

“Providing A Fair, Efficient and
Transparent Stock Market”



ANNUAL REPORT

THEME:

**Driving Growth - Regional Investments
for the Climate of Change**



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Driving Growth - Regional Investments
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MISSION

STATEMENT

To contribute to the growth and development of the countries in which we operate by facilitating the mobilization, exchange and expansion of capital while providing a return on equity that is acceptable to our shareholders.

OUR CORPORATE

OBJECTIVES

The Jamaica Stock Exchange was incorporated as a private limited company in August 1968, with the stock market commencing operations in February 1969.

The Jamaica Stock Exchange is now a Public Limited Company. In June 2013 it became a publicly listed company having offered and listed its ordinary shares on its own exchange

Its principal objectives are:

To promote the orderly and transparent development of the stock market and the stock exchange in Jamaica.

To ensure that the stock market and its broker members operate at the highest standards practicable.

To develop, apply and enforce the rules designed to ensure public confidence in the stock market and its broker-members.

To provide facilities for the transaction of stock market business.

To conduct research, disseminate relevant information and maintain local and international relationships which can enhance the development of the Jamaican stock market.

Maximizing Shareholders' value.

NOTICE OF 41st ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty First (41st) Annual General Meeting of the Jamaica Stock Exchange (“the Company”) will be held at the Jamaica Stock Exchange, 40 Harbour Street, Kingston on Thursday, June 21, 2018 commencing at 1:00 p.m. to consider and if thought fit, to pass the following resolutions:

ORDINARY BUSINESS

Ordinary Resolutions

- 1. Resolution No. 1 - 2017 Audited Financial Statements**
THAT the Directors' Report, the Auditors' Report and the Audited Financial Statements for the Company and its subsidiaries (the Group) for the year ended December 31, 2017, circulated with the Notice convening the Meeting, be and are hereby adopted.
- 2. Resolution No. 2 - Re-election of Directors**
THAT Mr. Livingstone Morrison, a director retiring by rotation and being eligible, has offered himself for re-election, be and is hereby re-elected a Director of the Company.
- 3. Resolution No. 3 - Re-election of Directors**
THAT Mr. Lynval Garth Kiddoe, a director retiring by rotation and being eligible, has offered himself for re-election, be and is hereby re-elected a Director of the Company.
- 4. Resolution No. 4 - Re-election of Directors**
THAT Mr. Mark Croskery, a director retiring by rotation and being eligible, has offered himself for re-election, be and is hereby re-elected a Director of the Company.
- 5. Resolution No. 5 - Re-election of Directors**
THAT Mrs. Janet Morrison, a director retiring by rotation and being eligible, has offered herself for re-election, be and is hereby re-elected a Director of the Company.
- 6. Resolution No. 6 - Re-election of Directors**
THAT Mr. Julian Mair, a director retiring by rotation and being eligible, has offered himself for re-election, be and is hereby re-elected a Director of the Company.
- 7. Resolution No. 7 – Re-election of Directors Pursuant to Article 109**
THAT Mr. Matthew Hogarth who was appointed to fill a casual vacancy and being eligible to be re-elected has offered himself for re-election, be and is hereby re-elected a Director of the Company.
- 8. Resolution No. 8 – Re-election of Directors Pursuant to Article 109**
THAT Mr. Christopher Zacca who was appointed to fill a casual vacancy and being eligible to be re-elected has offered himself for re election, be and is hereby re-elected a Director of the Company.
- 9. Resolution 9 – To ratify Dividends**
THAT the interim dividend of \$0.11 per share paid on December 11th 2017 and the final dividend of \$0.1355 per share to be paid on April 20, 2018 be and is hereby declared as final, and that no further dividend be paid in respect of the year ended December 31, 2017.

(Cont'd on next page)

NOTICE OF 41st ANNUAL GENERAL MEETING

10. Resolution 10 - Appointment of and the Remuneration of the Auditors

THAT Ernst & Young, Chartered Accountants having agreed to continue in office as Auditors, be and are hereby appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.

11. Resolution 11 - Remuneration of the Directors

THAT the Directors be and are hereby authorized to fix their fee for the fiscal period 2018/2019.

12. To Transact Any Other Ordinary Business of the Company.

BY ORDER OF THE BOARD



.....
Roxanne Hutchinson
Company Secretary
Dated: April 25, 2018

IMPORTANT NOTE FOR MEMBERS WHO ARE NOT ABLE TO ATTEND:

A member entitled to attend and vote at the meeting can appoint a Proxy to vote on his behalf. A proxy need not also be a member. The person so authorized shall be entitled to exercise the same powers as the member whom he represents. Enclosed is a Proxy Form for your convenience, which must be lodged at the Company's Registered Office at least forty-eight hours before the time appointed for holding a meeting. The Proxy Form shall bear the stamp duty of \$100.00 before being signed. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the Proxy.

DIRECTORS' REPORT

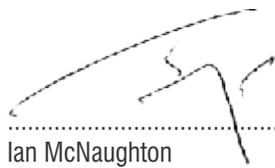
The Directors submit herewith the Audited Statements for the Jamaica Stock Exchange and its wholly owned subsidiary, the Jamaica Central Securities Depository for the year ended December 31, 2017 along with the accompanying notes as follows:

Consolidated Statement of Profit or Loss and other Comprehensive Income
Consolidated Statement of Financial Position
Consolidated Statement of Changes in Equity
Consolidated Statement of Cash Flows

Operating Income for the year was \$991.2 million compared to 2016 of \$865.8 million, an increase of 4.5% over 2016. Investment Income was \$16.3 million for 2017 and \$51.8 million for 2016.

Total Expenses for the year increased by 14.8% to \$669.4 million compared to \$582.9 million in 2016.

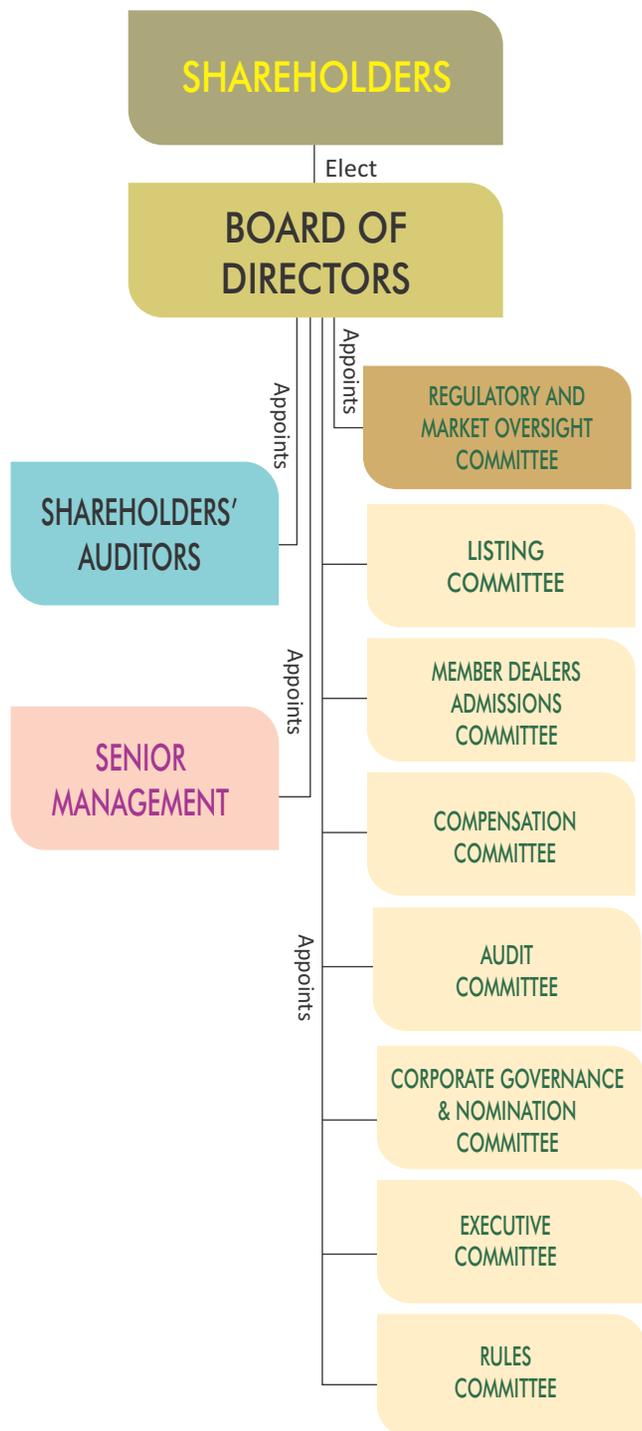
Total Consolidated Balance Sheet Assets of the Group as at December 31, 2017 were \$1.3 billion compared to \$1.1 billion in 2016, while Consolidated Shareholders equity increased from \$808.1 million in 2016 to \$948.8 million, up 17.4%.



.....
Ian McNaughton
Chairman

CORPORATE GOVERNANCE

Principles & Practices



PREAMBLE

The Jamaica Stock Exchange recognizes that as a national self-regulatory organization with a mission to ensure and promote a fair and efficient stock market, it must embrace and practice sound corporate governance. These principles and the attendant structures should serve the best interest of all stakeholders and emphasize the highest standards of transparency, oversight and independence.

The intent is to protect the investing public while advancing the interests of shareholders and member dealers. Confidence in the stock market will be enhanced by the clear demarcation of regulatory and normal operational functions.

These practices are consistent with world best practices and adhere to the relevant legal and regulatory framework. The corporate governance core practices of the JSE are rooted in the acceptance of the following principles:

1. Corporate Governance should establish a clear foundation for Management and Board oversight. The role and responsibilities of Board and Management should therefore be clearly outlined to facilitate accountability.
2. The Board of Directors should be structured and selected to ensure effectiveness, independence and protection of the public's interests through appropriate selection and operating processes.
3. Ethical standards and responsible decision-making should be promoted.
4. Governance should ensure that there is accurate, timely and full financial and governance reporting with strong internal controls and risk management.
5. Material information regarding the company's operations should be disclosed in a timely manner to the public and regulatory entities.
6. There should be regular reviews of Board and Management performance to enhance effectiveness. Such review should include the performance of the alternates.

(Cont'd on next page)

CORPORATE GOVERNANCE

7. Remuneration should be fair to attract and retain competent skills, and reward consistent with performance objectives.
8. The interests of stakeholders should be carefully balanced, protected and promoted.

BOARD ISSUES

Accountability to shareholders/stakeholders

The JSE is a public company with public responsibility. It must balance the interest of all stakeholders to foster a fair, efficient and transparent market.

Mission and Responsibility

The Board members have the responsibility to attend meetings and familiarize themselves with, and make decisions on issues within their purview.

Elections

The provisions for election of directors are set out in the Articles of Incorporation of the JSE and stipulate election of directors on an annual basis. Interest groups identified by the Board will propose independent directors to the Corporate Governance and Nomination Committee. Where an interest group fails to make a nomination, the Nominating Committee will propose directors for election.

Orientation and Training

Training is made available to directors upon appointment to the Board. The Exchange will organize orientation and training for any director within three (3) months of appointment to the Board. The Board will pursue a programme of continuous training and development, with emphasis placed on members chairing committees.

