



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

### **CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS FOR QUARTER ENDED SEPTEMBER 30, 2014**

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#### **THIRD QUARTER FINANCIAL HIGHLIGHTS**

- Total Income of \$98m (Q3 2013 - \$84m)
- Total Expenses of \$85m (Q3 2013 - \$88m)
- Net Profit after Tax of \$11m (Q3 2013 - -\$6m)
- Earnings per share of \$0.08 (Q3 2013 - -\$0.05)

#### **THIRD QUARTER PERFORMANCE**

##### **Income**

A significant market transaction in September contributed to an improvement in the performance of the Jamaica Stock Exchange Group (JSEG) for the Third Quarter and the Nine Month period ended September 30, 2014.

For the Third Quarter, The JSEG reported consolidated income of \$98m which represented a \$14m (17%) increase in income over the Third Quarter of 2013 due primarily to an increase in Cess and Fee Income.

For the Nine Month period ended September 30, 2014, the JSEG reported consolidated income of \$276m which represented an increase in income of \$28m (11%) when compared to the corresponding period in 2013.

##### **Expenses**

For the Third Quarter ended September 30, 2014, Total Expenses (including finance charges) of \$85m decreased by \$4m or 4% relative to the outturn for the comparable period in 2013. The decrease was due to the impact of a reduction in the Provision for Bad Debts arising from the collection of \$6m on receivables against which provisions were previously made.

For the Nine Month period ended September 30, 2014, Total Expenses of \$263m, increased by \$11m or 4% over the comparable period in 2013.

##### **Net Profit**

For the Third Quarter ended September 30, 2014, the JSEG recorded a Net Profit of \$11m. This represents an improvement of \$17m or 284% in the financial

performance of the Group when compared with the corresponding period in 2013. This was mainly driven by an improvement in income.

Net Profit of \$8m for the Nine Month period ended September 30, 2014 was \$18m or 179% above the outturn for the corresponding period in 2013.

### **Financial Position**

Total Assets as at September 30, 2014 were \$675m, reflecting an increase of \$5m or 1% when compared to holdings as at September 30, 2013 due primarily to an increase in investment in securities and Trade and Other Receivable.

Due to an increase in Trade and Other Receivables, as at September 30, 2014 assets showed an increase of \$15m or 2% when compared to the period ended December 2013.

### **Capital**

Total Equity as at September 30, 2014 increased by \$12m or 2% over the comparable position at the end of September 30, 2013 and increased by \$16m or 3% over the position as at December 31, 2013. These levels of improvement in the equity position of the Group resulted from increases in fair value reserves arising from the revaluation of investments in US\$ Bonds.

## **MARKET DEVELOPMENTS**

There was one listing on the Junior Sock Exchange in the Third Quarter of 2014 which brings the number of Junior Market listings to twenty-four, which represents an increase of 33% when compared to the eighteen listings as at September 30, 2013.

## **OUTLOOK**

While trading on all markets has been subdued in recent periods, improved economic results and outlook are considered to be positive signs for the performance of listed companies and by extension the stock market going forward.

We also expect our efforts at marketing and income diversification to reap rewards in the medium to long term as the Group continues to pursue a strategic path of growth through promotion of new and existing markets, new product development and the continuous improvement of service delivery to the Group's customers and stakeholders.



