



REPORT OF THE BOARD OF DIRECTORS

UNAUDITED FINANCIAL STATEMENTS FOR QUARTER ENDED JUNE 30, 2010

The Board of the Directors is pleased to present its consolidated unaudited financial results for the quarter ended June 30, 2010 for the Jamaica Stock Exchange Group (JSE), which comprises the Jamaica Stock Exchange Limited, Jamaica Central Securities Depository Limited and JCSD Trustee Services Limited.

For the six months of the financial year-to-date (YTD) the Group registered a Net Surplus after Tax of \$2.5 million compared to \$44.9m for the comparative period in 2009. For the quarter under review, the JSE registered an operating deficit in the amount of \$11.6m, representing a 49% improvement over the \$23.2m deficit of the comparable second quarter of 2009. The Group's revenue, comprised primarily of Cess Income, Fee Income and Other Operating Income, increased by 32% over the comparative quarter and by 26% for the comparative half-year, as trading on the equities market generally showed improvement.

The JSE's continued cost containment efforts in the first half of 2010 resulted in 3% lower operating expenses when compared to the six-month period of 2009. Staff related expenses were reduced by \$5.5m or 9% while advertising and promotional expenses decreased by \$4.2m or 21%. Financing costs were reduced by \$9.4m or 55%, as a result of the repayment of interest-bearing debt.

The Group participated in the Government of Jamaica (GOJ) Debt Exchange Programme (JDX) in the first quarter of 2010. This participation involved the swapping of one set of GOJ interest bearing debt instruments for another set bearing lower interest rates. The JDX has therefore resulted in lower yields and triggered the re-valuation of investment portfolios for investors in GOJ securities and this is reflected in a reduction of \$40.8m or 67.8% in the investment income of the JSE in first half of 2010 when compared to the corresponding period. Similarly, Compensation Fund Income, which comprises entirely of earnings on investment in GOJ debt instruments, showed a decrease of \$54.3m or 77% over the comparative periods.

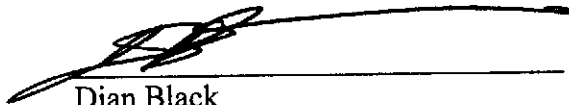
Unlike the previous year, JSE's interest income in the second quarter of 2010 was insufficient to compensate for the operating deficit and the Group therefore returned a Net Deficit after Tax of \$6.3m for the quarter, as compared to a Net Surplus after Tax of \$3.1m for the comparative quarter of 2009. For the six-month period ended June 30, 2010, the Group returned a Surplus before Taxation of \$7.9m compared to \$68.5m for the previously corresponding half-year in 2009.

Total Equity of the Group increased by \$26.7m since June 30, 2009 due to surpluses over that one-year period. Accounts Payable balance was reduced by \$121.2m, as the Group used available funds to pay down interest-bearing debt.

The Group is using this period of improving but continued low market activity to strengthen its internal competencies in preparation for the expected rebounding of the market, while continuing to promote the market through workshops, competitions and outreach activities. The Group continues to work with the Government, the Financial Services Commission, the brokerage community and other key stakeholders to increase the number of investment products offered to the market, to attract investors and by extension to broaden the Group's revenue base. The several new and prospective Junior Stock Market listings, for example, augur well for such future development. The JSE launched its E-learning Campus with a post-graduate diploma during the period, and it is expected that the first module will commence in September 2010.



Curtis Martin
Chairman



Dian Black
Audit & Finance Committee Chairman

JAMAICA STOCK EXCHANGE

Consolidated Statement Of Financial Position
'At June 30,2010

Unaudited six months ended June 2010 \$ '000	Unaudited six months ended June 2009 \$ '000	Audited twelve months ended December 2009 \$ '000
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ASSETS**Non-current assets**

Property Plant & Equipment	89,940	84,722	92,704
Intangible Assets	12,266	11,347	11,356
Investments in securities:			
Compensation Fund	396,652	302,428	350,801
Other	288,468	445,839	298,999
Long-term receivables	6,083	3,665	5,818
Post employment benefits	41,694	42,647	41,694
Total non-current assets	835,103	890,648	801,372