Access to Information

The Board considers the provision of good quality, timely and accurate information as a significant priority in company procedures. Management has a responsibility to provide the Board with any information that will allow members to properly carry out its responsibilities.

Disclosure of Directors' Biographical Information

Sufficient biographical data with the names of all directors, nominated or elected, will be presented to shareholders and directors. This allows for the proper selection of members to specific committees.

Composition

Board members will be drawn from different interest groups and from member-dealers. Representation should reflect the diversity of stakeholders and the needs of the Company. The Board shall be comprised of member dealers, independent directors and a non executive chairman.

Multiple Board Seats

Members must declare appointments to other companies. They must, at the beginning of the year, and as many times as their positions change, give a written declaration to the board of the Exchange with pertinent information about the other boards on which they serve.

Chairman & CEO

The JSE will have a separate Chairman and CEO.

Independent Directors

Independent Directors must meet the criteria set out on page 10.

Committees

Composition

There are both mandatory and non-mandatory committees of the Board. The mandatory committees of the Board are comprised of the Regulatory & Market Oversight Committee, the Audit & Finance Committee, the Compensation Committee and the Listing Committee. These are referred to in the JSE's Rules.

Each Committee has a written charter outlining its purpose and responsibilities and reporting format. Committees must meet at least twice annually.

Review Process

The board of the JSE conducts regular reviews of the performance of the Committees. Chairmen of Committees are required to develop and present their key performance indicators the month prior to the beginning of each year.

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CORPORATE GOVERNANCE

Audit Committee

The Audit Committee assists the Board with oversight responsibilities in regards to the integrity of the company's financial statements. It also serves as the communication link between the Board, the management team and the auditors. The Audit Committee ensures that the Company complies with legal and regulatory requirements.

Member Dealers Admissions Committee

The Member Dealer Admissions Committee is responsible for processing and recording applications of Member Dealers for access of Member Dealers, attorneys/ traders, to conduct business on the floor of the Exchange and their use of these facilities.

Regulatory & Market Oversight Committee (RMOC)

The Regulatory and Market Oversight Committee (hereinafter called the “RMOC”) is the committee of the Board of Directors of the Exchange comprising the independent directors who are not the nominees or connected to any Member Dealer of the Exchange. The Board of Directors of the Exchange has delegated responsibility to the RMOC for reviewing and ensuring compliance with and enforcement of the Laws, any Rules including Business Rules, contractual obligations and appropriate standards of conduct governing the Member Dealers, their clients and participants on the Exchange. The RMOC shall be the disciplinary committee of the Exchange and may impose any of the penalties specified in Rule 228 upon a Member Dealer in respect of whom disciplinary action is taken, which results in a finding of misconduct.

Corporate Governance and Nomination Committee

The Corporate Governance and Nomination Committee is responsible to develop, recommend and review Corporate Governance Principles applicable to the Board, Management and listed companies. In addition the Committee has the responsibility to oversee the evaluation of the Board's other committees and make recommendations in respect to the structure of and effectiveness of the Committees.

The Corporate Governance and Nominations Committee is also responsible for the recommendation of suitable candidates to fill vacancies on the Board and the suitability of Alternate Directors.

Compensation Committee

The Compensation Committee of the JSE is made up exclusively of non-executive directors who make recommendations on the company's framework of executive remuneration. The Committee reviews and approves corporate goals in relation to the CEO's compensation, evaluates the CEO's performance in light of the company's goals and objectives and makes recommendations to the Board with respect to executive and non-executive compensation.

Listing Committee

The Listing Committee ensures the quality and integrity of a listing on the JSE. It is responsible for processing applications and making recommendations regarding approval of companies wishing to list on the JSE and reviewing and making recommendations of standards to be observed for companies to remain listed.

Other Committees

These are formed as the directors see fit and includes the Executive Committee.

Board Meetings

There are formal scheduled meetings of the Board at which matters are specifically reserved for discussions. Matters must be addressed within a reasonable time in order to prevent an overrun of pending items.

Procedure at Board Meetings

In the interest of promoting and ensuring transparency all directors must:

Excuse themselves from discussions in, and in making decisions on any matter in which they have a personal or business interest or companies on whose Board they sit or are connected. Further, members shall be bound by similar standards. Please refer to captioned guidelines- (Part K) of the JSE's Rules which addresses 'Acting in Concert'.

General Meetings

General Meetings of shareholders are held each year. Communication with shareholders on decisions concerning material, fundamental corporate changes are made on a timely basis.

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CORPORATE GOVERNANCE

Performance

Evaluation of Board Members and Senior Executives

The Board recognizes the importance of each director (including his or her alternate) working to fulfill the mandate of the company. This evaluation is subject to the review of the Corporate Governance and Nomination Committee.

The Board recognizes the importance of evaluating the performance of each director, senior executives and the Board as a whole.

Term Limits

Board Members are nominated by the Corporate Governance and Nomination Committee.

Committees

Chairman/Deputy Chairman

The Chairman and Deputy Chairman of the Board and Chairmen of Committees have recommended term limits (from one AGM to another AGM) as follows:

- (a) The Chairman can serve for five (5) consecutive terms;
- (b) The Deputy Chairman can serve for three (3) consecutive terms;
- (c) The Chairmen of Committees can serve for three (3) consecutive terms, except for the Chairman of the Compensation Committee who can serve for a maximum of five (5) consecutive terms.

Committee Members

Members can sit for a maximum of five consecutive years with an option to extend the term limit by two years. These members are eligible to be re-elected one year after the seven-year consecutive stint. Past Board Chairmen should automatically sit on the Executive Committee for the year after demitting office as Chairman.

There is no term limit for members of the Regulatory and Market Oversight Committee and the Member Dealer Admissions Committee.

Age Limits

The JSE has no maximum age limit for members sitting on the Board. However the minimum age limit is 18 years.

Transparency

Directors are required to provide to the Corporate Governance and Nomination Committee information as it relates to business dealings, board affiliations and any other information that would pose a conflict of interest.

Accounting Standards

The Jamaica Stock Exchange Board is governed by the standards as communicated from the Institute of Chartered Accountants of Jamaica.

Ethics

The Jamaica Stock Exchange currently maintains ethics and confidentiality requirements for Directors and these are posted on the Website: www.jamstockex.com.

These Principles and Practices were reviewed in 2017 and are available on our website - www.jamstockex.com

GUIDELINES TO DETERMINING

INDEPENDENCE OF BOARD DIRECTORS

The Board should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

The Board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:

- Has been an employee of the company or group within the last five years;
- Has, or has had within the last three years, material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
- Has received or receives additional remuneration from that company apart from a director's fee, participates in that company's share option plan or a performance-related pay scheme, or is a member of the company pension scheme;
- Has close family ties with any of the company's advisors, directors or senior employees;
- Holds cross-directorship or has significant links with other directors through involvement in other companies or bodies;
- Represents a significant shareholder;
- Has served on the board for more than nine years from the date of their first election.

Prepared: Marlene Street Forrest, March 30, 2010

Updated by CGNC July 18, 2016

Approved by the Board July 20, 2016

Adapted from the PSQJ Code of Corporate Governance (2009)

CORPORATE GOVERNANCE

⌘ NOMINATION COMMITTEE REPORT

The JSE Corporate Governance and Nominations Committee (the Committee) in fulfilling its oversight responsibilities met six (6) times during 2017 and undertook and in some cases, completed the following tasks, some of which were started in the previous year:

Review of the Terms of Reference of the Eight Sub-Committees of the Board

The eight subcommittees of the Board are the Audit Committee, the Listing Committee, the Rules Committee, the Compensation Committee, the Regulatory and Market Oversight Committee, the Member Dealers Admission Committee and Corporate Governance and Nominations Committee. A comprehensive review by the Committee of the Terms of Reference for all eight (8) sub-committee of the Board which was started in 2015 was completed in 2017. Seven of the eight Terms of Reference were approved by the Board during the period of review except for that of the Regulatory and Market Oversight Committee, the composition and structure of which is being specially reviewed by the Board of Directors.

PSOJ 2016 Corporate Governance Code

Having reviewed the Private Sector Organisation of Jamaica Code on Corporate Governance 2016 (the PSOJ Code) and embraced the general broad principles of the PSOJ Code, the Committee recommended it to listed companies to guide them in achieving generally accepted standards of good corporate governance principles and good practices on the basis of 'comply or explain'. The Board also accepted the recommendation of the Committee that the Exchange also be guided by the PSOJ Code.

Corporate Governance Index (CGI)

The Committee discussed the CGI which is a joint initiative between the PSOJ Corporate Governance Committee and the Jamaica Stock Exchange to assess on the basis of a numerical code the corporate governance performance of listed companies. The objective of the CGI is to identify areas of deficiencies (if any) in order to improve corporate governance standards. Assessments are on an ongoing basis by a committee established to monitor and evaluate the participating listed companies and comprises representatives from the Mona School of Business, the Jamaica Bar Association and the PSOJ Corporate Governance Committee.

In keeping with the CGI Standards, we wish to disclose that \$12.4m was paid as fees to our directors in 2017.

Directors' Evaluation

Both Directors' Self-Evaluations and Directors' Peer Evaluations were completed, the results of which were overall positive and were shared with the Board. The Directors' attendance report for 2017 to Board and subcommittee meetings was also completed which aided in the evaluation of the commitment and performance of Board Members at Board and Committee levels.

In order to make the evaluation process more robust, it was agreed that the evaluation questionnaires would include a question on independence

of the Directors. Accordingly, the following documents are being reviewed for approval by the Board:

- Process to determine the independence of a Director who has served on the board for more than nine years;
- Definition for 'Material Relationships';
- Directors' Independence Questionnaire.

The Committee also decided that it is desirable, in the interest of good corporate governance, to evaluate the performance of directors on the various subcommittees. Therefore, a Subcommittee Evaluation Questionnaire was developed for the approval of the Board with a view for implementation in the ensuing year.

The JSE is committed to an external evaluation of the Board's Performance. The last such review was done in 2014 for the year 2013. It is expected that one will be done in 2019.

Board Charter

The Committee felt that in order for the Board to have a frame of reference to guide its adherence to good corporate governance, it was necessary to craft a Board Charter for adoption by the Board. Therefore, the Committee is currently drafting a Board Charter which should be implemented in the ensuing year if adopted by the Board.

Communication with Subsidiary Boards and Sub Committee

The Committee recognized that within the JSE Group, effective communication between the main and the subsidiary boards is essential in ensuring that information and decisions taken at the main board level are shared in a seamless and efficient manner. The Committee therefore developed a framework for communication between the Exchange and the subsidiaries which is to be considered for adoption by the Board.

JSE Corporate Governance Principles

The Corporate Governance Principles and Practice of the Exchange were reviewed and no changes were recommended by the Committee.

Jane George who was a member of the Committee resigned to take up an overseas posting. We take this opportunity to wish Jane the very best and to thank her for the invaluable contribution to the work of the Committee.

