



**REPORT OF THE BOARD OF DIRECTORS**  
**CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**  
**FOR QUARTER ENDED JUNE 30, 2016**

**SECOND QUARTER FINANCIAL HIGHLIGHTS**

Description	Q2-2016	Q2-2015	Change	YTD 2016	YTD 2015	Change
	\$	\$	%	\$	\$	%
Total Income	188.4m	123.4m	52.7	525.5	382.5	37.4
Total Expenses	141.4m	101.9m	38.8	291.7	231.1	26.2
Net Profit After Tax	32.2m	15.1m	113.2	157.7	102.2	54.4
Earnings Per Share	0.23	0.11	109.1	1.12	0.73	53.4

**SECOND QUARTER PERFORMANCE**

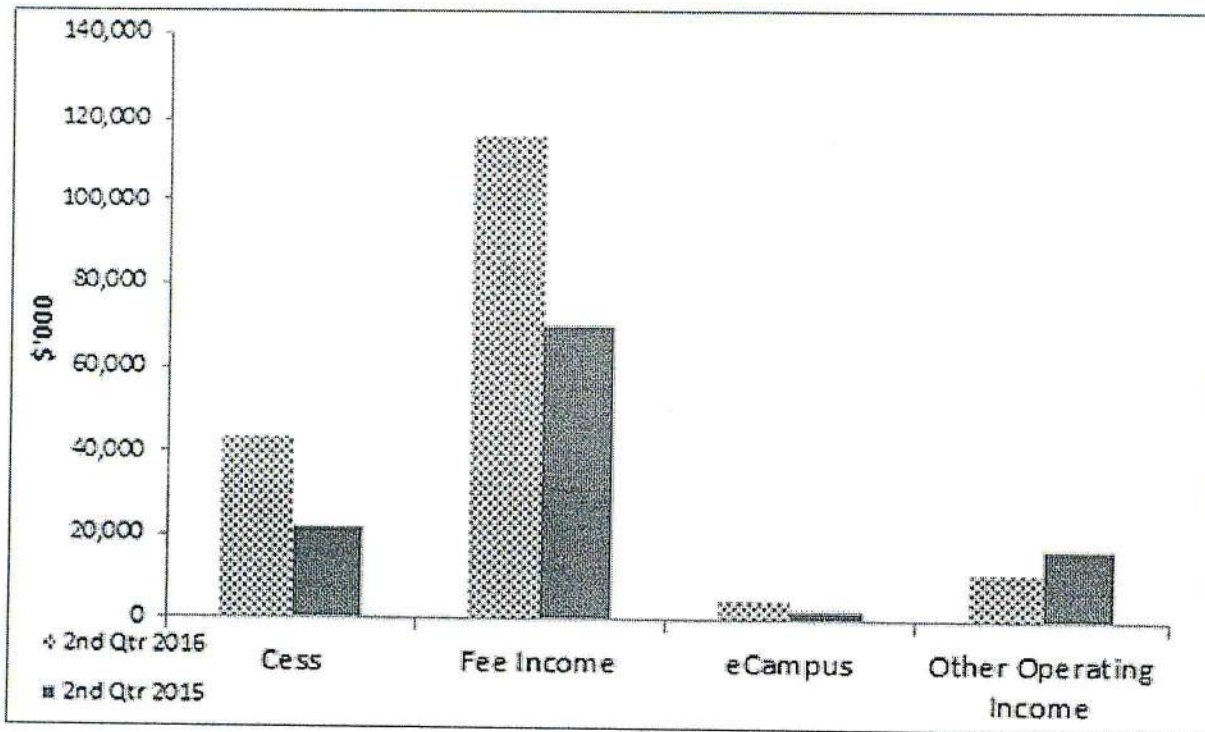
For the Second Quarter ended June 30, 2016, the Jamaica Stock Exchange Group (JSEG) continues to reap the benefit of its diversification strategies as demonstrated in the Group's Q2's positive performance in which Fee Income increased by \$44m (65%) over the corresponding period in 2015. Revenue from Cess also returned significant improvement in performance when compared to Q2 in 2015.

For the Six months ended June 2016, the JSEG reported consolidated income of \$525m which represents an increase in income of \$143m or 37% when compared to the corresponding period under review.

**Income**

The JSEG reported consolidated income of \$188.4m which represents a \$65m (52.7%) increase in income over the corresponding Quarter of 2015. This can be attributed to Fee Income which was driven primarily by income derived from Retail Repo Division; the Group's newest business line which became operational towards the end of 2015.

