



# **THE JAMAICA STOCK EXCHANGE**

Unaudited Consolidated Financial Statements

For The Six Months Ended June 30, 3008

## **REPORT OF THE BOARD OF DIRECTORS**

### **UNAUDITED FINANCIAL STATEMENTS FOR PERIOD ENDED JUNE 30, 2008**

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The Board of the Directors is pleased to present its unaudited financial results for the six month period, January to June 2008. This is the first publication by the Jamaica Stock Exchange of its financial results since the Company listed its 5-Year Redeemable Variable Rate Preference Shares on the 30<sup>th</sup> June 2008, arising out of the Initial Public Offering which opened on 16<sup>th</sup> May and closed on 30<sup>th</sup> May, 2008.

The Jamaica Stock Exchange (JSE) and its subsidiary the Jamaica Central Securities Depository (JCSD) have shown increased performance in all areas of revenue for the six month period ended June 30, 2008 when compared to the corresponding period in 2007. The gross operating income of \$162.0 million comprised primarily of Transaction Cess charges and Fee Income represent an increase of \$71.2 million or 78% over the similar six month period in 2007. This improvement is due mainly to the increase in the performance of the market which saw the volume traded increase to 1.2 billion units, up from 0.7 billion units for the corresponding period in 2007. The value of ordinary transactions increased significantly to close the six month period at \$15.1 billion as compared to the comparable 2007 value of \$0.8 billion.

Operating Expenses increased by 37% from \$96.6million for the first six month period in 2007 to \$132.8 million in 2008. Significant movements in the Operating Expenses were:

- Securities Commission Fee which moved from J\$7.2m in 2007 to \$19.6m for the period under review. This operating expense is directly proportional to the movement in Cess Revenue.
- Demutualization Costs of \$4.5m in 2008 and a portion of the Professional Fees of \$7.2 m represent the final expenditures incurred to change our organization from a mutual company and also to prepare for the listing of the JSE's preference shares on the Exchange.

Pre-tax profit for the six months ended June 30, 2008 was \$67.5m compared to \$31.7m for the corresponding period in 2007. This represents a positive trend which in line with the Company's six month projections and largely reflects the upturn in the stock market for this year.

Total Equity of the Company increased by \$71.5 million from the comparable mid-year positions in 2008 and 2007 due to the net surplus earned within this period.

The Company continues to work with the Government, regulators, the brokerage community and other key stakeholders to increase the number of investment products and facilities offered to the equities market to attract investors and by extension broaden the Company's revenue base.

As was previously communicated to investors, the JSE is committed to increasing the number of securities listed on the Exchange. For the six months period ending 30<sup>th</sup> June, 2008, there were a total of eight new listings comprised of six (6) preference share and two (2) ordinary share listings.

The JSE is projecting that the positive profit trend, which will be augmented by robust activities in the block transaction market, will continue throughout the next quarter. This should result in better than projected increases in Operating Income, Investment Income and Net Surplus.



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Curtis Martin  
Chairman



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Garth Kiddoe  
Audit & Finance Committee Chairman

## JAMAICA STOCK EXCHANGE

## Consolidated Balance Sheet

At June 30, 2008

Unaudited six months ended June 2008 \$ '000	Unaudited six months ended June 2007 \$ '000	Audited twelve months ended December 2007 \$ '000
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**ASSETS****Non-current assets**

Property Plant & Equipment	91,946	100,520	96,687
Intangible Assets	6,975	11,466	13,529
Investments in Securities			
Compensation Fund	128,618	136,701	138,972
Other	174,542	176,088	162,657
Long-term receivables	4,126	4,775	3,675
Post employment benefits	46,945	45,228	46,946
<b>Total non-current assets</b>	<b>453,152</b>	<b>474,778</b>	<b>462,466</b>

**Current Assets**

Income Tax Recoverable	5,604	12,594	14,168
Trade and other receivable	38,570	26,990	26,459
Investments in Securities			
Compensation Fund	353,381	310,832	324,787
Other	87,121	106,570	149,097
Cash and Bank Deposits	210,041	45,849	26,607
<b>Total current assets</b>	<b>694,717</b>	<b>502,835</b>	<b>541,118</b>

<b>Total Assets</b>	<b>1,147,869</b>	<b>977,613</b>	<b>1,003,584</b>
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**EQUITY AND LIABILITIES****Capital and Reserves**

Share Capital	168,590	113,590	113,590
Fair Value Reserve	1,890	(3,154)	(1,102)
Contingency Reserve	469,136	433,897	442,030
Revenue Reserve	342,272	366,033	373,785
<b>Total Equity</b>	<b>981,888</b>	<b>910,366</b>	<b>928,303</b>

