



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

### **CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS FOR QUARTER ENDED SEPTEMBER 30, 2017**

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

<b>Description</b>	<b>Q3-2017</b>	<b>Q3-2016</b>	<b>Change %</b>	<i>YTD 2017</i>	<i>YTD 2016</i>	<i>Change %</i>
Total Income	<b>\$224.7m</b>	<b>\$212.2m</b>	<b>5.9</b>	<i>\$713.2</i>	<i>\$737.9</i>	<i>-3.35</i>
Total Expenses	<b>\$157.9m</b>	<b>\$142.7m</b>	<b>-10.6</b>	<i>\$487.7</i>	<i>\$434.4</i>	<i>-12</i>
Net Profit After Tax	<b>\$47.4m</b>	<b>\$44.1m</b>	<b>7.4</b>	<i>\$149.2</i>	<i>\$201.9</i>	<i>-26.1</i>
Earnings Per Share	<b>\$0.07</b>	<b>\$0.06</b>	<b>7</b>	<i>\$0.21</i>	<i>\$0.29</i>	<i>-26</i>
Return on Equity	<b>5.05%</b>	<b>4.89%</b>	<b>3.18</b>	<i>15.89%</i>	<i>22.38%</i>	<i>-29.01</i>

#### **THIRD QUARTER PERFORMANCE**

The Jamaica Stock Exchange Group (JSEG) recorded Net Profit after Tax of \$47.4m. Fee Income, eCampus and Other Operating Income reflected increase when compared to the corresponding period in 2016. The JSEG continues to reap the benefit of its diversification strategies as demonstrated in the Group's Q3 performance in which Fee Income increased by \$28m (23%) over the corresponding period in 2016. The Earnings per Share was \$0.07 in Q3 2017 compared to \$0.06 for the same quarter in 2016 and the Return on Equity was 5.05% compared to 4.89% in Q3 2016.

##### **Income**

The JSEG reported consolidated income of \$224.7m, which represents a \$12.5m (5.9%) increase over the corresponding Quarter of 2016. Despite the decrease in 2017 Q3 Cess Revenue by \$4.6m (8%) and Investment Income by \$12.6m (64.6%) the overall performance was positive. This is attributed to Fee Income which represents a wide range of products and services offered by JSEG.

##### **Net Profit**

For the Third Quarter ended September 30, 2017, the JSEG recorded a Net Profit after Tax of \$47.4m representing an increase of 7.4%.

## Expenses

For the Third Quarter ended September 2017, Total Expenses of \$157.9m increased by \$15.2m (10.6%) over comparable period in 2016.

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

- Staff costs increased by \$9.9m (15%) over prior year comparative primarily due to salary increase and related expenses.
- Property Expenses in Q3 exceeded 2016 comparatives by \$4.7m (19.3%). This was largely associated with increases in maintenance cost and licences expense that were required based on the upgrades to JSEG IT infrastructure.
- Depreciation and Amortisation increased by \$2.0m (24%) over prior year comparative due to additional assets & computer software which were required to support our new product lines.

## Financial Position

Total JSEG Assets as at September 30, 2017 of \$1200m, reflects an increase of \$94.2m (8%), when compared to holdings as at September 30, 2016. This was due primarily to an increase in Property Plant and Equipment, Intangible Assets, and Post-Employment Benefits.

Total Equity of \$938.9m as at September 30, 2017 reflects increases of \$37m (4%) and \$130.8m (16%) over the comparable positions at the end of September 30, 2016 and December 31, 2016 respectively. Revenue Reserves reflects an increase of \$124.2m (32%) over the position as at December 31, 2016, which is net of the amount of \$25m paid to shareholders as dividend on May 31, 2017.

## MARKET DEVELOPMENTS & OUTLOOK

It is expected that for the remaining quarter there will be more companies listing their securities on the Exchange and a positive movement in Fee Income due to the expected increase in the number of Subsidiary clientele.

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 developments and the continuous improvement of service delivery to the Group's customers and other stakeholders.



