,532,850	2,571,323
Due to Fund Manager	9	<u>10,298,479</u>	<u>5,099,156</u>
Total liabilities (excluding net assets attributable to holders of redeemable shares)		<u>12,206,230</u>	<u>8,999,502</u>
Net assets attributable to holders of redeemable shares		<u>J\$252,495,490</u>	<u>284,732,623</u>
Number of outstanding redeemable shares	10	<u>35,662,358</u>	<u>43,348,915</u>
Net asset value per share		<u>J\$ 7.08</u>	<u>6.57</u>

The financial statements on pages 2 to 17 were approved for issue by the Board of Directors of Jamaica Select Index Fund Ltd. on **May 29,** 2007 and signed on its behalf by:


 _____ Chairman
 Noel Lyon


 _____ Director
 Leo Williams

The accompanying notes form an integral part of the financial statements.

JAMAICA SELECT INDEX FUND LTD.*(formerly JMMB Select Index Fund Ltd.)***Income Statement****Year ended March 31, 2007***(With comparative figures for the year ended March 31, 2006)**(Stated in Jamaica dollars)*

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Income			
Interest		1,020,217	1,151,250
Dividends		11,218,249	15,307,839
Gains/(losses) on investments	11	25,149,602	(113,075,903)
Other		<u>23,825</u>	<u>31,015</u>
Total income/(loss)		<u>37,411,893</u>	<u>(96,585,799)</u>
Expenses			
Administration:			
Administrator fees		1,006,300	1,048,000
Other		6,862,282	3,159,185
Custodian fees		675,599	543,150
Investment management fees	9	6,100,597	5,508,490
Advertising and selling expenses		<u>1,445,500</u>	<u>1,899,424</u>
Total expenses		<u>16,090,278</u>	<u>12,158,249</u>
Change in net assets attributable to holders of redeemable shares resulting from operations		J\$<u>21,321,615</u>	<u>(108,744,048)</u>

The accompanying notes form an integral part of the financial statements.

JAMAICA SELECT INDEX FUND LTD.*(formerly JMMB Select Index Fund Ltd.)*Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares
Year ended March 31, 2007*(With comparative figures for the year ended March 31, 2006)**(Stated in Jamaica dollars)*

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Opening net assets		284,732,623	419,433,073
Change in net assets attributable to holders of redeemable shares for the year resulting from operations		21,321,615	(108,744,048)
Issue of redeemable shares during the year	10	13,702,590	59,774,987
Redemption of redeemable shares during the year	10	(67,261,338)	(85,731,389)
Balance as at March 31		J\$ <u>252,495,490</u>	<u>284,732,623</u>

The accompanying notes form an integral part of the financial statements.

JAMAICA SELECT INDEX FUND LTD.*(formerly JMMB Select Index Fund Ltd.)*

Statement of Cash Flows

Year ended March 31, 2007*(With comparative figures for the year ended March 31, 2006)**(Stated in Jamaica dollars)*

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Change in net assets attributable to holders of redeemable shares resulting from operations	21,321,615	(108,744,048)
Adjustments for:		
Net unrealised (gains)/losses on investments	(37,390,262)	104,607,382
Net realised losses on investments	12,240,660	8,468,521
Changes in operating assets and liabilities		
Other receivables	2,527,693	(1,611,395)
Other payables	(1,038,473)	794,385
Due to Fund Manager	5,199,323	(467,640)
Dividends receivable	<u>3,490,345</u>	<u>(2,507,649)</u>
Net cash provided by operating activities	<u>6,350,901</u>	<u>539,556</u>
Cash flows from investing activities		
Proceeds of sale of investments	77,901,085	52,567,917
Purchase of investments	<u>(34,141,538)</u>	<u>(32,997,168)</u>
Net cash provided by investing activities	<u>43,759,547</u>	<u>19,570,749</u>
Cash flows from financing activities		
Proceeds of issue of redeemable shares	13,702,590	59,774,987
Payments on redemption of redeemable shares	(67,261,338)	(85,731,389)
Subscriptions receivable	(10,460)	722,930
Redemptions payable	<u>(954,122)</u>	<u>(2,779,119)</u>
Net cash used in financing activities	<u>(54,523,330)</u>	<u>(28,012,591)</u>
Net change in cash and cash equivalents	(4,412,882)	(7,902,286)
Cash and cash equivalents at beginning of year	<u>8,044,747</u>	<u>15,947,033</u>
Cash and cash equivalents at end of year	J\$ <u>3,631,865</u>	<u>8,044,747</u>
Cash flows from operating activities include:		
Interest received	1,020,217	1,151,250
Dividends received	14,708,594	12,800,190
Dividend income	(11,218,249)	(15,307,839)
Interest income	<u>(1,020,217)</u>	<u>(1,151,250)</u>

The accompanying notes form an integral part of the financial statements.