Current assets

Income tax recoverable	31,830	26,983	17,145
Trade and other receivables	22,045	25,015	25,188
Investments in securities:			
Compensation Fund	156,620	179,155	193,480
Other	3,966	26,753	152,099
Cash and Bank Deposits	71,788	94,895	20,359
Total current assets	286,249	352,801	408,271

Total Assets	1,121,352	1,243,449	1,209,643
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EQUITY AND LIABILITIES**Capital and Reserves**

Share Capital	168,590	168,590	168,590
Fair value reserve		(2,142)	
Revenue reserve	247,031	270,242	255,341
	415,621	436,690	423,931
Contingency reserve	542,098	494,305	530,196
Total Equity	957,719	930,995	954,127

Non Current Liabilities

Redeemable Preference Shares	66,000	66,000	66,000
Deferred Tax Liabilities	32,471	65,584	31,974
Total non-current liabilities	98,471	131,584	97,974

Current Liabilities

Accounts Payable & Accruals	59,665	180,870	65,553
Borrowings			91,989
Income Tax Payable	5,497		
Total current liabilities	65,162	180,870	157,542

Total Equity & Liabilities	1,121,352	1,243,449	1,209,643
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Approved and authorized for issue by the Board of Directors on August 11,2010 and are signed on its behalf by:


Curtis Martin - Chairman


Dian Black - Audit and Finance Committee Chairman

Jamaica Stock Exchange
Consolidated Statement of Comprehensive Income
For the Six Months Ended June 30, 2010

Statement II

	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Three months ended June 2010 \$'000	Three months ended June 2009 \$'000	Six months ended June 2010 \$'000	Six months ended June 2009 \$'000	Twelve months ended December 2009 \$'000
OPERATING INCOME					
Cess	\$18,250	\$5,632	\$41,573	\$15,097	\$50,240
Fee Income	18,240	18,507	35,845	38,873	75,266
Other Operating Income	9,262	9,409	26,488	28,669	33,465
	<u>45,752</u>	<u>34,548</u>	<u>103,906</u>	<u>82,639</u>	<u>158,971</u>
OPERATING EXPENSES					
Staff costs	26,437	27,698	55,014	60,549	120,122
Property expenses	12,180	12,385	24,579	22,777	47,015
Depreciation and amortisation	3,420	3,584	6,564	8,571	13,563
Advertising and promotion	4,865	6,216	15,629	19,807	26,879
Professional fees	4,298	4,451	8,293	9,276	18,469
Securities commission fees	3,807	1,373	8,660	3,482	10,219
Allowances for doubtful debts					(256)
Other operating expenses	2,390	2,057	5,202	3,483	7,702
	<u>57,397</u>	<u>57,784</u>	<u>123,941</u>	<u>127,945</u>	<u>243,713</u>
(DEFICIT)/SURPLUS FROM OPERATION	(11,645)	(23,216)	(20,035)	(45,308)	(84,742)
Investment Income	2,925	23,392	19,401	60,167	104,416
Compensation Fund Income (Net)	3,707	14,669	16,277	70,600	84,669
Finance Cost	(12)	(9,208)	(7,878)	(18,993)	(39,535)
	<u>(5,025)</u>	<u>5,637</u>	<u>7,967</u>	<u>68,468</u>	<u>64,808</u>
SURPLUS/(DEFICIT) BEFORE TAXATION	(5,025)	5,637	7,967	68,468	64,808
Taxation	(1,236)	(2,519)	(5,425)	(23,531)	(21,790)
	<u>(6,261)</u>	<u>3,118</u>	<u>2,542</u>	<u>44,937</u>	<u>43,018</u>
NET SURPLUS	(6,261)	3,118	2,542	44,937	43,018
OTHER COMPREHENSIVE INCOME					
Net gain (loss) on revaluation of available for sale financial assets	(17)	1,334	1,050	(28,159)	(1,134)
Net re-classification adjustment related to available for sale financial assets disposed.					(1,974)
Other comprehensive income for the period, net of taxes	(17)	1,334	1,050	(28,159)	(3,108)
TOTAL COMPREHENSIVE INCOME	(6,278)	4,452	3,592	16,778	39,910
Surplus/ (Deficit) derived from operations distributable	(8,732)	(9,032)	(8,310)	(2,132)	(17,033)
Surplus Compensation fund	2,471	12,150	10,852	47,069	60,051
NET COMPREHENSIVE INCOME	(6,261)	3,118	2,542	44,937	43,018
Earnings per share	-J\$0.31	-J\$0.32	-J\$0.30	-J\$0.08	-J\$0.61