Normal market activities which continue to be buoyant resulted in increased Cess Revenue of 94% when compared to the comparable period for 2015. A graphical representation of the Group's Q2 2016 vs. Q2 2015 revenue performance is shown below:



### Net Profit

For the Second Quarter ended June 30, 2016, the JSEG recorded a Net Profit after Tax of \$32.2m. This represents an improvement of \$17.1m (113%) for the Group when compared to the profit of \$15.1m for the corresponding period in 2015. Improvement in Net Profit continues to be positively impacted by the wider range of products and services that are now being offered by the JSEG.

### Expenses

The increase in total expenses incurred by the JSEG during the review period is impacted and offset by the expanded income generated by the Group primarily through products and services diversification. Of significance is the fact that the \$39.5m (38.8%) increase in total expenditure for the Second Quarter in 2016 when compared to the corresponding period in 2015, delivered a \$65m (52.7%) increase in revenue.

Explanations for main line items contributing to the increase in expenditure are as follows:



- Staff Costs increased by \$30.5m over prior year comparatives due to salaries associated with new staff taken on in support of new business lines and also salary increases reflected for 2016.
- Property Expenses in Q2 exceeded 2015 comparatives by \$2.4m, which is largely associated with needed repairs to the property.

For the six months ended June 2016, Total expenses of \$291.7m, increased by \$60.6m or 26.2% over the comparable period in 2015.

### **Financial Position**

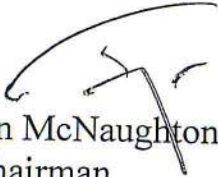
Total JSEG Assets as at June 30, 2016 of \$911m, reflects an increase of \$95m or 11.6%, when compared to holdings as at June 30, 2015. This was due primarily to an increase in Property Plant and Equipment, Intangible Assets, Government Securities purchased under resale agreement and Post-Employment Benefits.

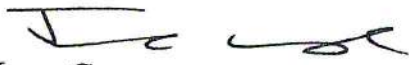
Total Equity of \$708.1m as at June 30, 2016 reflects increases of \$41m (6%) and \$86.1m (13.8%) over the comparable positions at the end of June 30, 2015 and December 31, 2015 respectively. Revenue Reserves reflects an increase of \$83.4m or 25.3% over the position as at December 31, 2015, which is net of the amount of \$74m returned to shareholders as dividend on May 6, 2016.

### **MARKET DEVELOPMENTS & OUTLOOK**

The improvement in business and consumer confidence has translated to positive performance of listed companies and by extension advances in all the Jamaica Stock market indices over the comparable period. As more companies consolidate it is also expected that the Group will benefit from those activities.

The Second Quarter performance has been favourable and the outlook for the remainder of the year is positive. The Group will continue in the medium to long term to pursue a strategic path of growth through the 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  
Chairman

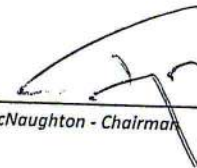
  
Jane George  
Audit Committee Chairman

JAMAICA STOCK EXCHANGE LIMITED  
Consolidated Statement Of Financial Position  
At June 30, 2016

STATEMENT I

	Unaudited Six months ended June 2016 \$ '000	Unaudited Six months ended June 2015 \$ '000	Audited Twelve months ended December 2015 \$ '000
<b>ASSETS</b>			
<i>Non-Current Assets</i>			
Property plant & equipment	98,970	80,876	86,177
Intangible assets	54,853	25,372	45,224
Post employment benefits	118,788	66,957	118,789
Investment in securities	186,622	295,136	233,359
Long-term receivables	8,202	10,583	11,082
<b>Total non-current assets</b>	<b>467,435</b>	<b>478,924</b>	<b>494,631</b>
<i>Current Assets</i>			
Due from related party	5,390	2,242	141
Trade and other receivables	139,775	99,273	119,174
Investments in securities	97,497	61,526	62,985
Government securities purchased under resale agreement	152,235	136,923	50,404
Cash and cash equivalents	48,702	37,302	64,009
<b>Total current assets</b>	<b>443,599</b>	<b>337,266</b>	<b>296,713</b>
<b>Total Assets</b>	<b>911,034</b>	<b>816,190</b>	<b>791,344</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Capital and Reserves</i>			
Share Capital	238,146	238,146	238,146
Fair value reserve	8,691	14,820	5,945
Revenue reserve - non-distributable	48,367	48,367	48,367
Revenue reserve	412,854	365,699	329,469
<b>Total equity</b>	<b>708,058</b>	<b>667,032</b>	<b>621,927</b>
<i>Non Current Liabilities</i>			
Deferred tax liabilities	45,308	4,543	43,772
<b>Total non-current liabilities</b>	<b>45,308</b>	<b>4,543</b>	<b>43,772</b>
<i>Current Liabilities</i>			
Income tax payable	23,538	23,622	19,060
Payable & accruals	134,130	120,993	106,585
<b>Total current liabilities</b>	<b>157,668</b>	<b>144,615</b>	<b>125,645</b>
<b>Total Equity &amp; Liabilities</b>	<b>911,034</b>	<b>816,190</b>	<b>791,344</b>