The Members of the Corporate Governance and Nominations Committee are:

Janet Morrison (Chair)
Garth Kiddoe
Julian Mair
Dian Black
Steven Whittingham (alternate Jason Chambers)



Janet Morrison (Chair)

DIRECTORS ATTENDANCE

Names	Designation	Attendance at All Meetings											
		JSE Board	Compensation Committee	Corporate Gov. & Nomination Committee	Executive Committee	Member Dealers Admissions Committee	Listing Committee	Rules Committee	RMOC Committee	Audit Committee	Total Committee	Average Attendance	
Ian McNaughton	Director	9 of 10	3 of 3		7 of 7		9 of 12	1 of 2				29 of 34	85%
Humphries-Lewin, Rita	Alternate Director	0 of 10					0 of 12	0 of 2					
Gary Peart	Director	4 of 10	2 of 3		6 of 7		6 of 12					18 of 32	56%
Christopher Berry	Alternate Director	0 of 10					0 of 12						
Devon Barrett		9 of 10							9 of 9			18 of 19	95%
**Black, Dian	Director	7 of 10	3 of 3	2 of 2			8 of 12	2 of 2	14 of 14	3 of 3		40 of 47	85%
Croskery, Mark	Director	1 of 10										5 of 10	50%
Lamar Harris	Alternate Director	4 of 10											
**George, Jane		2 of 3		1 of 2					2 of 4	4 of 6		9 of 15	60%
**Steven, Gooden	Director	8 of 10			1 of 2		7 of 12					16 of 24	67%
**Hogarth, Matthew		2 of 2					3 of 3		1 of 1			6 of 6	100%
**Kiddoe, Garth	Director	9 of 10	0 of 2	5 of 6			9 of 9	1 of 2	14 of 14	9 of 9		47 of 53	89%
**Mair, Julian	Director	6 of 10		2 of 6	4 of 5							12 of 21	57%
McKoy, Derick	Director	4 of 10					0 of 12	0 of 2				21 of 24	88%
McKie, Ed	Alternate Director	5 of 10					10 of 12	2 of 2					
Morrison, Janet	Director	8 of 10		6 of 6	6 of 7				13 of 14			34 of 38	90%
Morrison, Livingstone	Director	6 of 10	3 of 3		1 of 1				12 of 14	7 of 9		23 of 37	62%
Miller, Rohan		6 of 10								8 of 9		14 of 19	74%
Mitchell, Lissant	Director	7 of 10			3 of 7		10 of 12					20 of 29	69%
**Street Forrest, Marlene	Managing Director	8 of 8			5 of 5							13 of 13	100%
Whittingham, Steven	Director	3 of 10		0 of 6				0 of 2				12 of 18	67%
Jason Chambers	Alternate Director	5 of 10		4 of 6				0 of 2					

* Attendance at AGM - 2017

** Depending on the date of appointment or resignation, the total number of meetings might vary for persons within respective committees/Board. Directors are comprised of shareholder representatives and independent directors whose attendance at meeting is important and allows for the understanding and input of each group.

PROFILES OF DIRECTORS



Mr. Ian McNaughton - Chairman

Mr. McNaughton is the Managing Director of Barita Investments Limited. With a BSc. in Management Studies from the University of the West Indies and a MBA from Nova Southeastern University, he possesses over thirty years of experience in the areas of Finance, Information Systems and Human Resource Management, garnered at major international manufacturing, sales and distribution entities.

He serves as Company Secretary for Barita Investments Limited and is the Chairman of the Jamaica Stock Exchange and a Director of the Jamaica Central Securities Depository.

An avid footballer, Mr. McNaughton also sits on the board of the Harbour View Football Club.



Mr. Gary Peart - Deputy Chairman

Mr. Gary Peart joined Mayberry Investments Limited in May 2005 as Chief Executive Officer after developing his management techniques throughout the financial industry over the course of about 20 years. During this time, he gained experience in almost every business line, including Corporate Finance, Equity, Fixed Income and Treasury Management, all of which prepared him for his current role as CEO.

Mr. Peart was appointed to the Board of Directors of Mayberry Investments Limited in 2006, and has served as Director at several other well-known Jamaican entities. Currently, Peart sits on the Board of Lasco Financial Services, Lasco Distributors Limited, IronRock Insurance Company, Supreme Ventures Limited and is the Deputy Chairman on the Board of Jamaica Stock Exchange.

Mr. Peart currently serves as an officer of the Jamaica Securities Dealers Association.

He is a member of the Assets and Liabilities and Policy Committees of Mayberry Investments Limited.

Beyond the business world, Mr. Peart a member of the Rotary Club of St. Andrew North.

Dr. Derrick McCoy

Dr. Derrick McCoy is an Attorney-at-Law, Justice of the Peace, and Member of the Chartered Institute of Arbitrators. He is a former Commonwealth Scholar. He has served as a Commissioned Officer in the Jamaica Defense Force—Coast Guard (National Reserve), as a Contractor General of Jamaica, as a Member of the All Island Electricity Appeals Tribunal, and as Dean, Faculty of Law, University of the West Indies, Mona. Dr McCoy was awarded the Order of Distinction in the Rank of Commander (CD) for Outstanding Contribution to the Legal Profession and the Public Service in Jamaica.

Dr. McCoy has chaired the Anti-dumping and Subsidies Commission, the Fair Trading Commission, and the Duke of Edinburgh's Awards Scheme in Jamaica. He is a member of the Integrity Commission for the Government of Jamaica. He is also a member of the board of M/VL Stockbrokers Ltd and a Trustee of the Youth Business Trust, Jamaica.

He has published scholarly articles and contributed book chapters on arbitration, constitutional law, competition law, public procurement, governance and corruption. His academic degrees include Doctor of Business Administration and Doctor of Philosophy (in law). He is married and has four children.



Mr. Devon Barrett

Mr. Barrett has been at the helm of Victoria Mutual Wealth Management (VMWM) since 2008. His primary areas of focus include conceptualizing and implementing the strategic direction of the Company, managing the Company's balance sheet, ensuring compliance with all regulatory requirements and managing the growth in profit and shareholders' value.

Prior to his tenure at VMWM, he served in senior positions at several financial institutions including Capital and Credit Securities Limited and the Union Bank of Jamaica Limited, formerly Citizen's Bank. He has over 20 years of experience in managing foreign currency investments and deposits portfolios, negotiating foreign exchange and money market deals and ensuring consistent growth in the respective client bases.

Mr. Barrett holds an MBA from the Nova Southern University and a B.Sc. in Management Studies from the University of the West Indies.

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PROFILES OF DIRECTORS

Mr. Lissant Mitchell

Mr. Lissant Mitchell has over 20 years experience in the local financial industry. He joined Scotia Investments in October 2007 as SVP Treasury & Capital Markets and was promoted to Chief Operating Officer in October 2010, and appointed Senior Vice President Wealth Management – Scotiabank Group Jamaica & Chief Executive Officer – Scotia Investments Jamaica Limited, November 1, 2011.

Lissant has served as the President of the Primary Dealers Association and Secretary of the Jamaica Securities Dealers Association. He sits on the Scotiabank's and Scotia Investments' Asset & Liability Committees as well as the Group's Managed Funds Investment Committee. He is also a director of Scotia Investments Jamaica Limited, Scotia Asset Management Jamaica Limited and Scotia Caribbean Income Fund.



Mr. Rohan Miller

Mr. Rohan D. Miller is the Chief Investment Officer of Sagicor Group Jamaica Limited; President and Chief Executive Officer of Sagicor Investments Jamaica Limited; and President and Chief Executive Officer of Sagicor Real Estate X Fund Limited.

As Chief Investment Officer of Sagicor Group Jamaica Limited, Mr. Miller oversees its US\$2.5 billion Asset Management operations in the areas of Treasury, Securities Trading, Fund and Real Estate Management. He is the coordinator of Sagicor's real estate investments. He manages the team that developed the Sagicor Real Estate X Fund and guided its expansion into Orlando Florida. He manages not only the development and sale of real estate projects, but also the development of new investment funds and treasury products in both Jamaica and the Cayman Islands. Mr. Miller is a member of the following committees of Sagicor Group Jamaica Limited: Investment & Risk Committee, Asset/Liability Committee and the Mortgage and Loan Committee.



Mr. Mark Croskery

Mr. Mark Croskery is the Executive Director of Stocks and Securities Limited ("SSL").

He has been involved with SSL since 2006, and previously served as President and CEO with the Company, until March 2018. He steered SSL into a leading investment bank with a brokerage distribution arm, that sells leading managed financial plans and brokerage accounts for Jamaicans. SSL manages in excess of US\$ 260 million of Assets under Management and 7,000 investment accounts in 2018.

Mr. Croskery specializes in providing growth equity, investment advice and other services to Companies and Families in Jamaica. He currently sits on the Board of Directors of Stocks and Securities (Barbados) Limited, Stocks and Securities Limited, SSL Capital (Cayman) Limited, SSL REIT Limited, Dolla Financial Services Limited, and Everything Fresh Limited.

Mr. Croskery received a M.Sc. in Global Financial Analysis and a dual B.Sc. in Corporate Finance/Accounting from Bentley University in Boston, Massachusetts. He is also a Member of Young Presidents' Organization (YPO).

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PROFILES OF DIRECTORS

Mr. Julian Mair

With over 20 years of experience in the financial services sector, Julian currently operates as JMMB’s Group Chief Investment Strategist. In addition to his position at JMMB, he has played a significant role in the development of Jamaica’s capital market.

His work experience includes positions at foremost Jamaican financial institutions, as Head of Treasury and Investment Services at Dehring, Bunting and Golding Limited (now Scotia Investments Jamaica Limited) and Senior Trader and Cambio Manager at JMMB. In addition, he has partnered and consulted with various international financial institutions and the Government of Jamaica, in structuring Global Bond Issues. A former Managing Director of Lets Investment Limited, his leadership resulted in the boutique operation becoming a global player in the trading of internationally issued securities.

A founding member and current Vice-President of the Jamaica Securities Dealers Association (JSDA), Julian also serves various institutions as a director, including JMMB Securities Limited, JMMB International Limited, JMMB Puesto deBolsa and Factories Corporation of Jamaica.



Mr. Steven Whittingham

Mr. Steven Whittingham is the Group Chief Investment Officer for GraceKennedy Limited and is a member of the company’s Executive Committee. He works closely with the Group CEO to formulate strategy, ensure effective execution of key strategic initiatives and oversees global M&A activities. He is also the Managing Director of GK Capital Management, the investment and advisory subsidiary of GraceKennedy.

Steven was previously the President of First Global Financial Services Limited (FGFS), at the time one of Jamaica’s leading diversified financial institutions.

Before joining the GraceKennedy Group, Steven was the Managing Director of the Shell licensee in Jamaica, the country’s largest downstream petroleum distribution business. Steven has significant Mergers and Acquisitions experience, acquiring and operating multiple enterprises in Jamaica as well as working for Morgan Stanley in their Investment Banking Group in London. Steven began his career at BlackRock in New York focusing on institutional fixed income asset management.

Steven attended the University of Pennsylvania where he completed a dual degree program, earning a Bachelor of Science in Systems Engineering from the School of Engineering and Applied Science and a Bachelor of Arts in Economics from the College of Arts and Sciences. He received his MBA from the Harvard Business School in 2008 where he was awarded the Morgan Stanley Fellowship.