JAMAICA SELECT INDEX FUND LTD.*(formerly JMMB Select Index Fund Ltd.)*

Notes to the Financial Statements

March 31, 2007*(Stated in Jamaica dollars)*1. Identification

Jamaica Select Index Fund Ltd., formerly JMMB Select Index Fund Ltd., (the “Fund”) is an open-ended investment company incorporated with limited liability as an exempt company under the Companies Law of the Cayman Islands on November 1, 2001. The Fund is registered under The Mutual Funds Law of the Cayman Islands on April 26, 2004. The registered office of the Fund is located at Elizabethan Square, George Town, Grand Cayman, Cayman Islands. The Fund changed its name from JMMB Select Index Fund Ltd. to Jamaica Select Index Fund Ltd. on December 12, 2006.

The objective of the Fund is to invest in, and carry on the business of the acquisition, possession, management and disposal of, equity instruments and money market securities. The Fund aims to achieve this objective mainly by investing in a highly diversified portfolio of Jamaica’s most liquid and actively traded stocks on the Jamaica Stock Exchange – the Select Index (usually referred to as ‘blue chip companies’). The Fund commenced trading operations on January 1, 2004. It is not the intention of the Fund to pay dividends; it is expected that all profits will be reinvested.

The investment activities of the Fund are managed by JMMB Securities Limited, (“Investment Manager”); the administration of the Fund was delegated to TransOcean Bank and Trust, Ltd. up to December 31, 2006; thereafter, this responsibility was assumed by JMMB Securities Fund Services Limited. The custodian activities are performed by Pan Caribbean Financial Services Limited. The Fund has no employees.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation:

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other financial assets and financial liabilities are stated at amortised cost or redemption amount. The financial statements are presented in Jamaica dollars (J\$).

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

JAMAICA SELECT INDEX FUND LTD.
(formerly JMMB Select Index Fund Ltd.)

Notes to the Financial Statements (Continued)

March 31, 2007

(Stated in Jamaica dollars)

2. Statement of compliance and basis of preparation (cont'd)

(b) Basis of preparation (cont'd):

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

There are no significant assumptions and judgements applied in these financial statements giving rise to a risk of material adjustment in the next financial year.

3. Significant accounting policies:

The accounting policies below have been applied consistently by the Fund and are consistent with those of the previous period.

(a) Investments:

Investments in quoted equities are designated as financial assets at fair value through profit or loss and are initially recognised at cost. Subsequent to initial recognition investments are measured at fair value with changes in their fair value being recognised in the income statement as unrealised gains/losses on investments. The fair values of the securities are based on their bid prices quoted on the Jamaica Stock Exchange as at the balance sheet date.

Equity transactions are accounted for on a trade date basis.

(b) Derecognition:

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39. The fund uses the weighted average method to determine realised gains and losses on derecognition. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

(c) Cash and cash equivalents:

Cash is comprised of demand and short-term deposits. Cash equivalents are highly liquid short-term investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment purposes.

JAMAICA SELECT INDEX FUND LTD.
(formerly JMMB Select Index Fund Ltd.)

Notes to the Financial Statements (Continued)
March 31, 2007
(Stated in Jamaica dollars)

3. Significant accounting policies (cont'd):

(d) Taxation:

The Fund is exempt from income tax in the Cayman Islands. However, by virtue of, *inter alia*, its operations in Jamaica, it is liable to income tax on its taxable income. Income tax on the income for the period comprises current and deferred tax. Income tax is recognized 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.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the balance sheet date.

Deferred 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 balance sheet date.

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

(e) Dividend income:

Dividend income relating to exchange-traded equity investments is recognized in the income statement on the record date.

(f) Expenses:

All expenses, including management fees and custodian fees, are recognised in the income statement on the accrual basis.

(g) Redeemable shares:

All redeemable shares issued by the Fund provide the investors with the right to require redemption for cash at the value proportionate to the investor's share in the Fund's net assets at the redemption date. In accordance with IAS 32, such instruments give rise to a financial liability for the present value of the redemption amount.

(h) Other receivables:

Other receivables are stated at their amortised cost, less impairment losses.

(i) Other payables:

Other payables and accrued charges are stated at cost.

JAMAICA SELECT INDEX FUND LTD.*(formerly JMMB Select Index Fund Ltd.)*

Notes to the Financial Statements (Continued)

March 31, 2007*(Stated in Jamaica dollars)*3. Significant accounting policies (cont'd):

(j) Income recognition:

Income is recognised in the income statement as it accrues.