Ian McNaughton  
Chairman



Marlene J Street Forrest  
Managing Director

**JAMAICA STOCK EXCHANGE LIMITED**  
**Consolidated Statement of Financial Position**  
**At September 30, 2017**

	Unaudited	Unaudited	Audited
	Nine months ended September 30, 2017 \$ '000	Nine months ended September 30, 2016 \$ '000	Twelve months ended December 31, 2016 \$ '000
<b>Non-current assets</b>			
Property plant & equipment	275,457	255,586	257,069
Intangible assets	96,989	45,739	51,716
Post employment benefits	132,455	118,789	132,455
Investment in securities	217,363	205,460	196,395
Long-term receivables	10,483	9,334	8,850
<b>Total non-current assets</b>	<b>732,747</b>	<b>634,908</b>	<b>646,485</b>
<b>Current assets</b>			
Income tax recoverable	28,174	-	-
Due from related party	439	88	-
Trade and other receivables	168,972	122,626	125,973
Investments in securities	7,077	100,073	65,379
Government securities purchased under resale agreement	164,542	204,613	135,004
Cash and cash equivalents	98,498	43,894	146,310
<b>Total current assets</b>	<b>467,702</b>	<b>471,294</b>	<b>472,666</b>
<b>Total Assets</b>	<b>1,200,449</b>	<b>1,106,202</b>	<b>1,119,151</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	238,146	238,146	238,146
Fair value reserve	17,487	18,139	10,883
Property revaluation reserves	118,488	140,246	118,488
Revenue reserve - non-distributable	48,367	48,367	48,367
Revenue reserve	516,412	456,996	392,197
<b>Total equity</b>	<b>938,900</b>	<b>901,894</b>	<b>808,081</b>
<b>Non Current Liabilities</b>			
Deferred tax liabilities	80,178	49,789	76,875
<b>Total non-current liabilities</b>	<b>80,178</b>	<b>49,789</b>	<b>76,875</b>
<b>Current Liabilities</b>			
Due to related party	-	-	79
Income tax payable	-	34,705	21,778
Payable and accruals	181,371	119,814	212,338
<b>Total current liabilities</b>	<b>181,371</b>	<b>154,519</b>	<b>234,195</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,200,449</b>	<b>1,106,202</b>	<b>1,119,151</b>

Approved and authorized for issue by the Board of Directors on November 13, 2017 and are signed on its behalf by

  
 Ian McNaughton - Chairman

  
 Marlene J Street Forrest - Managing Director

**JAMAICA STOCK EXCHANGE LIMITED**  
**Consolidated Statement of Comprehensive Income**  
**For the Nine Months Ended September 30, 2017**

Statement II

	Unaudited Three months ended September 2017 \$'000	Unaudited Three months ended September 2016 \$'000	Unaudited Nine months ended September 2017 \$'000	Unaudited Nine months ended September 2016 \$'000	Audited Twelve months ended December 2016 \$'000
<b>INCOME</b>					
Cess	51,761	56,393	178,128	282,895	330,229
Fee Income	147,823	119,856	443,061	349,081	457,516
E-campus	4,146	2,651	12,089	10,712	14,218
Other operating income	14,092	13,791	62,196	51,508	63,818
	<u>217,822</u>	<u>192,691</u>	<u>695,474</u>	<u>694,196</u>	<u>865,781</u>
<b>EXPENSES</b>					
Staff costs	75,213	65,334	227,997	199,682	273,437
Property expenses	29,058	24,362	84,640	67,697	95,204
Depreciation and amortisation	10,406	8,420	25,681	18,929	25,776
Advertising and promotion	7,036	8,091	41,455	36,230	48,492
Professional fees	12,602	14,505	38,797	33,677	45,191
Securities commission fees	7,021	8,060	26,434	38,988	45,617
Bad debts, less recoveries	-	-	-	-	(2,115)
E-campus	3,369	2,917	9,429	9,174	14,077
Other operating expenses	13,198	11,032	33,287	30,023	37,174
	<u>157,903</u>	<u>142,721</u>	<u>487,720</u>	<u>434,400</u>	<u>582,853</u>
Investment Income	6,925	19,513	17,738	43,708	51,808
Other Loss	-	(8)	-	(235)	-
<b>PROFIT BEFORE TAXATION</b>	<b>66,844</b>	<b>69,475</b>	<b>225,492</b>	<b>303,269</b>	<b>334,736</b>
Taxation	(19,418)	(25,333)	(76,312)	(101,410)	(111,147)
<b>NET PROFIT</b>	<b>47,426</b>	<b>44,142</b>	<b>149,180</b>	<b>201,859</b>	<b>223,589</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Items that will never be reclassify to profit or loss:					
Remeasurement of employee benefits assets	-	-	-	-	6,531
Deferred income that will never be reclassified to profit or loss	-	-	-	-	(2,177)
Revaluation surplus land	-	75,003	-	75,003	75,003
Revaluation surplus on property, plant & equipment	-	65,243	-	65,243	65,227
Deferred income tax on revaluation surplus	-	-	-	-	(21,742)
	<u>-</u>	<u>140,246</u>	<u>-</u>	<u>140,246</u>	<u>122,842</u>
Items that may be reclassify to profit or loss:					
Realised gain on available-for-sale investments	-	-	-	-	(5,300)
Unrealised gains on available-for-sale investments	40	9,448	6,604	12,194	12,708
Deferred income tax on items that may be reclassified to profit or loss	-	-	-	-	(2,470)
	<u>40</u>	<u>9,448</u>	<u>6,604</u>	<u>12,194</u>	<u>4,938</u>
Other comprehensive income for the period, net of taxes	40	149,694	6,604	152,440	127,780
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>47,466</b>	<b>193,836</b>	<b>155,784</b>	<b>354,299</b>	<b>351,369</b>
Earnings per share	\$ 0.07	\$ 0.06	\$ 0.21	\$ 0.29	\$ 0.32