Steven is currently a director of the Jamaica Stock Exchange and multiple GraceKennedy subsidiaries including GraceKennedy Foods USA LLC and GK General Insurance Company Limited. He has also served as a Director on several other private and public sector boards including Jamaica Promotions Corporation Ltd. (JAMPRO), National Road Operating and Constructing Company Ltd. (NROCC), the Jamaica Manufacturers’ Association, the Fisheries Management and Development Fund and HEART Trust/NTA.

He is married with three children.



PROFILES OF DIRECTORS AND SENIOR MANAGEMENT



Mr. Steven Gooden

Mr. Steven Gooden is the Chief Executive Officer of NCB Capital Markets Limited, which under his leadership has expanded into the southern and eastern Caribbean via the establishment of hubs in the Cayman Islands, Trinidad & Tobago and Barbados. His strategic focus is to drive product penetration throughout the Group and to expand the company's reach across the region.

Steven's ascension to executive management was at 26 years old when he was appointed General Manager for one of Jamaica's leading fund management companies. In 2009, he rejoined NCB Capital Markets as Vice President, Investments and Trading where he successfully integrated the investment management functions of the Group's subsidiaries with combined assets exceeding US\$2billion.

Steven is a holder of the Chartered Financial Analyst (CFA) designation, has a Master's Degree in Finance and Economics, a Bachelor's degree in Economics and Accounting, and has received many accolades in the areas of research and portfolio management. He has also participated in executive development courses at Chicago Booth and Wharton Business Schools covering Strategy, Change Leadership and Mergers & Acquisitions.

Steven sits on the Board of Directors of several companies within the NCB Group, the Jamaica Stock Exchange Limited and the Caribbean Mezzanine Fund. Additionally, he is the Chairman of NCB Global Finance (T&T) Ltd, NCB Capital Markets (Barbados) Limited and Elite Diagnostics Limited, as well as President of the Jamaica Securities Dealers Association and Wolmer's Old Boys Association.

Mrs. Marlene Street Forrest; B.Sc. (Hons), MBA, C.D., J.P.

Mrs. Marlene Street Forrest is the Managing Director of the Jamaica Stock Exchange (JSE) and Director of both its subsidiaries. Her mandate is to continue the process of developing the JSE Group and particularly the Exchange, in an atmosphere of transparency and fairness while utilizing appropriate technology in providing the greatest possible efficiencies to the market.

Mrs. Street Forrest has a wealth of experience having worked in senior management positions at varying private and public sector organizations here in Jamaica and overseas. It is under her stewardship that the JSE became demutualized and the US Denominated Market and the Junior Market were launched. She also spearheaded the Registrar Division of the Jamaica Central Depository (JCSD) when she served as General Manager for this subsidiary of the JSE. Today, Mrs. Street-Forrest is a highly demanded speaker, having given presentations at many local, regional and international conferences and seminars for the securities markets and financial services industry.

Mrs. Street Forrest attended the University of the West Indies, Mona, where she read for the Bachelors Degree in Management Studies and later gained her Masters in Business Administration at the Barry University in Florida.

In 2016 Mrs. Street Forrest was conferred with the honour of the Order of Distinction in the Rank of Commander (CD) in recognition of her outstanding leadership in the growth of the Jamaica Stock Exchange. In that same year she also received the Afroglobal Excellence Award for Global Impact from Canada for exhibiting great leadership, vision, integrity and commitment to excellence.

She is a Justice of the Peace and serves as a Director for the Good Samaritan Inn, a Christian outreach aimed at uplifting the poor and marginalized.



PROFILES OF INDEPENDENT DIRECTORS

Mrs. Jane George

Mrs. Jane George is Senior Legal Counsel and Company Secretary at J. Wray & Nephew Limited. She was admitted as a Solicitor in England and Wales and as an Attorney-at-Law in Jamaica and is a member of the Law Society of England & Wales and the Jamaican Bar Association. Mrs. George, who has approximately 29 years experience in the legal profession in Jamaica and England, joined the Board of the Jamaica Stock Exchange in 2008. She sits on the Regulatory and Market Oversight Committee, the Corporate Governance and Nomination Committee, the Audit Committee, Compensation Committee and the Member Dealers Admissions Committee.



Mr. Garth Kiddoe

Mr. Kiddoe is an Enterprise Consultant, with experience in Corporate Governance, Accounting, Management, Accreditation Systems and procedures and Electrical Engineering. He is also a trained Family Business Consultant. He is a part-time lecturer in Management at the University of Technology, Jamaica and was a member of the project management team for a US\$42.6 Million project funded jointly by the Government of Jamaica, the Caribbean Development Bank and the University of Technology, Jamaica (UTech).

Mr. Kiddoe is Chairman of the Professional Engineers Registration Board, a member of the Board of Directors of the Jamaica Stock Exchange (JSE) representing the Institute of Chartered Accountants of Jamaica (ICAJ), Chairman of the Board of the Jamaica Central Securities Depository Ltd, a subsidiary of the JSE, Chairman of the Board of Governors of the JSE e-Learning Campus, and a member of the Public Accountancy Board (PAB). He is a member of the Practice Monitoring Committee of the PAB and serves on a number of the sub-Committees of the Board of the Jamaica Stock Exchange, including the Regulatory and Market Oversight, Audit and Corporate Governance Committees



Miss Dian Black

Ms. Dian Black is the Principal Director of the Debt Management Branch (DMB) in the Ministry of Finance & the Public Service and has over 15 years' experience dealing with public debt-related affairs.

She is responsible for leading the strategic and operational activities of the DMB in raising adequate levels of funding to satisfy the Government's budgetary needs, while balancing the trade-offs in costs and risks. In her capacity as PD, she gives policy advice on debt management matters to senior officials in the Ministry and provides the necessary interface between the JSE and the Government. Similarly, Ms. Black represents the Government of Jamaica on matters relating to public debt.



Mr. Livingstone Morrison - Chairman Regulatory & Market Oversight Committee (RMOC)

Mr. Livingstone Morrison is the Deputy Governor of the Bank of Jamaica with responsibility for Administration and Technical Services, Finance and Technology and Payment System and Risk Management.

Mr. Morrison joined the staff of the Bank of Jamaica in 1982 and worked for several years in the Financial Institutions Supervisory Division. Between 1998 and 2002, Mr. Morrison served as the Division Chief of the Finance and Technology Division, with core responsibilities for strategic management of the accounting, finance, and information and communication technology functions of the Bank. In 2011, he assumed responsibility for the Administration and Technical Services Division in addition to the Finance and Technology and Payment System and Risk Management Division.

Mr. Morrison chairs the Regulatory & Market Oversight Committee and is also a Director of the Jamaica Central Securities Depository. He studied at the U.W.I. And University of Oxford and holds a masters degree in Accounting.

PROFILES OF INDEPENDENT DIRECTORS



Matthew A. Hogarth, LL.B (Hons.)

Mr. Matthew Hogarth is a Partner at MH&CO. specializing in the areas of banking, finance, mergers and acquisitions, corporate structuring and governance, taxation, trusts, real estate and business advisory.

Throughout his career, Mr. Hogarth has handled Initial Public Offerings (IPOs), high-value private equity and debt transactions in addition to corporate bank loan transactions for numerous international blue chip companies, private business and legal audits and has acted in numerous cross-border matters including the management and strategy of insolvency and receivership assignments, including advising the Liquidator or Receiver on legal issues. Mr. Hogarth also has considerable experience with both residential and commercial real estate transactions, including real estate investment vehicles and structures.

Mr. Hogarth has a reputation for being solution-oriented, detailed, thorough and for his proficiency at creating practical corporate structures that marry business and the law.

There are six Alternate Directors who have been approved by the Directors of the Exchange. These are:

1. **Ms. Lamar Harris**
- Stocks & Securities Limited
2. **Mr. Christopher Berry**
- Mayberry Investments Ltd.
3. **Mr. Edwin McKie**
- MV/L Stock Brokers Limited
4. **Mrs Rita Humphries-Lewin**
- Barita Investments Limited
5. **Mr. Jason Chambers**
- GK Capital Management Limited
6. **Mr. Kevin Donaldson**
- Sagicor Investments Ja. Limited

Roxanne R. Hutchinson - Company Secretary

Roxanne was appointed to the post of Company Secretary of the Jamaica Stock Exchange Limited (the "Company") on April 3, 2017 after serving for over four (4) years as Legal Officer of the Company and its subsidiaries. In her role as Company Secretary she has responsibility for dealing with compliance and regulatory matters relating to the Company and providing legal and professional advice to the Board of Directors.

Roxanne holds a Bachelor of Laws (Hons.) from the University of London, and is a qualified and practicing Attorney-at-Law who specializes in Company, Trust and Commercial Law.



PROFILES OF INDEPENDENT DIRECTORS



Mrs. Janet E. Morrison

Mrs. Janet Morrison was called to the Jamaican Bar in 1978. She is a partner in the firm of Hart Muirhead Fatta and her practice is primarily in the areas of Corporate and Commercial Law. A graduate of the University of the West Indies and the Norman Manley Law School, she also holds a Master's Degree in Commercial and Corporate Law from the University of the West Indies. She is listed in **International Financial Law Review 1000** (IFRL 1000) as one of the world's leading lawyers.

As a member of the Board of the Jamaica Stock Exchange, Janet Morrison sits on the Board's Executive Committee, the Regulatory & Market Oversight Committee and is the chair of the Corporate Governance & Nomination Committee. She is also an independent director of Mystic Mountain Limited.

Janet is a member of the council of the Jamaican Bar Association (JBA), where she sits on the Commercial Law Sub-Committee and the Publications Sub-Committee. She has presented at several conferences on Corporate Governance, the Pensions Act and the Companies Act and has contributed legal commentaries and articles in the Jamaican press. She is an associate tutor at the Norman Manley Law School, Mona Campus in company law and is a Fellow of the Chartered Institute of Arbitrators.