(k) Impairment:

The carrying amounts of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet 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 and loss account.

(i) Calculation of recoverable amount:

The recoverable amount of the Fund'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 net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax 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.

(ii) Reversals of impairment:

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

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.

JAMAICA SELECT INDEX FUND LTD.*(formerly JMMB Select Index Fund Ltd.)*

Notes to the Financial Statements (Continued)

March 31, 2007*(Stated in Jamaica dollars)*3. Significant accounting policies (cont'd):

(l) Adoption of new and revised IFRS and interpretations

During the year, the following new and revised IFRS and interpretations which were in issue became effective:

IFRS 6	Exploration for Evaluating of Mineral Resources	January 1, 2006
IFRIC 4	Determining whether an Arrangement Contains a Lease	January 1, 2006
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	January 1, 2006
IAS 19 Amendments	Actuarial Gains & Losses, Group Plans and Disclosures	January 1, 2006
IAS 39 Amendments	The Fair Value Option	January 1, 2006
IAS 39 Amendments	Financial Instrument Cash Flow Hedge Accounting for Forecast Intra-group Transactions	January 1, 2006
IAS 39 Amendments	Financial Guarantee Contracts	January 1, 2006

There were no changes in the company's significant accounting policies as a result of these new and revised standards and interpretations.

(m) New standards and interpretations not yet adopted:

The following new standards, amendments to standards and interpretations become effective for financial years beginning after March 31, 2007, and have therefore not been applied in preparing these financial statements:

- *IFRS 7 Financial Instruments: Disclosures and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Company's 2008 financial statements, will require additional disclosures with respect to the Company's financial instruments and share capital.
- *IFRS 8 Operating Segments* requires disclosures based on the components of the company that management monitors in making decisions about operating matters as well as qualitative disclosures on segments. The standard is not considered relevant to the Company and is not expected to have any impact on the financial statements.

JAMAICA SELECT INDEX FUND LTD.

(formerly JMMB Select Index Fund Ltd.)

Notes to the Financial Statements (Continued)

March 31, 2007

(Stated in Jamaica dollars)

3. Significant accounting policies (cont'd):

(m) New standards and interpretations not yet adopted (cont'd):

- *IFRIC 8 Scope of IFRS 2 Share-based Payments* addresses the accounting for share based payment transactions in which some or all goods or services received cannot be specially identified. IFRIC 8 is not considered relevant to the Company and is not expected to have any impact on the financial statements.
- *IFRIC 9 Reassessment of Embedded Derivatives* requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the Company's 2008 financial statements, is not expected to have any impact on the financial statements.
- *IFRIC 10 Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset at cost. IFRIC 10 is not considered relevant to the Company and is not expected to have any impact on the financial statements.
- *IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash-settled), in the financial statements of the entity whose employees are entitled to the share-based payment, where equity instruments of the parent are transferred in settlement of the obligation. IFRIC 11 is not considered relevant to the Company and is not expected to have any impact on the financial statements.
- *IFRIC 12 Service Concession Arrangements* addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. IFRIC 12 is not considered relevant to the Company and is not expected to have any impact on the financial statements.
- *IAS 23 (Revised) - Borrowing Costs* removes the option of immediately recognising all borrowing costs as an expense. The revised standard requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. IAS 23 (Revised) will become mandatory for accounting periods beginning on or after January 1, 2009.

JAMAICA SELECT INDEX FUND LTD.*(formerly JMMB Select Index Fund Ltd.)*

Notes to the Financial Statements (Continued)

March 31, 2007*(Stated in Jamaica dollars)*4. Cash and cash equivalents

	<u>2007</u>	<u>2006</u>
Cash	92,804	92,814
Cash equivalents – Share of pooled money market fund, managed by parent of Fund Manager [effective rate at which interest was earned: 10.45% (2006: 10.97%)]	<u>3,539,061</u>	<u>7,951,933</u>
	<u>J\$3,631,865</u>	<u>8,044,747</u>

5. Subscriptions receivable

Subscriptions receivable are in respect of purchases of participating shares in the Fund.