**JAMAICA STOCK EXCHANGE LIMITED**

**Consolidated Statement of Changes In Equity**

**For the Nine Months Ended September 30, 2017**

Statement III

	Share Capital \$'000	Fair Value Reserve \$'000	Property Revaluation Reserves \$'000	Revenue Reserves Non-Distributable \$'000	Revenue Reserve \$'000	Total \$'000
<b>Balance at January 1, 2016</b>	238,146	5,945	-	48,367	329,469	621,927
Profit for the period	-	-	-	-	201,859	201,859
Other comprehensive loss for the period	-	12,194	-	-	-	12,194
Revaluation reserves for the period	-	-	140,246	-	-	140,246
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>12,194</b>	<b>140,246</b>	<b>-</b>	<b>201,859</b>	<b>354,299</b>
Dividend paid	-	-	-	-	(74,332)	(74,332)
<b>Balance at September 30, 2016</b>	<b>238,146</b>	<b>18,139</b>	<b>140,246</b>	<b>48,367</b>	<b>456,996</b>	<b>901,894</b>
<b>Balance at January 1, 2017</b>	238,146	10,883	118,488	48,367	392,197	808,081
Profit for the period	-	-	-	-	149,180	149,180
Other comprehensive profit for the period	-	6,604	-	-	-	6,604
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>6,604</b>	<b>-</b>	<b>-</b>	<b>149,180</b>	<b>155,784</b>
Dividend paid	-	-	-	-	(24,965)	(24,965)
<b>Balance at September 30, 2017</b>	<b>238,146</b>	<b>17,487</b>	<b>118,488</b>	<b>48,367</b>	<b>516,412</b>	<b>938,900</b>

**THE JAMAICA STOCK EXCHANGE LIMITED**  
**Consolidated Statement Of Cash Flows**  
**Nine Months Ended September 30, 2017 (Unaudited)**

**STATEMENT IV**

	Unaudited Nine months ended September 2017 \$'000	Unaudited Nine months ended September 2016 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	149,180	201,859
Adjustments for:		
Depreciation of property, plant and equipment	14,700	13,939
Amortisation of intangible assets	10,980	4,990
Loss on disposal of property, plant and equipment	-	235
Income tax expenses	76,312	101,410
Interest income	(17,738)	(43,708)
Operating cash flows before movements in working capital	<u>233,434</u>	<u>278,725</u>
Increase trade and other receivable	(42,999)	(3,452)
(Decrease)/Increase in trade and other payables	<u>(30,967)</u>	<u>13,229</u>
Cash provided by operations	159,468	288,502
Income tax paid	<u>(126,264)</u>	<u>(85,765)</u>
Cash provided by operating activities	<u>33,204</u>	<u>202,737</u>
<b>Cash flows from investing activities</b>		
Investments securities, net	64,979	52,730
Government securities purchased under resale agreement	(29,538)	(154,209)
(Payments made by)/Receipts from related parties	(518)	53
Acquisition of property, plant and equipment	(33,088)	(43,337)
Acquisition of intangible assets	(56,253)	(5,505)
Long term receivables	(1,633)	1,748
Cash used in investing activities	<u>(56,051)</u>	<u>(148,520)</u>
<b>Cash flows from financing activities</b>		
Dividends paid	(24,965)	(74,332)
Cash used in financing activities	<u>(24,965)</u>	<u>(74,332)</u>
Net decrease in cash and cash equivalents	(47,812)	(20,115)
Cash and cash equivalent at the beginning of the year	146,310	64,009
Cash and cash equivalents at the end of the year	<u>98,498</u>	<u>43,894</u>