**Non Current Liabilities**

Redeemable Preference Shares	66,000		
Deferred Tax Liabilities	41,239	19,456	33,380
<b>Total non-current liabilities</b>	<b>107,239</b>	<b>19,456</b>	<b>33,380</b>

**Current Liabilities**

Accounts Payable	58,742	47,791	41,901
<b>Total current liability</b>	<b>58,742</b>	<b>47,791</b>	<b>41,901</b>

<b>Total Equity &amp; Liabilities</b>	<b>1,147,869</b>	<b>977,613</b>	<b>1,003,584</b>
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Approved and authorized for issue by the Board of Directors on August 13, 2008 and are signed on its behalf by:

.....  
Curtis Martin - Chairman

.....  
Garth Kiddoe - Audit and Finance Committee Chairman

**JAMAICA STOCK EXCHANGE**  
**Consolidated Income Statement**  
**For the Six Months Ended June 30, 2008**

	Unaudited Three months ended June 2008 \$'000	Unaudited Three months ended June 2007 \$'000	Unaudited Six months ended June 2008 \$'000	Unaudited Six months ended June 2007 \$'000	Audited Twelve months ended Dec 2007 \$'000
<b>OPERATING INCOME</b>					
Cess	\$47,108	\$10,841	\$89,363	\$37,165	\$110,260
Fee Income	21,615	16,209	44,301	32,428	62,495
Other Operating Income	9,078	6,460	28,342	21,202	35,506
	----- 77,801	----- 33,510	----- 162,006	----- 90,795	----- 208,261
<b>OPERATING EXPENSES</b>					
Staff costs	25,822	20,830	50,555	42,786	86,516
Property expenses	10,225	8,161	19,572	15,475	37,307
Depreciation and amortisation	4,305	4,335	8,754	8,736	17,621
Advertising and promotion	3,419	2,617	18,315	14,538	19,961
Professional fees	3,228	2,458	7,224	4,803	16,676
Securities commission fees	11,281	2,429	19,576	7,286	24,135
Allowances for doubtful debts					1,899
Demutualization costs	4,510		4,510		
Other operating expenses	2,061	1,593	4,250	2,952	9,673
	----- 64,851	----- 42,423	----- 132,756	----- 96,576	----- 213,788
<b>SURPLUS/(DEFICIT) FROM OPERATION</b>	----- 12,950	----- (8,913)	----- 29,250	----- (5,781)	----- (5,527)
Investment Income	11,670	9,415	21,897	18,770	34,908
Compensation Fund Income (Net)	8,893	9,959	17,480	19,531	37,751
Finance Cost	(942)	(361)	(1,158)	(801)	(1,380)
	----- 19,621	----- 19,013	----- 38,219	----- 37,500	----- 71,279
<b>SURPLUS/(DEFICIT) BEFORE TAXATION</b>	----- 32,571	----- 10,100	----- 67,469	----- 31,719	----- 65,752
Taxation	(10,856)	(1,173)	(25,799)	(2,346)	(21,636)
<b>NET SURPLUS</b>	----- 21,715	----- 8,927	----- 41,670	----- 29,373	----- 44,116
Earnings per ordinary stock unit	<b>J\$ 0.92</b>	<b>J\$ 16.23</b>	<b>J\$ 3.47</b>	<b>J\$ 53.40</b>	<b>J\$ 80.21</b>

**JAMAICA STOCK EXCHANGE**  
**Consolidated Statement Of Changes In Equity**  
**For the Six Months Ended June 30, 2008**

STATEMENT III

	Share Capital \$'000	Fair Value Reserve \$'000	Contingency Reserve \$'000	Revenue Reserve \$'000	Total \$'000
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**Balance at January 1, 2007** 113,590 (3,154) 414,366 356,191 880,993

Fair value adjustments on available for sale securities  
 Deferred tax on fair value adjustment  
 Fair value adjustments on asset

Net income recognized directly in Equity	-	-	-	-	-
Net Surplus for Period				29,373	29,373
Total Recognised Income for Period	-	-	-	29,373	29,373

Transfer to Share Capital  
 Appropriation from Income to contingency reserve

<b>Balance at June 30, 2007</b>	113,590	(3,154)	433,897	366,033	910,366
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**Balance at January 1, 2008**

Fair value adjustments on available for sale securities  
 Deferred Tax on fair value adjustment

Net income recognised directly in Equity	-	2,992	3,640	-	6,632
Net Surplus for Period				41,670	41,670

**Total Recognised Income for the Period**

Transfer to Share Capital on issue of Bonus Shares  
 Appropriation from Income to contingency reserve

<b>Balance at June 30, 2008</b>	168,590	1,890	469,136	342,272	981,888
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**STATEMENT IV**

