



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

### **UNAUDITED FINANCIAL STATEMENTS FOR QUARTER ENDED JUNE 30, 2011**

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The Board of Directors presents its consolidated unaudited financial results for the quarter ended June 30, 2011 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 year to date ended 30 June, 2011 the Group registered a Profit before Tax of \$8.3m compared to \$8.0m for the corresponding six-month period in 2010 and a Net Profit after Tax of \$3.8m compared to \$2.5m for the comparative period in 2010.

For the current quarter under review, the JSE registered an operating loss in the amount of \$12.3m and a net loss after taxation of \$3.0m, compared to an \$11.6m operating deficit and \$6.3m after-tax net deficit in the comparable second quarter of 2010.

The Group's revenue, which comprises primarily of Cess Income, Fee Income and Other Operating Income, showed an increase of 6% for the six months under review when compared to the comparative period in 2010. Included in the Group's Operating Income is income from the Group's E-Campus operations, which started its first cohort in September 2010. This activity generated revenue of \$1.5m in the second quarter and \$2.6m for the year-to-date. The corresponding expense for the six-month period totalled \$1.3m.

The Group experienced a 6.3% decrease in operating expenses for the three months ended June 2011 over the corresponding period in 2010. The major areas that contributed to this reduction were Depreciation and Amortisation, and Advertising and Promotion. Fees paid to the Financial Services Commission also fell as a result of the decline in Cess Revenue generated during this period, as trading volumes contracted versus the previous year.

Low and declining interest rates have negatively affected the earnings of the Group's investment portfolio as overall yields fell compared to last year. Accordingly, investment income showed a reduction of \$5.9m or 30.3% for the first six months of 2011 when compared to the corresponding period in 2010. Similarly, Compensation Fund Income, comprised of investment earnings from our Compensation Fund and revaluation gains, showed a decrease of \$4.0m or 24.4% over the comparative period.

Total Equity for the Group, excluding Contingency Reserves, increased by \$9.0m since the start of the year due to Net after-tax profit and increased fair value reserve adjustments on the Group's investments.

The Group continues to use this period of lower-than-average market activity to effect system enhancements. We expect more market activity through efforts to promote the stock market through educational workshops, competitions and other outreach activities. The Group has also continued 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, in an effort to attract investors and broaden our revenue base. The JSE continues to work with the stockbrokers and potential prospects to increase the number of companies and securities listed on the Main and Junior Markets. These efforts have been successful with three new listings for the year-to-date. There are indications of strong interest in the Junior Market for new listings, as well as for attracting first-time investors into the future.



Donovan H. Perkins  
Chairman



Dian Black  
Audit & Finance Committee Chairman

**JAMAICA STOCK EXCHANGE**  
**Consolidated Statement Of Financial Position**  
**At June 30,2011**

	Unaudited	Unaudited	Audited
	As at June 30, 2011 \$ '000	As at June 30, 2010 \$ '000	As at December 31,2010 \$ '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property Plant & Equipment	82,519	89,940	87,555
Intangible Assets	28,620	12,266	12,977
<b>Financial Assets</b>			
Compensation Fund	405,768	396,652	395,122
Other	309,240	288,468	286,435
Long-term receivables	8,215	6,083	6,935
Post employment benefits	76,162	41,694	76,163
<b>Total non-current assets</b>	<b>910,524</b>	<b>835,103</b>	<b>865,187</b>
<b>Current assets</b>			
Income tax recoverable	45,986	31,830	37,787
Trade and other receivables	42,209	22,045	26,963
Investments in securities:			
Compensation Fund	160,003	156,620	169,053
Other	4,020	3,966	
Cash and Bank Deposits	44,127	71,788	36,723
<b>Total current assets</b>	<b>296,345</b>	<b>286,249</b>	<b>270,526</b>
<b>Total Assets</b>	<b>1,206,869</b>	<b>1,121,352</b>	<b>1,135,713</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share Capital	168,590	168,590	168,590
Fair value reserve	15,392		1,943
Revenue reserve	259,649	247,031	264,076
	443,631	415,621	434,609
Contingency reserve	569,234	542,098	559,818
<b>Total Equity</b>	<b>1,012,865</b>	<b>957,719</b>	<b>994,427</b>
<b>Non Current Liabilities</b>			
Long Term Liabilities	89,242	66,000	69,487
Deferred Tax Liabilities	36,104	32,471	29,789
<b>Total non-current liabilities</b>	<b>125,346</b>	<b>98,471</b>	<b>99,276</b>
<b>Current Liabilities</b>			
Accounts Payable & Accruals	61,975	65,162	40,460
Current Portion of Long Term Liabilities	6,683		1,550
<b>Total current liabilities</b>	<b>68,658</b>	<b>65,162</b>	<b>42,010</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,206,869</b>	<b>1,121,352</b>	<b>1,135,713</b>

Approved and authorized for issue by the Board of Directors on August 10,2011 and are signed on its behalf by:



Donovan Perkins - Chairman



Dian Black - Audit and Finance Committee Chairman

**Jamaica Stock Exchange**  
**Consolidated Statement of Comprehensive Income**  
**For the Six Months Ended June 30,2011**