Approved and authorized for issue by the Board of Directors on July, 2016 and are signed on its behalf by:

  
Ian McNaughton - Chairman

  
Jane George - Audit Committee Chairman

**JAMAICA STOCK EXCHANGE LIMITED**  
**Consolidated Statement of Comprehensive Income**  
**For the Six Months Ended June 30, 2016**

Statement II

	Unaudited Three months ended June 2016 \$'000	Unaudited Three months ended June 2015 \$'000	Unaudited Six months ended June 2016 \$'000	Unaudited Six months ended June 2015 \$'000	Audited Twelve months ended December 2015 \$'000
<b>REVENUE</b>					
Cess	43,123	22,204	226,502	183,630	301,882
Fee Income	115,880	70,394	229,225	137,375	330,086
Ecampus	4,381	2,086	8,061	3,541	9,978
Other operating Income	11,299	17,058	37,717	40,029	66,345
	<u>174,683</u>	<u>111,742</u>	<u>501,505</u>	<u>364,575</u>	<u>708,291</u>
<b>EXPENSES</b>					
Staff costs	77,483	46,968	134,348	93,305	215,139
Property expenses	23,509	21,129	43,335	40,535	87,581
Depreciation and amortisation	5,478	4,496	10,509	9,610	18,833
Advertising and promotion	7,433	7,981	28,139	22,138	41,876
Professional fees	9,824	8,795	19,172	18,205	35,336
Securities commission fees	6,006	3,321	30,928	29,662	47,205
Bad debts, less recoveries	-	-	-	-	6,838
Ecampus	3,255	2,357	6,257	5,703	14,004
Other operating expenses	8,387	6,843	18,991	11,963	29,118
	<u>141,375</u>	<u>101,890</u>	<u>291,679</u>	<u>231,121</u>	<u>495,930</u>
Investment income	13,941	11,671	24,195	17,879	42,424
Other loss	(227)	-	(227)	-	-
<b>PROFIT BEFORE TAXATION</b>	<u>47,022</u>	<u>21,523</u>	<u>233,794</u>	<u>151,333</u>	<u>254,785</u>
Taxation	(14,802)	(6,401)	(76,077)	(49,183)	(79,832)
<b>NET PROFIT</b>	<u>32,220</u>	<u>15,122</u>	<u>157,717</u>	<u>102,150</u>	<u>174,953</u>
<b>OTHER COMPREHENSIVE INCOME</b>					
Items that will never be reclassify to profit or loss:					
Remeasurement of employee benefits assets	-	-	-	-	46,825
Deferred income that will never be reclassified to profit or loss	-	-	-	-	(15,608)
Items that may be reclassify to profit or loss:					
Realised gain on available-for-sale investments	-	-	-	-	(5,433)
Unrealised (loss)/gains on available-for-sale investments	(583)	3,170	2,746	3,859	(2,090)
Deferred income tax on items that may be reclassified to profit or loss	-	-	-	-	2,507
Other comprehensive (loss)/income for the period, net of taxes	<u>(583)</u>	<u>3,170</u>	<u>2,746</u>	<u>3,859</u>	<u>26,201</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>31,637</u>	<u>18,292</u>	<u>160,463</u>	<u>106,009</u>	<u>201,154</u>
Earnings per share	\$ 0.23	\$ 0.11	\$ 1.12	\$ 0.73	\$ 1.25



**JAMAICA STOCK EXCHANGE LIMITED**  
**Consolidated Statement Of Changes In Equity**  
**For the Six Months Ended June 30, 2016**