Ian McNaughton  
Deputy Chairman

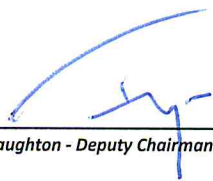


L. Garth Kiddoe  
Audit Committee Member

**JAMAICA STOCK EXCHANGE LIMITED**  
**Consolidated Statement of Financial Position**  
**At September 30, 2014**

	Restated		
	Unaudited	Unaudited	Audited
	Nine months ended September 30, 2014 \$ '000	Nine months ended September 30, 2013 \$ '000	Twelve months ended December 31, 2013 \$ '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property plant & equipment	85,108	79,463	89,800
Intangible assets	26,613	30,758	31,933
Post employment benefits	66,193	85,207	66,193
Investment in securities	276,510	251,083	254,765
Long-term receivables	11,384	9,688	9,376
<b>Total non-current assets</b>	<b>465,808</b>	<b>456,199</b>	<b>452,067</b>
<b>Current assets</b>			
Income tax recoverable	21,611	14,253	12,639
Trade and other receivables	88,433	67,952	81,999
Investments in securities	-	27,416	28,150
Government securities purchased under resale agreement	80,247	68,737	68,277
Cash and cash equivalents	18,958	35,531	17,125
<b>Total current assets</b>	<b>209,249</b>	<b>213,889</b>	<b>208,190</b>
<b>Total Assets</b>	<b>675,057</b>	<b>670,088</b>	<b>660,257</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	238,146	238,146	238,146
Fair value reserve	10,738	1,382	2,293
Revenue reserve	321,766	318,764	313,834
<b>Total equity</b>	<b>570,650</b>	<b>558,292</b>	<b>554,273</b>
<b>Non Current Liabilities</b>			
Deferred tax liabilities	19,353	38,097	15,129
<b>Total non-current liabilities</b>	<b>19,353</b>	<b>38,097</b>	<b>15,129</b>
<b>Current Liabilities</b>			
Payable and accruals	84,782	64,061	77,349
Due to related party	272	8,863	13,119
Current portion of long-term liabilities	-	775	387
<b>Total current liabilities</b>	<b>85,054</b>	<b>73,699</b>	<b>90,855</b>
<b>Total Equity &amp; Liabilities</b>	<b>675,057</b>	<b>670,088</b>	<b>660,257</b>

Approved and authorized for issue by the Board of Directors on November 14, 2014 and are signed on its behalf by:

  
 Ian McNaughton - Deputy Chairman

  
 L. Garth Kiddoe - Audit Committee Member

**JAMAICA STOCK EXCHANGE LIMITED**  
**Consolidated Statement of Comprehensive Income**  
**For the Nine Months Ended September 30, 2014**

Statement II

	RESTATED		RESTATED		
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Three months ended September 2014 \$'000	Three months ended September 2013 \$'000	Nine months ended September 2014 \$'000	Nine months ended September 2013 \$'000	Twelve months ended December 2013 \$'000
<b>INCOME</b>					
Cess	25,285	12,847	50,276	40,700	70,373
Fee Income	53,395	48,700	138,939	114,638	160,969
E-campus	2,433	1,170	7,708	3,481	6,465
Other operating Income	8,305	9,628	45,213	43,000	57,747
	<u>89,418</u>	<u>72,345</u>	<u>242,136</u>	<u>201,819</u>	<u>295,554</u>
<b>EXPENSES</b>					
Staff costs	42,042	41,230	128,669	117,753	151,238
Property expenses	18,724	16,822	53,249	46,491	64,878
Depreciation and amortisation	6,703	5,368	18,106	15,704	21,564
Advertising and promotion	4,223	5,424	21,133	24,180	34,158
Professional fees	8,023	7,265	22,968	17,716	24,845
Securities commission fees	4,446	3,276	9,773	9,245	15,664
Bad debts, less recoveries	(6,127)	-	(10,007)	-	10,231
E-campus	3,716	2,875	8,923	6,481	9,660
Other operating expenses	3,200	3,154	10,669	9,728	13,229
	<u>84,950</u>	<u>85,414</u>	<u>263,483</u>	<u>247,298</u>	<u>345,467</u>
Investment Income	8,096	11,624	33,571	45,995	56,455
Other Gains	-	-	147	-	27
Impairment of Investment	-	-	-	(482)	-
Finance Cost	-	(3,267)	(8)	(5,364)	(6,107)
	<u>12,564</u>	<u>(4,712)</u>	<u>12,363</u>	<u>(5,330)</u>	<u>462</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>12,564</b>	<b>(4,712)</b>	<b>12,363</b>	<b>(5,330)</b>	<b>462</b>
Taxation	(1,477)	(1,326)	(4,431)	(4,768)	6,728
	<u>11,087</u>	<u>(6,038)</u>	<u>7,932</u>	<u>(10,098)</u>	<u>7,190</u>
<b>OTHER COMPREHENSIVE INCOME</b>					
Items that will never be reclassify to profit or loss:					
Remeasurement of employee benefits assets					(11,670)
Deferred income that will never be reclassified to profit or loss					3,890
Items that may be reclassify to profit or loss:					
Realised gain on available-for-sale investments					498
Unrealised gains/(losses) on available-for-sale investments	1,412	780	8,445	936	2,273
Deferred income tax on items that may be reclassified to profit or loss					(924)
Other comprehensive income for the period, net of taxes	1,412	780	8,445	936	(5,933)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>12,499</b>	<b>(5,258)</b>	<b>16,377</b>	<b>(9,162)</b>	<b>1,257</b>
Earnings per share	\$ 0.08	\$ (0.05)	\$ 0.06	\$ (0.08)	\$ 0.06

