



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

### **UNAUDITED FINANCIAL STATEMENTS FOR QUARTER ENDED SEPTEMBER 30, 2012**

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#### **Q3 2012 FINANCIAL HIGHLIGHTS**

- Quarter's Net Income after Tax of \$10.6m (2011: \$10.1m)
- Year-to-Date Net Income after Tax of \$31.0m, up 123% compared to prior year (2011: \$13.9m) comprised of:
  - Net Income from Operations \$15.3m, up 1,255% (2011: \$1.1m)
  - Net Income of Compensation Fund \$15.6m, up 23% (2011:\$12.7m)
- Earnings per share of \$0.55(2011: \$0.04)
- Return on Equity of 3.3% (2011: 0.3%)
- Return on Assets of 2% (2011: 1%)

#### **REVENUES**

The JSE Group recorded improved results for the three months ended September 30, 2012 when compared to the corresponding period ended September 30, 2011. For the quarter ended September 30, 2012, operating income of \$71.8m was recorded compared to \$63.7m for the three months ended September 30, 2011, which represented an increase of \$8.1m or 13%. The main contributor to this positive result was Cess Revenue which was \$20.6m for the quarter and which shows an increase of 23% compared the same period in 2011.

For the nine months ended September 30, 2012, all the Group's income streams increased when compared to the nine months ended September 30, 2011. The Group's operating income of \$221.5m for the year-to-date reflected an increase of \$47.5m or 27% compared to the \$174m noted for the corresponding prior-year period. Cess Revenue for the nine months ended September 2012 amounted to \$83m, which was an increase of \$39m or 89% over the Cess Revenue of \$44m for the nine months ended September 30, 2011. Investment income from the JSE Group's investment portfolio increased by \$5.6m or 27% for the nine months of 2012 when compared to the corresponding period in 2011.

For the nine months ended September 30, 2012, the Compensation Fund recorded net income of \$23.5m up by \$4.3m or 23%.

#### **EXPENSES**

Total expenditure of the Group (inclusive of finance charges) for the nine months ended September 30, 2012 increased by \$40.5m or 21% against the comparable period, mainly due to increased staff cost, securities commission fees, property expenses and e-campus costs.

Operating Efficiency Ratio (Operating Expense/Operating Income) was 103% versus 108% for the comparable period in 2011, as Operating Income grew by 27.3% whereas Operating Expense rose by 21%.

Surplus before Taxation of \$43.5m for the nine months ended September 30, 2012 reflected an increase of \$22.8m over the comparative period in 2011.

## **FINANCIAL POSITION**

Total Assets were \$1,241m, representing an increase of \$3m or 0.2% since December 2011.

Net Surplus after Taxation cumulative at September 30, 2012 was \$31m, which reflected an increase of 123% over the comparative period in 2011.

## **CAPITAL**

The Total Equity of the Group at September 30, 2012 increased by \$45m over the total at September 30, 2011.

## **SUBSEQUENT EVENTS**

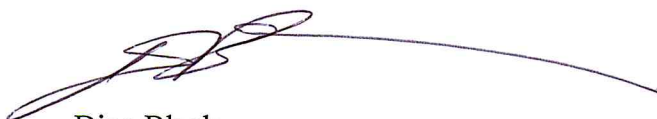
After the close of the quarter, the JSE awarded a Member Dealer License to Proven Wealth Limited. It is expected that this will result in increased vibrancy and energy to the market.

KLE Group Ltd. was listed on the Junior Market in October 2012 and it is expected that at least one other company will be listed on the JSE in the last quarter of the year.

The JSE Group continues to fulfil its mandate for the promotion of the market, to work closely with the brokerage community and other key stakeholders to increase the number of listed investment products offered on the Main and Junior Markets, to attract new investors and to broaden the Group's revenue base.



Donovan H. Perkins  
Chairman



Dian Black  
Audit & Finance Committee Chairman

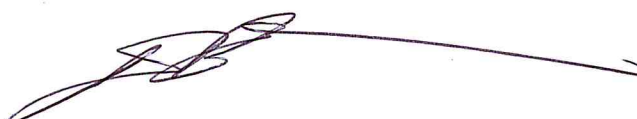
**JAMAICA STOCK EXCHANGE**  
**Consolidated Statement Of Financial Position**  
**At September 30,2012**