**JAMAICA STOCK EXCHANGE LIMITED**  
**Consolidated Segment Report**  
**For the Nine Months Ended September 30, 2017 (Unaudited)**

STATEMENT V

2017						
	<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	326,304	210,839	17,738	208,330	(50,000)	<u>713,211</u>
Total Revenue	326,304	210,839	17,738	208,330	(50,000)	<u>713,211</u>
<b>Results</b>						
Segment results	53,013	102,432		120,047	(50,000)	<u>225,492</u>
Profit before taxation	53,013	102,432		120,047	(50,000)	225,492
Taxation	(11,486)	(23,875)		(40,951)		<u>(76,312)</u>
Profit for the Period						<u><u>149,180</u></u>
<b>Other information</b>						
Depreciation & amortisation	17,662	5,077		2,942		25,681
<b>Assets</b>						
Segment assets	792,738	243,295		236,043	(71,627)	<u>1,200,449</u>
<b>Liabilities</b>						
Segment liabilities	177,398	49,540		43,609	(8,998)	<u>261,549</u>

2016						
	<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	407,962	156,834	43,708	179,400	(50,000)	<u>737,904</u>
Total Revenue	407,962	156,834	43,708	179,400	(50,000)	<u>737,904</u>
<b>Results</b>						
Segment results	181,499	63,809		107,961	(50,000)	<u>303,269</u>
Profit before taxation	181,499	63,809		107,961	(50,000)	303,269
Taxation	(49,268)	(18,002)		(34,140)		<u>(101,410)</u>
Profit for the Period						<u><u>201,859</u></u>
<b>Other information</b>						
Depreciation & amortisation	11,931	5,364		1,634		18,929
<b>Assets</b>						
Segment assets	791,294	192,012		192,412	(69,516)	<u>1,106,202</u>
<b>Liabilities</b>						
Segment liabilities	129,251	39,354		42,591	(6,888)	<u>204,308</u>

**THE JAMAICA STOCK EXCHANGE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

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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 2016.

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, 2017**

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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.

**THE JAMAICA STOCK EXCHANGE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

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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 701,250,000.

**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 2016 and 31 December 2016 was 701,250,000 respectively.

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

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

**11. REVALUATION RESERVES**

Revaluation Reserves represent surplus arising from revaluation of land and building. The decision was taken by the board to change its accounting policy from the cost model to the revaluation model for land and building during the period.

**THE JAMAICA STOCK EXCHANGE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

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**12. 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.

**13. 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.

At September 30, 2017, the fund had total assets of \$790.8 million (2016: \$785.5million) and net equity of \$769.6million (2016: 761.6 million).

**JAMAICA STOCK EXCHANGE LIMITED**  
**TOP 10 ORDINARY SHAREHOLDERS REGISTER**  
**AS AT September 30, 2017**

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Names	Shareholdings
1. JCSD Trustee Services Clients	75,667,117
2. Sagicor Pooled Equity Fund	70,109,040
3. M/VL Stockbrokers Limited	51,317,623
4. Scotia Investments Jamaica Limited	51,000,000
5. Sagicor Investments Jamaica Limited	51,000,000
6. VM Wealth Management Limited	51,000,000
7. JMMB Securities Limited	51,000,000
8. GK Capital Management Limited	51,000,000
9. Mayberry Investments Limited	48,500,000
10. Barita Investments Limited	48,000,000

**JAMAICA STOCK EXCHANGE LIMITED**  
**SHAREHOLDING OF DIRECTORS AND SENIOR MANAGERS**  
**AS AT September 30, 2017**

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**Directors/Alternate Directors**

**Shareholding**

Edwin McKie*	1,250,000
Derrick McKoy	706,170
Dian Black	2,000

**Senior Managers**

Marlene Street*	75,000
Robin Levy	69,000
Suzette McNaught*	45,000
Suzette Whyte*	30,000
Neville Ellis*	10,000

*\*Includes holding in joint accounts*