**JAMAICA STOCK EXCHANGE LIMITED**  
**Consolidated Statement of Changes In Equity**  
**For the Nine Months Ending September 30, 2014**

Statement III

	Share Capital \$'000	Fair Value Reserve \$'000	Revenue Reserve \$'000	Total \$'000
<b>Balance at January 1, 2013</b>	168,590	446	412,462	581,498
Profit for the period as restated			(10,098)	(10,098)
Other comprehensive income for the period		936		936
<b>Total comprehensive income for the period as restated</b>		<b>936</b>	<b>(10,098)</b>	<b>(9,162)</b>
Dividend paid			(83,600)	(83,600)
Increase in share capital	69,556			69,556
<b>Balance at September 30, 2013</b>	<b>238,146</b>	<b>1,382</b>	<b>318,764</b>	<b>558,292</b>
<b>Balance at January 1, 2014</b>	<b>238,146</b>	<b>2,293</b>	<b>313,834</b>	<b>554,273</b>
Profit for the period			7,932	7,932
Other comprehensive income for the period		8,445		8,445
<b>Total comprehensive income for the period</b>		<b>8,445</b>	<b>7,932</b>	<b>16,377</b>
<b>Balance at September 30, 2014</b>	<b>238,146</b>	<b>10,738</b>	<b>321,766</b>	<b>570,650</b>

JAMAICA STOCK EXCHANGE LIMITED  
Consolidated Segment Report  
For the Nine Months Ended September 30, 2014 (Unaudited)

STATEMENT V

	2014					
	<u>Exchange</u> <u>Operations</u> (\$ 000)	<u>Depository</u> <u>Services</u> (\$ 000)	<u>Investments</u> <u>Other</u> (\$ 000)	<u>Trustees</u> <u>Services</u> (\$ 000)	<u>Eliminations</u> (\$ 000)	<u>Group</u> (\$ 000)
	External Revenue	136,281	59,032	33,571	46,824	
Total Revenue	136,281	59,032	33,571	46,824		275,708
<b>Results</b>						
Segment results	(4,860)	1,707		15,524		12,371
Finance Costs	(8)	-		-		(8)
Profit before Taxation						12,363
Taxation	-	-		(4,431)		(4,431)
Profit for the Period						7,932
<b>Other information</b>						
Depreciation & amortisation	13,019	5,021		66		18,106
<b>Assets</b>						
Segment assets	561,524	135,860		53,971	(76,298)	675,057
<b>Liabilities</b>						
Segment liabilities	78,371	29,266		10,435	(13,665)	104,407
2013						
	<u>Exchange</u> <u>Operations</u> (\$ 000)	<u>Depository</u> <u>Services</u> (\$ 000)	<u>Investments</u> <u>Other</u> (\$ 000)	<u>Trustees</u> <u>Services</u> (\$ 000)	<u>Eliminations</u> (\$ 000)	<u>Group</u> (\$ 000)
	External Revenue	110,427	48,494	45,995	42,898	(1,470)
Total Revenue	110,427	48,494	45,995	42,898	(1,470)	246,344
<b>Result</b>						
Segment result	(51,028)	(12,641)	45,995	19,660	(1,470)	516
Finance Costs	(5,364)		(482)			(5,846)
Profit before Taxation						(5,330)
Taxation	(3,168)	(917)		(683)		(4,768)
Loss for the Period						(10,098)
<b>Other information</b>						
Depreciation & amortisation	11,205	4,469		29		15,703
<b>Assets</b>						
Segment Assets	565,668	155,695		42,316	(93,591)	670,088
<b>Liabilities</b>						
Segment Liabilities	80,989	54,869		6,894	(30,956)	111,796