	Unaudited As at September 30,2012 \$ '000	Unaudited As at September 30,2011 \$ '000	Audited As at December 31,2011 \$ '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property Plant & Equipment	72,261	81,161	93,087
Intangible Assets	36,094	46,538	24,610
<b>Financial Assets</b>			
Compensation Fund	507,612	552,640	406,978
Other	299,278	304,699	262,102
Long-term receivables	7,686	8,461	7,524
Post employment benefits	79,600	76,162	79,601
<b>Total non-current assets</b>	<b>1,002,531</b>	<b>1,069,661</b>	<b>873,902</b>
<b>Current assets</b>			
Income tax recoverable	62,369	50,643	45,791
Trade and other receivables	55,058	56,540	68,544
<b>Investments in securities:</b>			
Compensation Fund	76,264	15,180	175,742
Other	14,841	1,008	19,164
Cash and Bank Deposits	30,369	15,171	54,829
<b>Total current assets</b>	<b>238,901</b>	<b>138,542</b>	<b>364,070</b>
<b>Total Assets</b>	<b>1,241,432</b>	<b>1,208,203</b>	<b>1,237,972</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share Capital	168,590	168,590	168,590
Fair value reserve	3,622	11,255	7,272
Revenue reserve	299,093	265,208	297,995
	471,305	445,053	473,857
Contingency reserve	593,135	574,363	578,617
<b>Total Equity</b>	<b>1,064,440</b>	<b>1,019,416</b>	<b>1,052,474</b>
<b>Non Current Liabilities</b>			
Long Term Liabilities	80,836	87,547	86,124
Deferred Tax Liabilities	36,178	34,334	38,129
<b>Total non-current liabilities</b>	<b>117,014</b>	<b>121,881</b>	<b>124,253</b>
<b>Current Liabilities</b>			
Accounts Payable & Accruals	51,595	53,757	54,499
Current Portion of Long Term Liabilities	6,918	6,704	6,746
Income Tax Payable	1,465	6,445	0
<b>Total current liabilities</b>	<b>59,978</b>	<b>66,906</b>	<b>61,245</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,241,432</b>	<b>1,208,203</b>	<b>1,237,972</b>

Approved and authorized for issue by the Board of Directors on November 08 ,2012 and are signed on its behalf by:



Donovan H. Perkins - Chairman



Dian Black - Audit and Finance Committee Chairman

**Jamaica Stock Exchange**  
**Consolidated Statement of Comprehensive Income**  
**For the Nine Months Ended September 30,2012**

Statement II

	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Three months ended	Three months ended	Nine months ended	Nine months ended	Twelve months ended
	Sept. 2012	Sept. 2011	Sept. 2012	Sept. 2011	December 2011
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>OPERATING INCOME</b>					
Cess	20,565	16,825	83,143	44,149	87,564
Fee Income	39,827	36,073	96,378	88,879	119,759
Ecampus	1,525	1,781	4,355	4,365	5,432
Other Operating Income	9,882	9,067	37,644	36,631	43,533
	<b>71,799</b>	<b>63,746</b>	<b>221,520</b>	<b>174,024</b>	<b>256,288</b>
<b>OPERATING EXPENSES</b>					
Staff costs	33,880	32,025	102,772	93,083	127,467
Property expenses	15,624	12,493	43,742	35,420	47,949
Depreciation and amortisation	4,641	2,580	13,274	8,668	11,188
Advertising and promotion	3,721	3,360	15,076	15,743	20,692
Professional fees	4,718	6,115	16,691	16,268	19,629
Securities commission fees	4,874	3,936	18,014	10,057	19,045
Allowances for doubtful debts		0	0	0	1,324
Ecampus	2,504	274	8,897	1,527	5,580
Other operating expenses	2,516	3,020	8,913	7,847	12,517
	<b>72,478</b>	<b>63,803</b>	<b>227,379</b>	<b>188,613</b>	<b>265,391</b>
	<b>-679</b>	<b>-57</b>	<b>-5,859</b>	<b>-14,589</b>	<b>-9,103</b>
Investment Income	9,307	7,588	26,710	21,126	24,863
Other Gains	0		5,931		28,477
Compensation Fund Income (Net)	8,708	6,806	23,466	19,119	24,889
Finance Cost	<b>-2,252</b>	<b>-1,972</b>	<b>-6,713</b>	<b>-5,002</b>	<b>-6,639</b>
<b>SURPLUS BEFORE TAXATION</b>	<b>15,084</b>	<b>12,365</b>	<b>43,535</b>	<b>20,654</b>	<b>62,487</b>
Taxation	<b>-4,480</b>	<b>-2,269</b>	<b>-12,555</b>	<b>-6,777</b>	<b>-12,177</b>
<b>NET SURPLUS</b>	<b>10,604</b>	<b>10,096</b>	<b>30,980</b>	<b>13,877</b>	<b>50,310</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Net gain (loss) on revaluation of available for sale financial assets	<b>-247</b>	<b>-4,136</b>	<b>-1,127</b>	9,313	2,408
Net re-classification adjustment related to available for sale financial assets disposed.					5,329
Other comprehensive income for the period, net of taxes	<b>-247</b>	<b>-4,136</b>	<b>-1,127</b>	9,313	7,737
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>10,357</b>	<b>5,960</b>	<b>29,853</b>	<b>23,190</b>	<b>58,047</b>
Surplus/ (Deficit) derived from operations distributable	4,798	5,559	15,336	1,132	33,919
Surplus Compensation fund	5,806	4,537	15,644	12,745	16,391
<b>NET COMPREHENSIVE INCOME</b>	<b>10,604</b>	<b>10,096</b>	<b>30,980</b>	<b>13,877</b>	<b>50,310</b>
Earnings per share	<b>0.17</b>	<b>0.20</b>	<b>0.55</b>	<b>0.04</b>	<b>1.21</b>