6. Other receivables

	<u>2007</u>	<u>2006</u>
Dividend income receivable	908,116	4,382,660
General Consumption Tax recoverable	30,562	2,829,228
Withholding tax recoverable	<u>1,120,180</u>	<u>865,008</u>
	<u>J\$2,058,858</u>	<u>8,076,896</u>

7. Equity investments

(a) The Fund's portfolio of investments at the balance sheet date comprised the following quoted equities:

<u>No. of stock units</u>	<u>Description</u>	<u>2007 Quoted market value J\$</u>	<u>2006 Quoted market value J\$</u>
2,507,273	The Bank of Nova Scotia Jamaica Ltd.	60,425,279	64,442,370
7,526,808	Cable and Wireless Jamaica Ltd.	7,451,540	11,503,067
549,145	Capital and Credit Merchant Bank Ltd.	6,589,740	12,222,455
728,994	Caribbean Cement Company Ltd.	5,963,171	3,856,587
415,790	Carreras Group Ltd.	20,623,184	18,177,235
-	Courts (Jamaica) Ltd.	-	11,764,291
264,876	Dehring, Bunting and Golding Ltd.	6,092,148	6,019,595
2,411,224	Desnoes and Geddes Ltd.	18,976,333	24,820,060
1,037,266	Gleaner Company Ltd.	1,918,942	2,840,578
283,475	GraceKennedy Ltd.	16,668,330	22,605,550
1,027,144	Jamaica Broilers Group Ltd.	4,581,062	4,040,427
1,253,404	Jamaica Money Market Brokers Ltd.	13,085,538	20,147,477
82,226	Lascelles DeMercado & Company Ltd.	19,495,784	-
3,196,417	Life of Jamaica Ltd.	24,740,268	32,388,064
2,112,874	National Commercial Bank Jamaica Ltd.	45,849,366	40,835,489
148,633	Pan Jamaican Investment Trust Ltd.	6,539,852	-
-	Radio Jamaica Ltd.	-	<u>1,947,237</u>
	Total quoted equities	<u>259,000,537</u>	<u>277,610,482</u>

JAMAICA SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)

March 31, 2007*(Stated in Jamaica dollars)*7. Equity investments (cont'd)

- (b) Reconciliation of investment valuation at bid price as required by IFRS to valuation and at last sale price in accordance with the Prospectus:

	<u>2007</u>
Investment valuation at bid price	259,000,537
Portion of gain on revaluation arising from different pricing approaches	<u>1,795,046</u>
Investments at last sale price using last	<u>J\$260,795,583</u>
Net asset valuation per share based on last sale price	J\$ <u>7.13</u>

8. Redemption payable

Redemption payable includes amounts that were owed as at March 31, 2007, in respect of sales of participating shares of the Fund.

9. Related party balances and transactions

- (a) Related party:

A party is related to the Fund, if:

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

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

- (b) Identity of related parties:

The Fund has a related party relationship with the Fund Manager, the parent and fellow subsidiaries of the Fund Manager, as well as with its directors, and the directors, senior officers and executives of the Fund Manager, the parent and fellow subsidiaries of the Fund Manager. As the Fund has no employees, its directors as well as the directors, senior officers and executives of the Fund manager are collectively referred to as "key management personnel".

JAMAICA SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)

March 31, 2007

(Stated in Jamaica dollars)

9. Related party balance and transactions

- (c) The Fund appointed JMMB Securities Limited (“Fund Manager”) to implement the investment strategy as specified in the prospectus and to provide administrative services. Under the Investment Management Agreement, the Investment Manager receives a management fee quarterly in arrears at an annual rate not exceeding two percent (2%) per annum of the net assets attributable to holders of redeemable shares on each valuation day as defined in the Offering Memorandum.

The balance due to the Fund Manager is made up as follows:

	<u>2007</u>	<u>2006</u>
Management fees - Owed at beginning of year	3,470,261	-
- earned by Fund Manager	6,100,597	5,508,490
- paid by Fund	(1,536,757)	(2,038,229)
- Owed at end of year	8,034,101	3,470,261
Transaction charges (for the selling and purchasing of participating shares) collected on behalf of Fund Manager, not yet remitted	<u>2,264,378</u>	<u>1,628,895</u>
	<u>J\$10,298,479</u>	<u>5,099,156</u>

- (d) The balance sheet includes related party balances, arising in the ordinary course of business, as follows:

	<u>2007</u>	<u>2006</u>
Parent of the Fund Manager (see note 4) - cash and cash equivalents	<u>J\$3,539,061</u>	<u>7,951,933</u>