Statement II

	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Three months ended June 2011 \$'000	Three months ended June 2010 \$'000	Six months ended June 2011 \$'000	Six months ended June 2010 \$'000	Twelve months ended December 2010 \$'000
<b>OPERATING INCOME</b>					
Cess	\$13,855	\$18,250	\$27,324	\$41,573	\$82,624
Fee Income	24,717	18,240	52,807	35,845	74,476
Ecampus	1,523	0	2,584	0	1,464
Other Operating Income	8,631	9,262	27,563	26,488	40,814
	48,726	45,752	110,278	103,906	199,378
<b>OPERATING EXPENSES</b>					
Staff costs	29,791	26,437	61,057	55,014	84,863
Property expenses	12,809	12,180	22,927	24,579	49,013
Depreciation and amortisation	2,800	3,420	6,088	6,564	13,883
Advertising and promotion	3,421	4,865	12,382	15,629	21,845
Professional fees	5,696	4,298	10,153	8,293	16,068
Securities commission fees	2,956	3,807	6,122	8,660	17,129
Allowances for doubtful debts					444
Ecampus	847		1,253		1,911
Other operating expenses	2,675	2,390	4,828	5,202	11,283
	60,995	57,397	124,810	123,941	216,439
<b>DEFICIT FROM OPERATION</b>	<b>(12,269)</b>	<b>(11,645)</b>	<b>(14,532)</b>	<b>(20,035)</b>	<b>(17,061)</b>
Investment Income	6,740	2,925	13,538	19,401	33,159
Compensation Fund Income (Net)	6,508	3,707	12,313	16,277	32,276
Finance Cost	(1,535)	(12)	(3,030)	(7,676)	(13,800)
<b>SURPLUS BEFORE TAXATION</b>	<b>(556)</b>	<b>(5,025)</b>	<b>8,289</b>	<b>7,967</b>	<b>34,574</b>
Taxation	(2,407)	(1,236)	(4,507)	(5,425)	2,828
<b>NET SURPLUS</b>	<b>(2,963)</b>	<b>(6,261)</b>	<b>3,782</b>	<b>2,542</b>	<b>37,402</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Net gain (loss) on revaluation of available for sale financial assets	876	(17)	14,653	1,050	955
Net re-classification adjustment related to available for sale financial assets disposed.					1,943
Other comprehensive income for the period, net of taxes	876	(17)	14,653	1,050	2,898
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(2,087)</b>	<b>(6,278)</b>	<b>18,435</b>	<b>3,592</b>	<b>40,300</b>
Surplus/ (Deficit) derived from operations distributable	(7,316)	(8,732)	(4,427)	(8,310)	8,735
Surplus Compensation fund	4,353	2,471	8,209	10,852	28,667
<b>NET COMPREHENSIVE INCOME</b>	<b>(2,963)</b>	<b>(6,261)</b>	<b>3,782</b>	<b>2,542</b>	<b>37,402</b>
<b>Earnings per share</b>	<b>-\$0.26</b>	<b>-\$0.31</b>	<b>-\$0.16</b>	<b>-\$0.30</b>	<b>J\$0.31</b>

**Jamaica Stock Exchange**  
**Consolidated Statement Of Changes In Equity**  
**'For the Six Months Ending June 30, 2011**

**Statement III**  
  
**(Unaudited)**

	Share Capital	Fair Value Reserve	Revenue Reserve	Contingency Reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at January 1,2010</b>	<b>168,590</b>	-	<b>255,341</b>	<b>530,196</b>	<b>954,127</b>
Surplus for Period	-		2,542		2,542
Other comprehensive income for the period				1,050	1,050
<b>Total comprehensive income for the period</b>	-	-	<b>2,542</b>	<b>1,050</b>	<b>3,592</b>
Appropriation from revenue reserve to contingency reserve fund			(10,852)	10,852	-
<b>Balance at June 30,2010</b>	<b>168,590</b>	-	<b>247,031</b>	<b>542,098</b>	<b>957,719</b>
<b>Balance at January 1,2011</b>	<b>168,590</b>	<b>1,943</b>	<b>264,076</b>	<b>559,818</b>	<b>994,427</b>
Surplus for Period	-		3,782		3,782
Other comprehensive income for the period		13,449		1,207	14,656
<b>Total comprehensive income for the period</b>	-	<b>13,449</b>	<b>3,782</b>	<b>1,207</b>	<b>18,438</b>
Appropriation from revenue reserve to contingency reserve fund			(8,209)	8,209	-
<b>Balance at June 30,2011</b>	<b>168,590</b>	<b>15,392</b>	<b>259,649</b>	<b>569,234</b>	<b>1,012,865</b>

## STATEMENT IV

**THE JAMAICA STOCK EXCHANGE**  
**Consolidated Statement Of Cash Flows**  
**Six Months Ended June 30,2011(Unaudited)**

	Unaudited Six months ended June 2011 \$'000	Unaudited Six months ended June 2010 \$'000
<b><i>Operating Activities</i></b>		
Net Surplus	3,782	2,542
Adjustments for items not affecting cash flows and changes in non- cash operating assets and liabilities (net)	(25,649)	(73,271)
Cash used in operating activities	(21,867)	(70,729)
Cash provided by investing activities	3,608	122,158
Cash provided by financing activities	25,663	
<b><i>Net Increase In Cash and Cash Equivalents</i></b>	<b>7,404</b>	<b>51,429</b>
<b><i>Opening Cash and Cash Equivalents</i></b>	<b>36,723</b>	<b>20,359</b>
<b><i>Closing Cash and Cash Equivalents</i></b>	<b>44,127</b>	<b>71,788</b>



**THE JAMAICA STOCK EXCHANGE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2011**

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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 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, 2011**

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The accounting policies and method of computation are consistent with the audited financial statements for year ended December 31, 2010. 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, 2011**

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**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, 2011**

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**10. EARNINGS PER SHARE**

Basic earnings per share are 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.