**Jamaica Stock Exchange  
Consolidated Statement Of Changes In Equity  
For the nine Months Ending September 30, 2012**

**Statement III**

**(Unaudited)**

	<b>Share Capital</b>	<b>Fair Value Reserve</b>	<b>Revenue Reserve</b>	<b>Contingency Reserve</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
<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	-		1,132	12,745	<b>13,877</b>
Other comprehensive income for the period		9,312		1,800	<b>11,112</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>9,312</b>	<b>1,132</b>	<b>14,545</b>	<b>24,989</b>
Appropriation from revenue reserve to contingency reserve fund					
<b>Balance at September 30,2011</b>	<b>168,590</b>	<b>11,255</b>	<b>265,208</b>	<b>574,363</b>	<b>1,019,416</b>
<b>Balance at January 1,2012</b>	<b>168,590</b>	<b>7,272</b>	<b>297,995</b>	<b>578,617</b>	<b>1,052,474</b>
Dividend paid			-14,238		<b>-14,238</b>
Surplus for Period			30,980		<b>30,980</b>
Other comprehensive income for the period		-3,650		-1,126	<b>-4,776</b>
<b>Total comprehensive income for the period</b>		<b>-3,650</b>	<b>16,742</b>	<b>-1,126</b>	<b>11,966</b>
Appropriation from revenue reserve to contingency reserve fund			-15,644	15,644	
<b>Balance at September 30,2012</b>	<b>168,590</b>	<b>3,622</b>	<b>299,093</b>	<b>593,135</b>	<b>1,064,440</b>

## STATEMENT IV

**THE JAMAICA STOCK EXCHANGE**  
**Consolidated Statement Of Cash Flows**  
**Nine Months Ended September 30,2012(Unaudited)**

	Unaudited Nine months ended Sept. 2012 \$'000	Unaudited Nine months ended Sept. 2011 \$'000
<b><i>Operating Activities</i></b>		
Net Surplus	30,980	13,877
Adjustments for items not affecting cash flows and changes in non- cash operating assets and liabilities (net)	-66,061	-65,229
Cash used in operating activities	-35,081	-51,352
Cash provided by investing activities	29,975	6,586
Cash used in (provided by) financing activities	-19,354	23,214
<b><i>Net Decrease Cash and Cash Equivalents</i></b>	<b>-24,460</b>	<b>-21,552</b>
<b><i>Opening Cash and Cash Equivalents</i></b>	<b>54,829</b>	<b>36,723</b>
<b><i>Closing Cash and Cash Equivalents</i></b>	<b>30,369</b>	<b>15,171</b>



**THE JAMAICA STOCK EXCHANGE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012**

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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 NINE MONTHS ENDED SEPTEMBER 30, 2012**

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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 NINE MONTHS ENDED SEPTEMBER 30, 2012**

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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 NINE MONTHS ENDED SEPTEMBER 30, 2012**

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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.

**JAMAICA STOCK EXCHANGE  
TOP TEN (10) PREFERENCE SHAREHOLDERS REGISTER  
AS AT SEPTEMBER 30, 2012**

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<b>Account Holder</b>	<b>Volume</b>	<b>Percentage</b>
First Global Financial Services Ltd Trading a/c	1,408,803	4.27%
Derek Demercado	1,254,489	3.80%
Wilford Reid	1,249,511	3.79%
Charles Leiba	1,200,000	3.64%
Victoria Mutual Building Society	1,011,747	3.07%
Winston Cole	1,008,705	3.06%
Berrist Alfanzo Phillips	1,000,618	3.03%
VMWM – Client 1	918,821	2.79%
Onis Johnson	751,725	2.28%
Lascelle Lenford Brown	627,278	1.90%

**JAMAICA STOCK EXCHANGE  
ORDINARY SHAREHOLDERS REGISTER  
AS AT SEPTEMBER 30, 2012**

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Names	Shareholdings
1. Barita Investments Limited	2,550,000
2. Capital & Credit Securities Limited	2,550,000
3. First Global Financial Services Limited	2,550,000
4. Jamaica Money Market Brokers Limited	2,550,000
5. M/VL Stockbrokers Limited	2,550,000
6. Mayberry Investments Limited	2,550,000
7. NCB Capital Markets Limited	2,550,000
8. PanCaribbean Financial Services Limited	2,550,000
9. Scotia DBG Investments Limited	2,550,000
10.Stocks & Securities Limited	2,550,000
11.VM Wealth Management Limited	2,550,000

**JAMAICA STOCK EXCHANGE  
SHAREHOLDING OF DIRECTORS AND SENIOR MANAGERS  
AS AT SEPTEMBER 30, 2012**

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<b>Directors</b>	<b>Shareholding</b>
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Rita Humphries-Lewin	19,978
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Edwin McKie*	49,846
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**Senior Managers**

Marlene Street Forrest*	8,333
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Robin Levy	25,000
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Suzette McNaught*	25,000
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*\*Includes holding in joint accounts*