Jamaica Stock Exchange
Consolidated Statement Of Changes In Equity
For the Six Months Ending June 30, 2010

Statement III

	Share Capital \$'000	Fair Value Reserve \$'000	Revenue Reserve \$'000	Contingency Reserve \$'000	Total \$'000
Balance at January 1, 2009	168,590	(4,008)	272,374	477,261	914,217
Surplus for Period			44,937		44,937
Other comprehensive income for the period		1,866		(30,025)	(28,159)
Total comprehensive income for the period		1,866	44,937	(30,025)	16,778
Appropriation from revenue reserve to contingency reserve fund			(47,069)	47,069	-
Balance at June 30, 2009	168,590	(2,142)	270,242	494,305	930,995
Balance at January 1, 2010	168,590	-	255,341	530,196	954,127
Surplus for Period			2,542		2,542
Other comprehensive income for the period				1,050	1,050
Total comprehensive income for the period			2,542	1,050	3,592
Appropriation from revenue reserve to contingency reserve fund			(10,852)	10,852	-
Balance at June 30, 2010	168,590	-	247,031	542,098	957,719

STATEMENT IV

THE JAMAICA STOCK EXCHANGE
Consolidated Statement Of Cash Flows
Six Months Ended June 30,2010 (Unaudited)

	Unaudited six months ended June 2010 \$ '000	Unaudited six months ended June 2009 \$ '000
<i>Operating Activities</i>		
Net Surplus	2,542	44,937
Adjustments for items not affecting cash flows and changes in non- cash operating assets and liabilities (net)	(73,271)	(82,885)
Cash (used in) provided by operating activities	(70,729)	(37,948)
Cash provided by (used in) investing activities	122,158	131,993
Cash used in financing activities		(98,010)
<i>Net Increase In Cash and Cash Equivalents</i>	51,429	(3,965)
<i>Opening Cash and Cash Equivalents</i>	20,359	98,860
<i>Closing Cash and Cash Equivalents</i>	71,788	94,895

THE JAMAICA STOCK EXCHANGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2010

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 Group also comprises the JCSD Trustee Services Limited which is a subsidiary of the Jamaica Central Securities Depository. The registered offices of both companies are situated at 40 Harbour Street, Kingston, Jamaica.

Effective April 1, 2008, the company was fully demutualized with the formal separation of its regulatory arm from its commercial arm. The new organizational structure of the company, inclusive of the Regulatory Market and Oversight Committee, illustrates a clear line of demarcation between the Company's twin role of regulating participants in a fair and transparent stock market, and operating an efficient platform on which that market trades, which is the commercial arm of the company.

(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 Limited

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.

iii. JCSD Trustee Services Limited

The principal activity is the provision of trustee, corporate administration, custodianship and related services.

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 JAMAICA STOCK EXCHANGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

The accounting policies and method of computation are consistent with the audited financial statements for year ended December 31, 2009. These financial statements are expressed in Jamaican dollars which is the currency of the primary economic environment in which the company operates.

3. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and the entities controlled by the company (its subsidiaries). Control is achieved where the 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.

THE JAMAICA STOCK EXCHANGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

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, for the period 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.

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 and 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 a long term liability in the Financial Statements.

THE JAMAICA STOCK EXCHANGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the distributable surplus derived from operations, by the weighted average number of ordinary shares in issue.

11. SEGMENT REPORTING

Segment information is presented in respect of the Group's business. The primary format for business segments is based on the Group's management and internal reporting structure.

The activities of the Group are organized into the following primary segments: -

- *Exchange Operations* – the operation and regulation of the Stock Exchange
- *Depository* – services in connection with transferring and holding of securities, shares, stocks, bonds and debentures.
- *Investments – Compensation Fund* – income derived from investing activities of the Compensation Fund.
- *Investments – Other* – Income derived from investing activities of the Group with the exception of the compensation Fund above.
- *Other* – Trustee and registrar, custodianship, corporate administration and other activities.

The Group's operations are located solely in Jamaica.