JSE BOARD COMMITTEES 2017/2018

AUDIT COMMITTEE (Rule Based)

Chairman: Mr. Garth Kiddoe
Mr. Devon Barrett
Miss Dian Black
Mr. Rohan Miller (Alternate Mr. Kevin Donaldson)
Mr. Livingstone Morrison

COMPENSATION COMMITTEE

Chairman: Mr. Ian McNaughton (Alternate Mrs. Rita Humphries-Lewin)
Mr. Gary Peart (Alternate Mr. Christopher Berry)
Miss Dian Black
Mr. Garth Kiddoe
Mr. Livingstone Morrison

CORPORATE GOVERNANCE & NOMINATION COMMITTEE

Chairman: Mrs. Janet Morrison
Miss Dian Black
Mr. Garth Kiddoe
Mr. Julian Mair
Mr. Steven Whittingham (Alternate Mr. Jason Chambers)

EXECUTIVE COMMITTEE

Chairman: Mr. Ian McNaughton (Alternate Mrs. Rita Humphries-Lewin)
Mr. Gary Peart (Alternate Mr. Christopher Berry)
Mr. Steven Gooden
Mr. Lissant Mitchell
Mrs. Janet Morrison
Mrs. Marlene Street Forrest

LISTING COMMITTEE (Rule Based)

Chairman: Mr. Ian McNaughton (Alternate Mrs. Rita Humphries-Lewin)
Mr. Gary Peart (Alternate Mr. Christopher Berry)
Miss Dian Black
Mr. Steven Gooden
* Mr. Matthew Hogarth
Dr. Derrick McKoy (Alternate Mr. Ed McKie)
Mr. Lissant Mitchell

MEMBER DEALER ADMISSION COMMITTEE

Chairman: Mrs. Janet Morrison
Miss Dian Black
Mr. Garth Kiddoe
* Mr. Matthew Hogarth
Mr. Livingstone Morrison

REGULATORY & MARKET OVERSIGHT COMMITTEE (Rule Based)

Chairman: Mr. Livingstone Morrison
Miss Dian Black
Mr. Garth Kiddoe
* Mr. Matthew Hogarth
Mrs. Janet Morrison

RULES COMMITTEE

Chairman: Mr. Ian McNaughton (Alternate Mrs. Rita Humphries-Lewin)
Mr. Garth Kiddoe
* Mr. Matthew Hogarth
Dr. Derrick McKoy (Alternate Mr. Ed McKie)
Mr. Steven Whittingham (Alternate Mr. Jason Chambers)

Updated August 8, 2017

* Updated December 13, 2017

* New Member appointed in December 2017

THE MANAGEMENT TEAM



Marlene Street Forrest
Managing Director, JSE



Robin Levy
General Manager, JCSD,
JCSD Trustee Services Limited
& Deputy General Manager, JSE
(He demitted office November 2017)



Michelle Sirdar
Manager, Registrar
Services

(Cont'd on next page)

THE MANAGEMENT TEAM



Andrea Kelly
Manager,
Trustee
Services



Mr. Andrae St. P. Tulloch
Acting Chief Regulatory
Officer



Suzette Whyte
Financial Controller



Roxanne R. Hutchinson
Company Secretary
Legal Officer - Executive Office

(Cont'd on next page)

THE MANAGEMENT TEAM



Suzette McNaught
Manager, Information
Technology & Systems



Riccalya Robb
Manager, Market
Operations & Trading



Neville Ellis
Marketing &
Communication
Manager

(Cont'd on next page)

THE MANAGEMENT TEAM



Doreen Parsons Smith
Manager, Human Resources



Suzette Pryce
Manager- Retail
Repo Division



Kadyll G. McNaught-Hermitt
Manager, Depository
Service Unit

From the Chairman's Desk

CHAIRMAN'S REPORT



Mr. Ian McNaughton
Chairman
Jamaica Stock Exchange

The Jamaica Stock Exchange (JSE) in 2017 continued the steady growth of revenue year over year increasing to \$991.2 million from \$865.8 million in 2016 a \$125.4 million, or 14.5%. Net Profits however remained flat, recording \$220.7 million in 2017 compared to \$223.6 in 2016. This was caused by a general increase in expenses.

2016 Global Performance

Stock markets around the world remained optimistic with majority experiencing an increase in market performance, especially in the USA, which had its best performance since 2013. The S&P 500 rose by 19% and the NASDAQ by an impressive 28%. The JSE's Main Market increased by 49.98% resulting in the Jamaica Stock Exchange being ranked within the top ten best performing Exchanges in the world.

The Jamaican Economy

Jamaica's economy grew by approximately 0.5% as measured by GDP and our international credit ratings improved in 2017. Notwithstanding the low growth rate, the economy in 2017 added over 8,000 jobs; in addition to this, the dollar remained stable and interest rates low, business and consumer confidence improved. This presented great opportunity for the stock market, as many investors maximized their return on investments through the stock market. More companies also raised capital through the market.

The JSE continues to work with all its stakeholders to ensure that the markets remain vibrant and well regulated in order to facilitate greater mobilization of capital, wealth creation and economic growth.

Our strategic plan, which involves product diversification, is paying good dividend, with the continued stellar performance of the JCSD and JCSD Trustee Services, which have positively impacted the bottom-line of the Group.

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From the Chairman's Desk

CHAIRMAN'S REPORT

2018 Outlook

In 2018 the JSE Board and Management are anticipating continued growth of the market. The outlook for 2018 is as follows:

- ✓ More listing on all Markets, especially the Junior Market, given the incentive programme
- ✓ New investors participating in the Markets
- ✓ The introduction of new products & services

Conclusion

In 2019, the JSE will be celebrating 50 years of service to the nation. This means 50 years of mobilizing capital and growing wealth within the nation. I wish to thank all our directors, management and staff who have worked tirelessly and unselfishly to continue the mission of ensuring that the Exchange grows and expands its reach and profitability. I also express my appreciation to the companies that are listed on the Exchange, the investors, and other market participants without whom our plans would be meaningless. Our success depends on you and we thank you for using our service to grow your business, achieve your goals and contribute to our country Jamaica.



Ian McNaughton
Chairman

2017 Regulatory & Market Oversight Committee (RMOC) CHAIRMAN'S REPORT



Mr. Livingstone Morrison
Chairman

The year 2017 was another active year for the Regulatory and Market Oversight Committee (RMOC) and its administrative arm the Regulatory and Market Oversight Division (RMOD). During the year the RMOC, which is comprised solely of independent directors of the JSE, met on fourteen (14) occasions to consider regulatory and compliance issues of the Exchange. Of the matters deliberated on, considerable time was allocated to assessing the RMOD's Market Surveillance function as well as to consider rules and policy development that were deemed as necessary to further strengthen the regulatory framework of the equities market.

In reviewing the RMOD's Market Surveillance operations, the RMOC committed to ensuring that the processes deployed by the RMOD were reviewed and amended to align with international best practices. The RMOC also sought to ensure that the scope of the operations of the RMOD was adequate and sufficiently robust to detect potential breaches of the JSE's Rules, the Securities Act of Jamaica and the Securities (Conduct of Business) Regulations. In providing the required assurances, the RMOD was charged with mapping each of its market surveillance procedures to the respective rule and regulations to attest that there was 100% coverage of potential trading violations as per the regulatory requirements. It is also significant to note that the operation of the RMOD was the subject of an audit review during the year. Notwithstanding the fact that the issues identified were not of material importance the RMOD continues to take the necessary steps to ameliorate the areas of concern.

During the year the RMOD strengthened its market surveillance capacity and is now better positioned to identify and address potential breaches relating to trading on the Exchange. In this regard, in 2017 the RMOD identified 412 cases, which was a 36% percent increase in the number of issues handled when compared to the 303 cases that were handled in 2016. Of significance is the fact that the key performance indicators showed that the RMOD recorded improvement in eleven (11) of the fourteen (14) areas during 2017 relative to the numbers reported in 2016.

The indicators relating to the surveillance of potential breaches of trading rules by insiders saw improvements in the timeliness of filings on both the Main Market (97% in 2017 vs 89% in 2016) and Junior Markets (88% 2017 vs 84%, 2016). These statistics are moving in the right direction and serve to underscore the fact that the JSE's regulatory programme has been effective in promoting a high level of compliance from market constituents, which is a critical component in safeguarding the integrity, efficiency and reputation of any market.

In addition to strengthening the JSE's market surveillance function, the RMOC considered and approved eleven (11) rule amendments during the year. The amendments which relate to the areas indicated below serve to strengthen the efficiency of the equity market:

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2017 Regulatory & Market Oversight Committee (RMOC)

CHAIRMAN'S REPORT

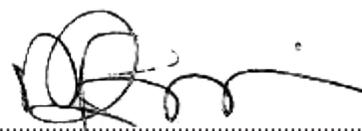
1. Initial Public Offerings
2. Initial & Continued Listing Requirements
3. Settlement and Trading Procedures
4. Reporting of Dealings by Insiders, &
5. Member-Dealer Regulations.
2. A comprehensive review of the JSE's Main Market Rules to accord with international best practices for equity markets;
3. The adoption of cross-training initiatives with our international counterparts; and
4. The implementation of an Updated Automated Market Surveillance System.

The specific rules that were passed during the year and their specific references are as follows:

1. JSE Main Market Rule – Definitions – Block Transaction.
2. JSE Main Market Rule 220 (A), (B) and (C) – Inactive Member/Dealer.
3. JSE Main Market Rule Appendix 3, Section (18) – Requirement for Notification.
4. JSE Main Market Rule Appendix 7, section 9 (b) – Model Code for Securities Transactions by Directors, Senior Managers and their Connected Parties.
5. JSE Junior Market Rule Appendix 2, Part 8 Section 9 (b) – Model Code for Securities Transactions by Directors, Senior Managers and their Connected Parties.
6. JSE Main Market Rule 314 – Ex Dividends, Ex Rights.
7. JSE Junior Market Rule 501 (2) (a) and (b) – Minimum Requirements.
8. JSE Junior Market Rule 502 (1) – Initial Public Offering.
9. JSE Junior Market Rule Appendix 2, Part 7 (i) – Initial Listing Fee.
10. JSE Junior Market Rule Appendix 8, Section 2, Footnote 3 – Details of Application.
11. JSE Junior Market Rule Appendix 8, Section 3 – Table of Contents of Prospectus.

In closing much thanks must be expressed to members of the RMOC and the RMOD team for the work and dedication that was displayed during the year, which not only allowed us to realize the abovementioned achievements but to continue to maintain Jamaica's position as the top performing country in the Caribbean in the category “Regulation of Securities Exchange”, with a ranking of 27 out of 137 countries, according to the 2017/2018 Global Competitiveness Report. The rank of 27 sees us moving up five (5) places from our last ranking of 32 and is the second highest placing that Jamaica has had since the inception of the RMOC in 2007.

Last but not least I wish to acknowledge the JSE's Board and the wider market for the continued confidence reposed in the RMOC and the RMOD. The team will continue to work assiduously to ensure that Jamaica continue to reap the benefits of a fair, efficient and transparent securities market.



.....
Mr. Livingstone Morrison.
Chairman

Looking Ahead

The RMOC is aware that continuous assessment of the adequacy of the regulatory procedures are needed to keep pace with market growth and development to include changes related to technological advancement and the development of new products and services. In this context the RMOC will continue to explore rule and policy development opportunities to keep the JSE's regulatory programme relevant to the changing needs of the market. For the year ahead the RMOC intends to undertake:

1. A comprehensive review of the JSE's Junior Market Rules to include suitable fines and penalties for violations by Junior Market Companies;

The Jamaica Stock Exchange and Its Subsidiaries

AUDIT COMMITTEE REPORT

The Mandate of the Audit Committee

The mandate of the Audit Committee is to assist the Board of Directors in ensuring the adequacy of the internal procedures of the companies within the group, the integrity of the financial statements of those companies, and ensuring compliance with legal and regulatory reporting requirements. The Committee also serves as a conduit for communication between the Board, the management team and the internal and external auditors with respect to these areas.

Role & Responsibilities of the Audit Committee

The Audit Committee performs an important role in maintaining high standards of budgeting, accounting and financial reporting, consistent with International Financial Reporting Standards (IFRS). The Committee ensures that the Board's and Management's fiduciary responsibilities are conducted in an environment of integrity and transparency.

Meetings and Attendance

The Audit Committee is required to meet at least four (4) times per year. However, during the year under review, thirteen (13) Audit Committee meetings were held, with an average members' attendance of eighty (80%) percent.