**THE JAMAICA STOCK EXCHANGE  
Consolidated Statement Of Cash Flows  
Six Months Ended June 30, 2008 (Unaudited)**

	Unaudited six months ended June 2008 \$ '000	Unaudited six months ended June 2007 \$ '000
<b><i>Operating Activities</i></b>		
Net Surplus	41,670	29,373
Adjustments for items not affecting cash flows and changes in non- cash operating assets and liabilities (net)	(2,811)	(65,547)
Cash provided by (used in) operating activities	<u>38,859</u>	<u>(36,174)</u>
Cash provided by investing activities	78,575	40,526
Cash provided by financing activities	<u>66,000</u>	
<b><i>Net Increase In Cash and Cash Equivalents</i></b>	<b>183,434</b>	<b>4,352</b>
<b><i>Opening Cash and Cash Equivalents</i></b>	<b>26,607</b>	<b>41,497</b>
<b><i>Closing Cash and Cash Equivalents</i></b>	<b><u>210,041</u></b>	<b><u>45,849</u></b>

**THE JAMAICA STOCK EXCHANGE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2008**

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**1. Group Identification**

**a. Composition of the Group**

The group comprises the Jamaica Stock Exchange Ltd (the company) which is incorporated in Jamaica as a public limited liability company and its wholly owned subsidiary, Jamaica Central Securities Depository Limited, (subsidiary) which is also incorporated in Jamaica. The registered offices of both companies are situated at 40 Harbour Street, Kingston, Jamaica.

**b. Principal Activities**

i. The Jamaica Stock Exchange Limited

The principal activity of the company is the operation of a stock exchange and the development of a stock market in Jamaica.

ii. Jamaica Central Securities Depository

The principal activity is to establish and maintain a Central Securities Depository (CSD) in Jamaica to transfer ownership of securities “by book entry”, including shares, stocks, bonds or debentures of companies and other eligible securities.

**2. Statement of Compliance and Basis of Preparation**

These unaudited interim financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB), and the relevant provisions of the Companies Act.

The interim financial statements have been prepared on the historical cost basis except for the revaluation of financial assets classified as available-for-sale investments.

The accounting policies and method of computation are consistent with the audited financial statement for year ended December 31, 2007.

These financial statements are expressed in Jamaican dollars which is the currency of the primary economic environment in which the company operates.



**THE JAMAICA STOCK EXCHANGE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2008**

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**3. Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the company and the entity controlled by the company (its subsidiary). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra- group transactions, balances, income and expenses are eliminated in full on consolidation.

**4. Employee Benefit Costs**

Pension obligations

The group operates a defined benefit pension plan. The cost of providing benefits is determined using Projected Unit Credit Method with actuarial valuations being carried out each annual balance sheet date.

The post employment benefit assets recognised in the balance sheet represents the fair value of the plan assets, as adjusted for unrecognised actuarial gains and losses and unrecognized past service costs, and as reduced by the present value of the defined benefit obligation.

**5. Cash and Cash Equivalents**

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

**6. Revenue recognition**

Revenue is measured at the fair value of the consideration received or recoverable and represents amounts receivable for services provided in the normal course of business, net of consumption taxes.

**7. Compensation Fund**

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

**THE JAMAICA STOCK EXCHANGE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2008**

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**8. Bonus Issue**

The Company by members resolution dated April 17, 2008 under section 135 of the Companies Act 2004 elected to capitalize \$55,000,000 of its retained earnings in the company's revenue reserves to issue 27,500,000 ordinary shares. These shares are allotted as fully paid to each member *pro rata* to their current holding of shares in the Company.

**9. Redeemable Preference Shares**

The Company by Ordinary Resolutions dated April 17, 2008 reclassified from its Authorized Shares Capital of Seven Hundred Million (700,000,000) Shares, an amount of One Hundred Million (100,000,000) as Class "A" Variable-rated Redeemable Preference Shares. The Preference Shares do not carry the voting rights save in narrowly prescribed circumstances.

On May 16, 2008 the Jamaica Stock Exchange offered to the public by way of an initial public offer Thirty Three Million (33,000,000) 5 year Redeemable Cumulative Variable Rate Preference Shares at \$2.00 each. The Preference Shares carry the right to a cumulative preferential dividend payable quarterly at the higher of the Government of Jamaica Weighted Average Treasury Bill Yield (having in tenor of between 178 and 184 days) fixed at the beginning of every six months period and interest rate paid on the market instrument issued by the Bank of Jamaica that have 180 days tenor. The shares were allotted to shareholders on May 30, 2008.

In keeping with the requirements of International Financial Reporting Standards (IFRS) the Preference Share Capital has been classified as long term liabilities in the Financial Statement.