Statement III

	Share Capital \$'000	Fair Value Reserve \$'000	Revenue Reserve Non- Distributable \$'000	Revenue Reserve \$'000	Total \$'000
<b>Balance at January 1, 2015</b>	238,146	10,961	-	311,916	561,023
Profit for the period			-	102,150	102,150
Other comprehensive income for the period		3,859			3,859
Revenue reserves reclassification for the period			48,367	(48,367)	-
<b>Total comprehensive income for the period</b>	-	<b>3,859</b>	<b>48,367</b>	<b>53,783</b>	<b>106,009</b>
<b>Balance at June 30, 2015</b>	<b>238,146</b>	<b>14,820</b>	<b>48,367</b>	<b>365,699</b>	<b>667,032</b>
<b>Balance at January 1, 2016</b>	238,146	5,945	48,367	329,469	621,927
Profit for the period	-	-	-	157,717	157,717
Other comprehensive income for the period	-	2,746	-	-	2,746
<b>Total comprehensive income for the period</b>	-	<b>2,746</b>	-	<b>157,717</b>	<b>160,463</b>
Payment of dividend	-	-	-	(74,332)	(74,332)
<b>Balance at June 30, 2016</b>	<b>238,146</b>	<b>8,691</b>	<b>48,367</b>	<b>412,854</b>	<b>708,058</b>

THE JAMAICA STOCK EXCHANGE LIMITED  
Consolidated Statement Of Cash Flows  
Six Months Ended June 30, 2016 (Unaudited)

STATEMENT IV

	Unaudited Six months ended June 2016 \$'000	Unaudited Six months ended June 2015 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	157,717	102,150
Adjustments for:		
Depreciation of property, plant and equipment	7,605	6,908
Amortisation of intangible assets	2,905	2,702
Loss on disposal of property, plant and equipment	227	-
Income tax expenses	76,077	49,183
Interest income	(24,195)	(17,879)
Operating cash flows before movements in working capital	220,336	143,064
Decrease/(Increase) trade and other receivable	(20,601)	(36,299)
Increase in trade and other payables	27,545	54,434
Cash provided by operations	227,280	161,199
Income tax paid	(71,599)	(6,171)
Cash provided by operating activities	155,681	155,028
<b>Cash flows from investing activities</b>		
Investments securities, net	40,703	(55,652)
Government securities purchased under resale agreement (Payments made by)/Receipts from related parties	(101,831)	(68,003)
Acquisition of property, plant and equipment	(5,249)	134
Acquisition of intangible assets	(20,625)	(5,356)
Acquisition of intangible assets	(12,534)	(3,383)
Long term receivables	2,880	204
Cash used in investing activities	(96,656)	(132,056)
<b>Cash flows from financing activities</b>		
Dividends paid	(74,332)	-
Cash provided by financing activities	(74,332)	-
Net (decrease)/increase in cash and cash equivalents	(15,307)	22,972
Cash and cash equivalent at the beginning of the year	64,009	14,330
Cash and cash equivalents at the end of the year	48,702	37,302

JAMAICA STOCK EXCHANGE LIMITED  
 Consolidated Segment Report  
 For the Six Months Ended June 30, 2016 (Unaudited)

STATEMENT V

	2016					Group (\$ 000)
	Exchange Operations (\$ 000)	Depository Services (\$ 000)	Investments Other (\$ 000)	Trustees Services (\$ 000)	Eliminations (\$ 000)	
Revenue - external	326,254	111,449	24,195	113,802	(50,000)	525,700
Segment results	150,901	44,630	24,195	64,068	(50,000)	233,794
Profit before taxation	150,901	44,630	24,195	64,068	(50,000)	233,794
Taxation	(43,235)	(12,579)		(20,263)		(76,077)
Profit for the Period						<u>157,717</u>
<u>Other information</u>						
Depreciation & amortisation	6,017	3,507		985		10,509
<b>Assets</b>						
Segment assets	643,708	178,615		162,873	(74,162)	911,034
<b>Liabilities</b>						
Segment liabilities	136,209	37,635		40,669	(11,537)	202,976
2015						
	Exchange Operations (\$ 000)	Depository Services (\$ 000)	Investments Other (\$ 000)	Trustees Services (\$ 000)	Eliminations (\$ 000)	Group (\$ 000)
Revenue - external	233,096	85,662	17,879	45,817		382,454
Segment results	83,891	32,063	17,879	17,500		151,333
Profit before Taxation	83,891	32,063	17,879	17,500		151,333
Taxation	(32,785)	(11,653)		(4,745)		(49,183)
Profit for the Period						<u>102,150</u>
<u>Other information</u>						
Depreciation & amortisation	6,421	3,135		54		9,610
<b>Assets</b>						
Segment assets	656,654	156,041		75,934	(72,439)	816,190
<b>Liabilities</b>						
Segment liabilities	121,333	22,039		15,593	(9,807)	149,158