Internal Controls

The Committee monitored the effectiveness of the organization's risk management and internal control systems, ensuring that they are in compliance with company's standards and international best practices, including:

1. Reviewing the Company's operational policies and procedures
2. Monitoring the Internal Auditor's scope of work, findings and recommendations with a view to determining their effectiveness
3. Reviewing management's responses and monitoring implementation of remedial actions based on the Auditor's recommendations
4. Ensuring there are no unjustified restrictions or limitations on the Auditors' work.

The internal audit function is sub-contracted to PriceWaterhouseCoopers.

Compliance

The Committee reviewed the effectiveness of the Company's system for ongoing compliance with relevant laws and regulations and monitored the results of management's investigation and follow-up in any instances of non-compliance.

External Audit

The Committee reviewed the audit plan and the effectiveness of the external auditors to ensure that their performance was adequate for assurance of the Board's governance responsibilities and in accordance with best practice and applicable regulatory standards. The Committee also sought to ensure that the Auditors received all the access, information and explanations that they required to complete their course of work.

The Company's external auditors are Ernst & Young.

Financial Statements

During the year, the Committee reviewed all quarterly reports and the annual financial statements to ensure compliance with International Financial Reporting Standards (IFRS) and regulatory requirements before recommending them for the approval of the Board.

All activities were completed in good order and the Audit Committee considers its mandate as having been satisfactorily fulfilled for the year under review.

Audit Committee Composition

AUDIT COMMITTEE (Rule Based)

Chairman: Mr. Garth Kiddoe	- Independent
Mr. Devon Barrett	
Miss Dian Black	- Independent
Mr. Rohan Miller (Alternate Mr. Kevin Donaldson)	
Mr. Livingstone Morrison	- Independent



L. Garth Kiddoe
Chairman

The Jamaica Stock Exchange and Its Subsidiaries

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the JSE is made up exclusively of non-executive directors and is chaired by the Chairman of the Board, Mr. Ian McNaughton. Other members of the Committee are:

Mr. Gary Peart *(Alternate Mr. Christopher Berry)*
Miss Dian Black
Mrs. Jane George
Mr. Livingstone Morrison

The Committee's mandate is to make recommendations on the Company's framework of executive remuneration. The Committee reviews and approves corporate goals in relation to the CEO's compensation; evaluates the CEO's performance in light of the company's goals and objectives and makes recommendations to the Board with respect to executive and non-executive compensation.

Directors' fees totaled \$12.4 Million in 2017 and represented a \$2.7 Million increase from 2016, which was \$9.7 Million.



Ian McNaughton
Chairman

MANAGING DIRECTOR'S REPORT - JSE



Mrs. Marlene Street Forrest
Managing Director
Jamaica Stock Exchange

For the year 2017, JSE Group continued on the path of success. All markets were active and the indices continued to advance, recording growth of approximately 50% in the Main Market and 5% in the Junior Market. Twelve securities were listed across all markets in 2017.

2017 was a year of important developments on many fronts for the JSE Group. We continued on our path of diversification and other market developments in an effort to provide enhanced customer service and satisfaction.

We experienced increased investor interest, awareness and participation in our markets, through the Initial Public Offerings (IPO) which challenged us to revisit some of our processes and sharpen our delivery to a market where time matters.

The Jamaica Stock Exchange switched to a new trading platform at the beginning of the year; a migration which tested our mettle, but strengthened our resolve as a team to provide excellent service to our customers, while ensuring that the technology employed is in a state of continuous improvement, and in keeping with 'best in class' architecture.

As we are aware that the Exchange Group plays a pivotal role in economic development, we have been engaging our regional and global counterparts and expanding our footprint outside of Jamaica in order to facilitate greater global connectivity through our markets.

Review of 2017 Performance

Our results as a Group were excellent because, despite not having what is termed large 'one-off' transactions, our markets delivered steady performances which rivalled those of the previous year. According to Bloomberg data, the Jamaica Stock Exchange was ranked the sixth best performing Exchange in the world for 2017. Companies also raised in excess of \$15.5 billion during the year.

We strongly believe that this positive performance and the keen interest in the market, demonstrated by the level and growth of activities, resulted from our comprehensive approach to marketing our products and services and our market education programme, targeted at both the demand and supply sides of the market. To balance this also, is the stable economic environment that Jamaica has been experiencing which has resulted in the lowering of interest earned on government and other debt securities, and the positive Business and Consumer Index.

The Group's financial position has also benefited significantly from the diversification of our activities across multiple business lines, with each contributing a positive net profit, with the JCSD Trustee Services returning strong performance. Our strategy to provide excellent and independent support service to the financial market has proven to be sound and we will continue to explore other avenues for expansion.

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MANAGING DIRECTOR'S REPORT - JSE

The Group has grown because we have embraced the philosophy that we must provide the best service to our members and partners even in the most challenging times. We must be seen as a bastion of integrity and transparency with a purpose driven mandate as the gatekeeper of good corporate governance. We believe we are encouraging this by enlisting our listed companies' and brokers' support on a journey with us as we implement our Corporate Governance Index. We were extremely pleased at the co-operation we received from our brokers when, in a move to reduce market risk and improve the time-line for settlement, all were on board as we moved from Trading Date plus 3 (T+3) to Trading Date plus two (T+2). These are some initiatives we are certain will attract global attention to our markets, despite the small size of our Exchange compared to many larger players.

We are pleased to inform that as we examined and improved our infrastructure we looked at our human resources. We provide training to our staff and directors in the business of the Exchange and Corporate Governance.

As quality of a market trumps the size of it, we are pleased to announce that our foray into the Canadian market has so far been successful. We are now laying the groundwork for custody and settlements of cross-markets transactions and have successfully navigated the requirements necessary to be a participant in the Canadian Depository for Securities (CDS). This achievement will open doors to the Canadian market, both in respect to listings and cross-listings and the transaction in other products and services.

We are now a Group with broader offerings: from equities to bonds, US\$ markets and an efficient and ever-growing back office and risk management support for the market via the JCSD and the JCSD Trustee Services Ltd. We are now focused on local and global business development not just to expand our activities into new products and services but also to attract global investments, listings and trading activities to Jamaica.

ENVIRONMENTAL FACTORS

Economic Overview

The institutional reforms and efforts to improve the investment climate have started to bear fruit. The country's credit rating has improved and public and publicly guaranteed debt fell to 114 percent of GDP by the end of 2017. Data obtained from the PIOJ revealed that GDP grew by 0.5% during the 2017 calendar year. This represents the fifth consecutive year of GDP growth.

EPOC, at its meeting held on February 23, 2018, concluded that at the end of December 2017 all fiscal and monetary International

Monetary Fund (IMF) programme targets have been met or surpassed. Revenues & Grants for the period April to December 2017 of \$390.9 billion was 3.9% more than the budgeted \$376.4 billion. Tax Collections amounted to \$353.1 billion, exceeding the budget by \$11.5 billion.

The calendar year inflation rate for 2017 was 4.2% which represents a 2.5% increase over the 1.7% recorded in 2016.

The Employed Labour Force for July 2017 was 1.22 million in comparison to the 1.19 million recorded in July 2016. The Unemployment Rate was 11.3%, a decline of 1.6% when compared to July 2016.

On December 29, 2017, the Jamaican dollar traded at 125.0936 to US\$1.00 an appreciation of JA\$3.2687 or 2.55% since the start of the year.

Treasury Bill yields for the month of December 2017 were 4.18% and 4.63% for the 90-day and 180-day instruments respectively.

At the end of December 2017 the Net International Reserves (NIR) stood at US\$3.21 billion. This reflects an 18.01% increase over the US\$2.72 billion recorded in 2016.

These statistics reflect what Jamaica has achieved in the economy and this has had a positive impact on the stock market.

Global Review of Stock Markets for 2017

The value of public companies on global stock markets grew by \$12.4 trillion in 2017, according to S&P Dow Jones Indices, which included dividends in its calculation. A number of markets even outperformed the U.S.

The Dow Jones industrial average shot up by 25%, the S&P 500 surged by 19% and the tech-heavy Nasdaq index outshone them all with a stunning 28% gain.

Argentina's Merval index surged 77% in 2017 and hit a record high in the final week of the year.

Turkey's benchmark index rallied by 48% this year as the government implemented temporary tax cuts, the falling Turkish lira and a loan guarantee program that encouraged banks to lend to small businesses.

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MANAGING DIRECTOR'S REPORT - JSE

Hong Kong's Hang Seng index charged ahead by 36%, but China's major mainland indexes in Shanghai and Shenzhen floundered. FTSE 100 hit a new record, closing high at 7,687 points in 2017, up 7.6%.

The Toronto Stock Exchange's S&P/TSX composite index ended up 6 percent, to close at 16,209.13 in 2017.

According to Reuters, markets ended 2017 in a party mood after a year in which a concerted pick-up in global growth boosted corporate profits and commodity prices, while benign inflation kept central banks from snatching away the monetary punch bowl.

MSCI's world equity index, which tracks 47 countries, inched up 0.15% as six straight weeks and now 13 straight months of gains left it at yet another all-time high. The index has been on an upward trajectory for pretty much all of 2017, putting it 22 percent and almost \$9 trillion higher for the year.

One can conclude from the global scan that the markets remained active in 2017 and this was evident in our local stock market.

JSE MARKET PERFORMANCE IN 2017

Overall the indices realized significant gains in comparison to 2016.

Stock Market Statistics	Value 2017	Value 2016	Change	Change %
Main JSE Index	288,381.97	192,276.64	96,105.33	↑ 49.98
All Jamaican Composite Index	316,516.11	210,139.49	106,376.62	↑ 50.62
JSE Select Index	8,516.38	6,403.77	2,112.61	↑ 32.99
JSE Combined Index	294,986.53	204,960.10	90,026.43	↑ 43.92
Junior Market Index	2,732.06	2,593.71	138.35	↑ 5.33
JSE USD Equities Market Index	166.17	164.50	1.67	↑ 1.01
Market Capitalization (Combined Market)	1.16 Trillion	800.86 Billion	362.67 Billion	↑ 45.28

For the first time, the market capitalization for the Combined Market surpassed the trillion-dollar mark closing at \$1.16 trillion at the end of December 2017, an increase of 45.28% over the previous year. Also reaching the trillion-dollar market was the market capitalization of the Main Market which grew significantly to \$1.048 trillion in comparison to the \$697.45 billion recorded in 2016.

Market capitalization for the Junior Market closed at \$114.80 billion at the end of 2017, an increase of \$11.38 billion or 11.00% over the \$103.42 billion recorded at the end of 2016.

Market capitalization at the end of 2017 increased by 56.60% or \$80.49 million to US\$222.58 million in comparison to the US\$142.13 million realized at the end of 2016 for the US Dollar Equities Market.

WELCOMING 2018

Looking ahead into 2018, our immediate focus is that of continuing to encourage the investing community to stay the course while we invite companies to list their securities on the markets, thereby increasing the pool of companies from which investors can participate. We know there is a pent-up demand by investors to invest in companies that have signaled their intent to list on the Exchange. As we continue our programme to encourage access to equity capital, we expect that investors will be better satisfied. It is appropriate at this point to thank IDB/MIF for supporting the JSE over the period 2016-2017 in its quest to improve the pipeline of companies available to access equity capital and to assist with the general equities market development.