10. Capital account

	<u>2007</u>		<u>2006</u>	
	<u>Number of shares</u>	<u>J\$</u>	<u>Number of shares</u>	<u>J\$</u>
Authorised share capital:				
Ordinary share of J\$1.00	1	1	1	1
Redeemable shares of J\$1.00 each	<u>399,999,999</u>	<u>399,999,999</u>	<u>399,999,999</u>	<u>399,999,999</u>
	<u>400,000,000</u>	<u>400,000,000</u>	<u>400,000,000</u>	<u>400,000,000</u>
Issued and fully paid:				
Redeemable shares				
Opening balance	43,348,915	333,559,293	47,016,346	359,515,695
Issued during the period	1,962,970	13,702,590	7,397,484	59,774,987
Redeemed during the period	(9,649,527)	(67,261,338)	(11,064,915)	(85,731,389)
Balance as at March 31	<u>35,662,358</u>	<u>280,000,545</u>	<u>43,348,915</u>	<u>333,559,293</u>
Ordinary share	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

JAMAICA SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)

March 31, 2007*(Stated in Jamaica dollars)*10. Capital account (cont'd)

The ordinary share entitles the holder to receive notice of, attend, and vote at, general meetings of the Fund. Ordinary shares do not carry any right to redemption, or to any distribution of any kind, except in a winding-up. In the event of a winding-up of the Fund, a holder of an ordinary share is entitled to receive a pro-rata share, up to the shares par value, of the Fund's assets. JMMB Securities Limited is the holder of the only ordinary share.

Redeemable shares carry the right to receive notice of, attend, and vote at, meetings only:

- (a) where a special resolution is proposed by a holder of ordinary shares to wind up the Fund or to amend its Memorandum and Articles of Association, or
- (b) where a resolution is proposed to amend the Fund's investment policy, or
- (c) where a resolution is proposed in general meeting to issue shares other than as ordinary shares or redeemable shares.

After the initial offering period, redeemable shares are available for subscription and redemption on each day that is a business day in Jamaica at a price equal to the net asset value per share.

In the event of a winding-up of the Fund, holders of redeemable shares are entitled to receive a pro-rata share up to their par value if there are sufficient assets available. In the event of any surplus assets, they are entitled to a further pro-rata share of the assets.

11. (Losses)/ gains on equity investments

	<u>2007</u>	<u>2006</u>
Realised losses on sale of investments	(12,240,660)	(8,468,521)
Urealised gains/(losses) on revaluation of investments	<u>37,390,262</u>	<u>(104,607,382)</u>
Total gains/(losses) on investments	<u>J\$25,149,602</u>	<u>(113,075,903)</u>

12. Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets include cash and cash equivalents, subscriptions receivable, other receivables and equity investments. Financial liabilities include redemptions payable, other payables, and due to Fund Manager.

JAMAICA SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)

March 31, 2007*(Stated in Jamaica dollars)*12. Financial instruments (cont'd)

(a) Fair values:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair values of cash and cash equivalents, subscriptions receivable, other receivables, due to Fund Manager, redemptions payable and other payables approximate their carrying values, due to their relatively short-term nature. The fair value of quoted equities is equal to their quoted market values (see note 7).

(b) Financial instrument risks:

Exposure to credit, interest rate, liquidity, market and cash flow risks arises in the ordinary course of the Fund's operations. Derivative instruments are not presently used to manage, mitigate or eliminate financial instrument risks.

(i) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This risk is not considered significant as the majority of the Fund's financial assets are non-interest bearing with the exception of its interest in a pooled money market fund at Jamaica Money Market Brokers Limited. At the balance sheet date, this interest in the pool represented 1.39% (2006: 2.79%) of the Fund's net assets.

(ii) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund has no significant credit risk as most of its investments are in quoted equities.

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund has no exposure to foreign currency risk as all investments are in the Jamaican currency.

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Notes to the Financial Statements (Continued)

March 31, 2007*(Stated in Jamaica dollars)*12. Financial instruments (cont'd)

(b) Financial instrument risks (cont'd):

(iv) Liquidity risk:

The Fund's constitution provides for the daily creation and cancellation of shares and it is therefore exposed to the liquidity risk of meeting shareholder redemptions at any time. Liquidity problems may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed facilities. The Fund's quoted investments are considered fairly readily realisable as they are the most liquid stocks on the Jamaica Stock Exchange. This risk is further mitigated by the Fund maintaining a maximum of 10 percent of the net asset value in money market fund accounts that are readily realisable.

(v) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Fund is exposed to market risk as the financial instruments subject to this risk represent a significant portion of investments. The Fund's market risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures approved by the board and placed in operation. These policies require the Investment Manager to invest only in stocks that are in the composition of the Jamaica Stock Exchange Select Index. The Fund's overall market positions are monitored on a monthly basis by the board of directors.

(vi) Cash flow risk:

Cash flow risk is the risk that future flows associated with a monetary financial instrument will fluctuate in amount. The Fund manages this risk by assessing, as far as possible, that fluctuations in monetary financial liabilities and assets are matched to mitigate any significant cash outflows.