JAMAICA STOCK EXCHANGE LIMITED  
 Consolidated Statement of Cash Flows  
 Nine Months Ended September 30, 2014 (Unaudited)

STATEMENT IV

	RESTATED
Unaudited	Unaudited
Nine months ended September 2014 \$'000	Nine months ended September 2013 \$'000

***Operating Activities***

Net Profit/Loss	7,932	(10,098)
Adjustments for items not affecting cash flows and changes in non- cash operating assets and liabilities (net)	(30,004)	(83,365)
Cash used in operating activities	(22,072)	(93,463)
 Cash provided(used) in investing activities	 24,292	 254,030
Cash used in financing activities	(387)	(137,307)
 <b><i>Net Decrease In Cash and Cash Equivalents</i></b>	 <b>1,833</b>	 <b>23,260</b>
<b><i>Opening Cash and Cash Equivalents</i></b>	<b>17,125</b>	<b>12,271</b>
<b><i>Closing Cash and Cash Equivalents</i></b>	<b>18,958</b>	<b>35,531</b>

**COMPENSATION FUND**  
**Financial Position**  
**For the Nine Months Ended September 30, 2014**

Statement VI

	RESTATED		
	Unaudited	Unaudited	Audited
	Nine months ended September 2014 \$'000	Nine months ended September 2013 \$'000	Twelve months ended December 2013 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in Securities	531,744	536,440	525,972
<b>Current assets</b>			
Income tax recoverable	14,379	-	6,523
Other receivables	1,253	10,929	16,651
Investment in securities	16,135	15,801	23,597
Government securities purchased under resale agreement	117,149	82,688	82,456
Cash and cash equivalents	2,568	1,378	3,899
	<u>151,484</u>	<u>110,796</u>	<u>133,126</u>
<b>Total Assets</b>	<b><u>683,228</u></b>	<b><u>647,236</u></b>	<b><u>659,098</u></b>
<b>EQUITY AND LIABILITIES</b>			
Contingency reserve	672,726	631,285	647,928
<b>Non Current Liabilities</b>			
Deferred tax liabilities	4,784	6,441	4,784
<b>Current Liabilities</b>			
Payable and accruals	5,718	8,834	6,386
Income tax payable		676	
	<u>5,718</u>	<u>9,510</u>	<u>6,386</u>
<b>Total Equity &amp; Liabilities</b>	<b><u>683,228</u></b>	<b><u>647,236</u></b>	<b><u>659,098</u></b>

**Compensation Fund  
Comprehensive Income**

Unaudited	Unaudited	Unaudited	Unaudited	Audited
Three months ended September 2014 \$'000	Three months ended September 2013 \$'000	Nine months ended September 2014 \$'000	Nine months ended September 2013 \$'000	Twelve months ended December 2013 \$'000

<b>INCOME</b>					
Investment Income	13,971	15,207	47,793	60,704	77,404
<b>EXPENSES</b>					
Administrative expenses	(6,535)	(6,777)	(19,188)	(19,995)	(26,856)
Impairment of investment			-	(482)	-
<b>Net Income</b>	<b>7,436</b>	<b>8,430</b>	<b>28,605</b>	<b>40,227</b>	<b>50,548</b>
Taxation	(1,389)	(7,722)	(4,168)	(13,408)	(7,069)
<b>NET PROFIT</b>	<b>6,047</b>	<b>708</b>	<b>24,437</b>	<b>26,819</b>	<b>43,479</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Fair value gain/(loss) on revaluation of available-for-sale financial assets during the year, net	356	(403)	357	168	153
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>6,403</u></b>	<b><u>305</u></b>	<b><u>24,794</u></b>	<b><u>26,987</u></b>	<b><u>43,632</u></b>



# **THE JAMAICA STOCK EXCHANGE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

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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 all three companies are situated at 40 Harbour Street, Kingston, Jamaica.