There is no shortage of opportunities to grow the market and achieve profitability for the Group. We are having a roadmap and a plan. We intend to capitalize on new technologies to improve the market place. We have started and will continue to explore blockchain technology and identify the opportunities that it affords. We will also implement measures in the form of short selling, margin trading and market making in order to increase liquidity in our markets and by extension market participation. The enhancement of our trading platform is critical to the realization of these goals.

We remain steadfast and committed to strengthening the Group through brand awareness, education and a strong regulatory environment. We are convinced that our reputation will continue to be one of the major keys to opening up regional and global opportunities for maximizing our growth potential. The Group has been driven by our customers' demands, our ability to listen and to collaborate with our stakeholders. This included our keen attention to our environment as we worked with NEPA, KSAC and the others in attempting to address issues that affect the Exchange and the community in which we operate. As we have marshalled our team in 2017 to seize opportunities and to put the necessary plumbing in place for the delivery of more products and services, we will continue to pave the way for a securities market that is resident in Jamaica but on with a global reach while continuing to provide a strong return to stakeholders, both in the near and long term.

Our Managers are proud of our achievements and we will provide further information in our segment dubbed 'Roll Call'.

I thank you once again for being our partners on our journey to serve with excellence.



.....
Marlene J. Street Forrest
Managing Director, JSE

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JSE MANAGERS ROLL CALL

DEPARTMENTAL HIGHLIGHTS 2017

Information Technology

The use of technology continues to play a pivotal role in the delivery of high quality products and services to the market. As we seek to explore and take advantage of the use of technology, the Group's technology unit continues to operate as a strategic partner to all the business units and business partners by focusing on customer service through collaboration and providing solutions that are timely and allow the divisions and our extended clients to create value and operate efficiently. By extension, this facilitates the Exchange in its mandate towards implementing core business strategies and expansion of the service portfolios in 2017 and beyond.

In 2017, the team implemented a new trading platform, a migration which tested our mettle, but strengthened our resolve as a team. The challenges with the platform created some downtime which has affected the timely delivery of services and some products in 2017. We remain committed however, to ensuring that we continue to deliver consistent and reliable services while ensuring that the technology employed is in a state of continuous improvement. This will allow for the JSE to take advantage of emerging trends and technology and by extension, the delivery of new products in 2018 and beyond.

Despite the challenges, we have made significant progress the following areas and have achieved several successes in 2017.

Successful initiatives during 2017

1. Implementation of a new Trading and Surveillance Platform
2. Additional features added to Online Trading Platform which sought to improve the customer experience
3. Continuing activities for the implementation of a mobile app for Apple devices
4. Upgrade of Infrastructure
5. Upgrade of Financial System – Phase 1

Projects to be implemented in 2018

1. Mobile App for Apple devices
2. Implementation of new products such as Short Selling, Futures and Options and Derivatives
3. Online Trading Phase III
 - a. Addition of other member dealers
 - a. Integration with Broker Back Office System
4. Upgrade of Financial System – Phase 2

Ongoing Initiatives in 2018

1. Improve on the stability of the Trading Platform
2. Business Solutions geared towards achieving the group's strategy
3. IT Governance, Security and Service Delivery – continuous improvements
Customer Service and Support – continuous improvements

The JSE Group prides ourselves in having an IT infrastructure that is managed according to industry standards and best practices. Consequently, the Group's technology unit will continue to leverage successful standards and practices and to adopt new frameworks where applicable. For the year 2018/19 we will continue to build out in areas such as network & infrastructure, information security, risk management, quality assurance and management information systems.

Our team stands ready and remains committed to the initiatives to be achieved in 2018 and will continue to expand its capacity to ensure that the Group takes advantage of market opportunities through the utilization of efficient and effective use of technology.

Marketing Activities

The Stock Exchange continued its strong focus on market education in 2017. This focus has borne fruit, with over 13,960 new accounts being created in 2017. We hosted the “Art of Buying and Selling Shares”, a workshop that was over-subscribed. We continue to receive numerous enquiries on how to go about “buying & selling shares”. In order to expand our reach, we have created a video on “buying and selling of shares,” that we now air on television, cinema and is posted on the JSE YouTube channel for general consumption.

We utilize multiple approaches to reach our different target audiences. The objectives of these programmes as highlighted below are to garner market engagement:

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Regional Investments & Capital Markets Conference

The JSE Investments and Capital Markets Conference continues to grow in status each year and 2017 was no different. There were over 470 persons attending this Conference along with media coverage from across the region and North America.

Stock Market Game for High Schools

The Stock Market Game is a simulation game for trading stocks on the Jamaica Stock Exchange platform. It is designed to promote a better understanding of the stock market and how it works. It is aimed at high school students in 4th to 6th forms. Participation in the game strengthens students' critical thinking skills, build confidence and their self-esteem. Most importantly, the Stock Market Game instills an understanding of the need to save and invest at an early age.

The 2017 winning school was the Convent of Mercy Academy 'Alpha', with Shauna-Lee Dixon declared as the individual winning student. William Knibb Memorial High School's Shanay Graham, placing second, while Spanish Town High student Na-Keem Phan placed third.

High School Education Programme

Eighty-Six (86) high schools visited the Exchange in 2017, up from the 85 that visited in 2016. However, this is not a true reflection on the number of schools that wanted to visit us. We could not accommodate all school requests that we received in 2017 due to time and space constraints. We will be examining other options to meet this pent up demand.

The school programme gives students an understanding of:

- The role & functions of the stock market
- The importance of savings & investments
- Investment using stocks and
- The importance of financial literacy

JSE's Public Investor Outreach

In 2017, the JSE continued its partnership with Barita Investments Limited to host three Public Investor Outreaches in the parishes of Kingston, Manchester and St. Elizabeth. There were over 700 potential investors in attendance at these outreaches. Barita Investments continued the trend of opening broker accounts for persons at the Public Outreaches. This initiative is bearing much fruit as persons appreciate the convenience.

The JSE Public Investor Forum outreaches are designed to engage Jamaicans across the length and breadth of the country on how the stock market works and how Jamaicans can use this medium to invest and create wealth.

Corporate Outreach

Throughout the year, the JSE team went on 20 corporate outreaches, where 300 persons attended. This was less than were held in 2016 as the focus in 2017 was to attend more Expos and Conferences as a means of using our resources more efficiently.

The Corporate Outreach is an exciting 40-minute presentation tailored for employees in the Jamaican workforce to improve their understanding of the stock market and the different ways they can create wealth using this channel. The aim of the programme is to present to employees at their workplace simple and concise information about how the stock market works to benefit Jamaicans, thereby bringing the market education to them.

National Investor Education Week

The JSE celebrated its 11th National Investor Education Week (NIEW) in 2017. The longevity of this event is a testament to people's interest in the market. The JSE targeted Jamaica Defence Force (JDF) and Tertiary Institutions for the National Investor Education Week. We visited:

- ✓ JDF Air Wing
- ✓ JDF Coast Guard
- ✓ University College of the Caribbean
- ✓ EXED Community College
- ✓ Mico University College

The JSE team and their sponsors were able to engage over 1,200 persons about investing in the markets. Sponsors onboard for the week of activities were Barita Investments, ISP Investments, LASCO Financial Services, Access Financial Services, Jamaican Teas, Financial Services Commission and CUNA Mutual.

National Investor Education Week is a week of activities geared towards educating Jamaicans on the products and services in the financial sector. It is designed to improve financial literacy in Jamaica.

Best Practices Awards

At the 13th staging of the JSE Best Practices Awards, JMMB Group Ltd. captured for the first time the Governor General's Award for Excellence for the Main Market at the Jamaica Stock Exchange's (JSE) Best Practices Awards for 2016. Honey Bun Jamaica Ltd. won the equivalent award for the Junior Market for the third time, having done so in 2011 and 2015. GraceKennedy and NCB Financial Group were joint winners of the coveted JSE/PSOJ Best Practices Award for Corporate Governance. JMMB Securities Ltd. retained the top Member Dealer's award they won in 2015 and walked away with Chairman's Award.

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The Best Practices Awards was established in 2004 to recognize Listed Companies and Brokerages that exhibit Best Practices in their organization.

Expos

The JSE took the opportunity to further spread the message about the benefits of the Markets at the following events:

- I. E-Gov Financial Expo
- II. Small Business Expo
- III. VDTI HEART NTA Expo
- IV. Wealth Creation Symposium North East Ja. Conference of Seventh Day Adventists
- V. Math Expo
- VI. Inland Revenue Expo
- VII. NHT Expo
- VIII. St. Mary SDA Expo
- IX. Inaugural Caribbean MSME Conference
- X. Factories Corporation Expo
- XI. Diaspora Conference and
- XII. MSMB Round Table Conference

Publications

The Exchange publishes a number of Market related publications aimed at assisting investors, potential investors, academia, researchers and the investment community to make more informed decisions and generally to provide market updates. These publications are:

1. The Stock Market Review
2. The Pocket Book
3. The Yearbook
4. A Guide to the Jamaican Securities Markets

Bell Ringing Ceremony

The Jamaica Stock Exchange is always looking for new ways to highlight the market and expose new products and services to the country. The JSE established it's "Bell Ringing Ceremony" that offers companies an opportunity to launch products, do name changes, launch books, celebrate anniversaries in an effort to increase brand awareness. In 2017 there were seven Bell Ringing Ceremonies:

1. Pan Jam Trust Investment Trust Limited – Name Change
2. Di Ole Marina Fishing Tournament – Launched
3. NCB Jamaica – Name Change
4. Stock and Securities – Launch of Advertisement
5. Senator Floyd Morris – Book Launched **“By Faith and not by Sight”**
6. Diaspora Conference Closing Bell Ceremony
7. Barita Investments 40th Anniversary Celebration

Junior Market Luncheons

The JSE did not ignore the supply side of the markets and through its partnership with the Multi-Lateral Investment Fund (MIF) hosted six workshops across the island on the Requirements for listing on the Junior Market. At these workshops over 120 potential Junior Market companies benefited from training on listing on the Junior Market by experts in the field. Several of these potential Junior Market companies are working towards listing on the Junior Market.

Market Research Competition

The JSE Market Research Competition, which was formerly known as the Broker Analyst Competition, is one where every quarter the JSE invites analysts from the securities industry, tertiary institutions and the media to submit analyses of listed companies based on the past performance and future expectations. Participants conduct research, perform analysis and prepare submissions on the selected company using the JSE's required format.

Objectives of the Market Research Competition

- To increase the interest and involvement of analysts and observers in the Jamaican stock market through in-depth analyses of the performance of listed companies.
- To enhance the research, analysis and presentation skills of the entrants, enabling them to better understand the market, improve their communication skills and, in the case of broker representatives, to better advise their clients.
- To encourage listed companies to improve the content and timeliness of the information provided to shareholders, while encouraging shareholders to become more involved in these companies.
- To emphasize the Jamaica Stock Exchange's commitment to providing public education on the stock market.
- To benefit the investing public through increased exposure to market analysis.
- To stimulate the interest and involvement of the wider public in the stock market.