**COMPENSATION FUND**  
**Financial Position**  
**For the Six Months Ended June 30, 2016**

Statement VI

	Unaudited Six months ended June 2016 \$'000	Unaudited Six months ended June 2015 \$'000	Audited Twelve months ended December 2015 \$'000
<b>ASSETS</b>			
<i>Non-current Assets</i>			
Investment in securities	442,652	530,295	528,287
<i>Current assets</i>			
Income tax recoverable	29,427	17,558	22,757
Investment in securities	145,864	33,322	43,246
Government securities purchased under resale agreement	132,779	115,933	120,838
Cash and cash equivalents	2,839	3,469	4,859
<b>Total Assets</b>	<b>310,909</b>	<b>170,282</b>	<b>191,700</b>
	<b>753,561</b>	<b>700,577</b>	<b>719,987</b>
<b>EQUITY AND LIABILITIES</b>			
Contingency reserve	731,215	688,244	706,398
<i>Non Current Liabilities</i>			
Deferred tax liabilities	12,161	5,227	8,316
<i>Current Liabilities</i>			
Payable & accruals	10,185	7,106	5,273
<b>Total Equity &amp; Liabilities</b>	<b>753,561</b>	<b>700,577</b>	<b>719,987</b>

**Compensation Fund**  
**Comprehensive Income**

	Unaudited Three months ended June 2016 \$'000	Unaudited Three months ended June 2015 \$'000	Unaudited Six months ended June 2016 \$'000	Unaudited Six months ended June 2015 \$'000	Audited Twelve months ended December 2015 \$'000
<b>INCOME</b>					
Investment income	20,245	14,989	34,757	26,916	55,969
<b>EXPENSES</b>					
Administrative expenses	(7,409)	(6,739)	(14,293)	(13,477)	(27,171)
<b>Net Income</b>	<b>12,836</b>	<b>8,250</b>	<b>20,464</b>	<b>13,439</b>	<b>28,798</b>
Taxation	(2,350)	(1,650)	(3,339)	(3,299)	(5,333)
<b>NET PROFIT</b>	<b>10,486</b>	<b>6,600</b>	<b>17,125</b>	<b>10,140</b>	<b>23,465</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Fair value gain on revaluation of available-for-sale financial assets during the year, net	6,536	1,147	7,690	1,578	6,411
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>17,022</b>	<b>7,747</b>	<b>24,815</b>	<b>11,718</b>	<b>29,876</b>

# **THE JAMAICA STOCK EXCHANGE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2016**

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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 policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2015.

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 SIX MONTHS ENDED JUNE 30, 2016**

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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 unrecognised 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.



**THE JAMAICA STOCK EXCHANGE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

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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**

The number of ordinary shares issued is 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 June 2015 and 31 December 2015 was 140,250,000 respectively.

10. **REVENUE RESERVES – NON-DISTRIBUTABLE**

Revenue Reserves – Non Distributable represents externally imposed capital requirements for the subsidiary with which they have complied.

**THE JAMAICA STOCK EXCHANGE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

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**11. 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.

**12. 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 JUNE 30, 2016**

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Names	Shareholdings
1. Sagicor Pooled Equity Fund	16,982,358
2. M/VL Stockbrokers Limited	10,225,000
3. Barita Investments Limited	10,200,000
4. GK Capital Management Limited	10,200,000
5. JMMB Securities Limited	10,200,000
6. Mayberry Investments Limited	10,200,000
7. Sagicor Investments Jamaica Limited	10,200,000
8. Scotia Investments Jamaica Limited	10,200,000
9. VM Wealth Management Limited	10,200,000
10. NCB Capital Markets Limited	10,192,007



**JAMAICA STOCK EXCHANGE LIMITED**  
**SHAREHOLDING OF DIRECTORS AND SENIOR MANAGERS**  
**AS AT JUNE 30, 2016**

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<b>Directors/Alternate Directors</b>	<b>Shareholding</b>
Edwin McKie*	240,411
Derrick McKoy*	105,000
<b>Senior Managers</b>	
Marlene Street*	30,000
Robin Levy	50,000
Suzette McNaught*	15,000
Suzette Whyte*	20,000
Kadyll McNaught*	20,000

*\*Includes holding in joint accounts*