The main activities of the Company are the regulation and operation of a stock exchange and the development of the stock market in Jamaica. The Company performs the twin role of regulating participants in the stock market, and operating an efficient platform on which that market trades, which is the commercial arm of the company.

#### **(b) Principal Activities - Subsidiary**

##### **i. 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.

##### **ii. JCSD Trustee Services Limited**

The principal activity is the provision of trustee, company management 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 the Companies Act, 2004 of Jamaica. The accounting policy

The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2013.

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 that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

**THE JAMAICA STOCK EXCHANGE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

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**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 Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

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 at the end of each reporting period.

The post employment benefit assets recognised in the statement of financial position represents the fair value of the plan assets, as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs, and as reduced by the present value of the defined benefit obligation. Any asset resulting from this calculation is limited to the unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

**5. CASH AND CASH EQUIVALENTS**

For the purpose of the consolidated statement of cash flows, 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 that are held to meet cash requirements rather than for investment purposes.

**THE JAMAICA STOCK EXCHANGE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

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**6. REVENUE RECOGNITION**

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

**7. IMPAIRMENT OF FINANCIAL ASSETS**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of investment have been affected.

**8. ORDINARY SHARES**

On July 2013, having offered 25% of the Company shares to the market by way of a Prospectus, the JSE has increased the number of its ordinary shareholders from 11 to 203. The number of ordinary shares has increased from 28,050,000 to 140,250,000.

**9. EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the profit, by the weighted average number of ordinary shares in issue.

The weighted average number of ordinary units as at 30 September 2013 and 31 December 2013 was 121,550,000 and 123,887,500 respectively.

**THE JAMAICA STOCK EXCHANGE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

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**10. SEGMENT REPORTING**

The Group's operations are organized into four main business segments as follows:

- *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* – Income derived from investing activities of the Group.
- *Trustee* – Custodian, company management and other activities.

The Group's operations are located solely in Jamaica.

**11. COMPENSATION FUND**

a. Compensation fund receipts

These are contributions by member dealers 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 were no contributions by the member dealers as the Board was of the view that the reserve is adequate for the specific purpose.

b. Contingency reserve

This fund is created out of surpluses for the purpose of providing some protection to the investing public should they suffer pecuniary loss as a result of defalcation of fraudulent misuse of securities or documents of titles to securities. Provisions in respect of the fund are in accordance with Sections 27 to 35 of the Securities Act.

**JAMAICA STOCK EXCHANGE LIMITED  
TOP 10 ORDINARY SHAREHOLDERS REGISTER  
AS AT SEPTEMBER 30, 2014**

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Names	Shareholdings
1. Barita Investments Limited	10,200,000
2. First Global Financial Services Limited	10,200,000
3. JMMB Securities Limited	10,200,000
4. M/VL Stockbrokers Limited	10,200,000
5. Mayberry Investments Limited	10,200,000
6. NCB Capital Markets Limited	10,200,000
7. Sagicor Investments Jamaica Limited	10,200,000
8. Scotia Investments Jamaica Limited	10,200,000
9. Stocks & Securities Limited	10,200,000
10. VM Wealth Management Limited	10,200,000

**JAMAICA STOCK EXCHANGE LIMITED**  
**SHAREHOLDING OF DIRECTORS AND SENIOR MANAGERS**  
**AS AT SEPTEMBER 30, 2014**

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<b>Directors</b>	<b>Shareholding</b>
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Edwin McKie*	150,000
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**Senior Managers**

Marlene Street*	60,000
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Robin Levy	50,000
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Suzette McNaught*	30,000
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Doreen Parson-Smith*	20,000
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Suzette Whyte*	20,000
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Neville Ellis*	20,000
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Kadyll McNaught*	20,000
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Josephine Lewis*	30,000
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Riccayla Robb	20,000
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*\*Includes holding in joint accounts*