Sagicor and VM Wealth Management representatives reached the finals of the 2016/7 Market Research Competition with VM Wealth Management's Leovaughni Dillon emerging the winner and Sagicor's Sharif Small – 1st Runner Up.

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Market Research Winner
Mr. Leovaughni Dillon
Equity Trader Analyst
Corporate Office | Victoria Mutual Wealth Management

JSE e-Campus

The JSE e-Campus, the training arm of the Group, has continued to deliver on its mandate to provide continuing education for professionals in the Financial Services Industry and other business sectors. Improving the financial literacy of the investing public remains our focus. We have been approved by the Financial Services Commission (FSC) and the University Council of Jamaica (UCJ) which is the national quality assurance body for tertiary education in Jamaica. Additionally, we have been certified for Continuing Professional Development (CPD) by the international Certification Service out of the United Kingdom. This is an independent organization which provides accreditation services compatible with global Continuing Professional Development principles. Through the e-Campus, the JSE strives for excellence in the standard of continuing professional development delivered for the financial sector and benchmarks the training to international standards.

The JSE e-Campus employs a blended learning programme, using a web-based e-learning platform that allows students the flexibility of attending courses online. Additionally, face-to-face sessions provide the opportunity for lively interaction among participants with lecturers. Live streaming provides for registrants who are unable to physically attend face-to-face sessions. As the sessions are also recorded, added flexibility is provided for registrants to review lecture sessions at their convenience.

The Post Graduate Diploma in Financial Services Management, which is our signature programme, is now in its 11th Cohort, comprising fourteen (14) individual courses. Each course is also offered at the Certificate level with accreditation from the CPD

Certification Service. 2017 has been a successful year for the e-Campus, not just because of the improved profitability but also due to the expanded range of training programmes and workshops. An important milestone was achieved with completion of the self-study of the Post Graduate Diploma and the filing of a formal application with the UCJ, confirming its readiness for accreditation. In response, the UCJ completed their accreditation visit in November and the JSE anticipates their assessment report early in 2018.

During 2017, in furtherance of the JSE's objective for improved corporate governance and compliance among listed companies and others wanting to list securities, the JSE expanded its partnership with The PSOJ. This successful collaboration resulted in the JSE e-Campus offering of the “Director's Strategic Guide to Corporate Governance and Leadership Diploma”. This comprehensive executive programme incorporates key governance, risk management and legal and compliance information. It has been well received and is intended for corporate executives with policymaking roles in the private and public sectors. Executives who successfully complete this programme are ideal candidates for board directorships.

The JSE has always been a trail blazer in training individuals to navigate the securities market. The Financial Services Commission (FSC) approved “Online Securities Course” has become another preferred programme for persons interested in gaining practical knowledge and training about the securities industry. This course is recognized for meeting academic qualification requirements to register under the Securities Act as a dealer/investment advisor representative. Of significance is the specific design of the course to provide practical, hands-on, and up-to-date knowledge of the industry, including the JSE's proprietary on-line stock trading platform and the relevant products and services offered by the Securities Market.

The JSE became the official re-seller of two (2) of the Institute of Chartered Secretaries and Administrators' (ICSA) offerings in Jamaica, namely: Fast Track Professional Route for Lawyers and Chartered Accountants who wish to become Chartered Secretaries and the Corporate Governance unit. The registration for these professional courses is handled through the ICSA and the e-Campus will continue to support the ICSA with examination sites and review classes, as the demand dictates.

The e-Campus continues to offer topical and forward-thinking workshops, on key areas. Areas presented during the year included, “Financial Reporting and Analysis”, “Finance for non-Finance Managers” and “Financial Regulations and Laws”,

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“Business Valuation: Understanding your company's Worth”, “Effective Negotiation Skills and Techniques” among others, which based on the feedback received at the end of each workshop, were well-received.

The e-Campus continues to collaborate with other public and private sector organisations to provide customized training for corporate clients to assist in meeting the training needs of employees and other stakeholder groups. We will continue to partner with our existing and new clients to provide the best quality training as we fulfil the JSE e-Campus' repurposed Mission to “enhance the skills, competency and knowledge of the investing public”.

INTERNAL AUDIT

Our internal audit functions are outsourced to PriceWaterHouseCooper. The JSE Group proactively responds to the recommendations of the internal auditor for improvement to our operations. This has enabled us to deliver much better services to our internal and external customers and enhanced our risk mitigation programmes.

HUMAN RESOURCES

TEAM JSE

In order to ensure that the JSE has a competent and motivated team which understands and executes its strategic objectives, we continue to provide the requisite avenues to promote staff development and creativity through training via JSE's e-Campus, Workshops and other advanced professional development. We encourage employee engagement through the organization's climate surveys, interactive team meetings and social activities. In order to ensure operational effectiveness, our main goal is to position the HR functions as a strategic tool to ensure talent acquisition, workforce planning and retention. We currently do not have an option scheme for executives or ESOP programme, however this is a consideration for the future. One area of focus was the implementation of Policies & Procedures in Sexual Harassment, Employees Code of Conduct & Ethics, Grievance Procedure, Whistleblowing, Clean Desk, Whistleblowing and HIV Workplace Policy, for which training was provided to our employees. Our Business Continuity Plan is comprehensive and includes procedures relating to the safety and welfare of employees, manages infrastructure and property.

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CORPORATE SOCIAL RESPONSIBILITY

The JSE recognizes the importance of Corporate Social Responsibility and is truly committed to putting in place the necessary programmes to ensure that our community is a part of our development. The Exchange's focus is on the elderly, young adults and the children in the immediate communities of downtown Kingston and its environs.

YOUTH OUTREACH

JSE's Youth Development Programme - Focused on Education

For the past six years the JSE has been involved in the Breakfast programme at St. Michael's Primary School which over the years has yielded significant results. Most importantly, St. Michael's have seen significant improvement in their grade 4 literacy test. The JSE is committed to this programme, especially since St. Michael's is a part of the Downtown community.



In keeping with our thrust to assist our students, the JSE assisted young Tamarsha Palmer, a student from Bridgeport High School, with a pair of glasses. Tamarsha was not able to function in class because her eyesight has deteriorated which affected her grades. The JSE understands that a good education is the foundation to national development and therefore saw this as a great opportunity to assist.

The JSE continues its quest to assist University students with scholarships. The Jamaica Stock Exchange Scholarship given to UWI students was established in 1994 by the Jamaica Stock

Exchange to mark its 25th anniversary. This scholarship is in its twenty-third year in 2017. The scholarship is awarded to students pursuing studies in Business. Below are some of the recipients who have benefitted since the 2004/2005 academic year:

Recipients	Year Awarded	Graduated
Sanchia Henry	2004-2006	First Class Honours:
Andre Williams	2006-2008	Upper Second Class Honours:
Oma Coke	2008-2010	First Class Honours:
Latoya Williams	2008-2010	Upper Second Class Honours:
Kadine Blake	2010-2012	First Class Honours:
Jerahmeel James	2013-2015	Upper Second Class Honours:
Jahnoy Lieth	2015-2017	Current recipient
Samoya Smith	2016-2018	Current recipient
Meisha-Marie Webster	2016-2018	Current recipient

ELDERLY OUTREACH

The JSE continues to work with the Missionaries of the Poor through its founder Father Richard Ho Lung and Brothers by supporting their fund raising activities.

The JSE also provided well-needed assistance to the Portmore Self-help Disability Organization. We believe that the most vulnerable in our society should be protected and this organization which is a registered charitable body and is committed to advocacy. Portmore Self-help is also providing skills training, monitoring, mentorship to restore good values and attitudes for personal development. We like to work with such organizations to ensure that their members are protected and able to earn for themselves.

JSE GROUP

2017 MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Jamaica Stock Exchange Group comprises the Jamaica Stock Exchange Limited (JSE), Jamaica Central Securities Depository Limited (JCSD) and JCSD Trustee Services Limited (JCSSTS). This Management Discussion and Analysis (MD&A) of the JSE Group's financial condition and results of its operations is provided to enable stakeholders to assess the financial health, material changes and results of its operation for the year ended December 31, 2017. It provides information on liquidity and capital resources and gives a comparative examination of the current year under review against the previous year's performance. The MD&A should be read in conjunction with our Audited Financial Statements and must be considered as complementary information to that which is provided in the audited statements and the accompanying notes. The information presented is based on the best judgment of management, taking into consideration all our internal systems and controls, our plans and the present programmes and policies that are being pursued.

As a company whose securities are publicly traded, the Exchange is most conscious not only of its responsibility as a listed company but as a regulator of listed companies. It therefore operates with the framework of ensuring that its regulatory responsibilities are conducted in an atmosphere of transparency and that its commercial operations are discharged in order to ensure market growth and shareholder profitability.

The JSE has 701,250,000 shares now in issue. During the year 2017, the price of the JSE shares advanced from \$5.50 to close at \$7.00 dollars, reflecting a 27.3% appreciation in the stock price. The volume and value traded of 209.4M units and \$1.45B respectively, compared with the previous year of 30.5M units and \$545.1M, supports the decision taken in 2016 to have a stock split, which we believed would result in a wider distribution of the JSE's shares as well as more market activities.

Our policy is that shareholders who have invested in the JSE should participate in the earnings of the company through dividend distribution. Consequently, for the calendar year 2017, the Company distributed 78% of current year's profit that is, \$172.1m compared to the previous year's dividend of \$190.2m (85%).

Business and Consumer Confidence remained high in 2017 and the overall economic environment remained optimistic, which translated into continued vibrant market performance. This positively impacted our profitability. We are pleased that external improved market conditions have also assisted our outstanding performance. However, our internal market activities such as new products and services have also contributed to the growth in the Group's core revenue streams. We expect that the Group will see continued growth from its diversification efforts.

UPDATE ON THE IMPLEMENTATION OF THE GROUP STRATEGIC PLAN

As the Exchange engaged in ensuring that the 2015-2017 strategic plan was realized, there was an imperative to review our targets and key objectives. We are pleased with the progress made but are convinced that we must continue to push for sustainable growth and development and take advantage of the changing needs of our marketplace. We are also of the view that we must seek to develop products and services which will create demand. Many of these initiatives have begun but we must critically prove our concepts and designs, therefore stakeholders should expect to see gradual and paced rollout of services in the ensuing years.

We are committed to this process and are pleased to report that many of our targets have been achieved and we are on track with the others. The Exchange's strategic plan seeks to highlight rolling targets, which will span 2016-2019. These are reflected on next page:

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JSE GROUP
2017 MANAGEMENT'S DISCUSSION AND ANALYSIS
**STRATEGIC PLAN 2017 – 2019
PURPOSE-DRIVEN INDICATORS & TARGETS**
(A) Jamaica Stock Exchange

PERFORMANCE INDICATORS	2017 TARGET	2017 ACTUAL	2018	2019
1. Value of Transactions /year	\$43.5B	\$43.6B	\$56B	\$67.2B
2. Net Profit	\$49M	\$128M	\$63M	\$75.6M
3. Net # New Listings /year	16	13	25	30
4. Amount of Capital Mobilized	\$15B	\$15.5B	\$23B	\$27.6B
5. Return of Equity relative to T-bill	T+3%	T+15%	T+13%	T+15%

(B) Jamaica Central Securities Depository Group

PERFORMANCE INDICATORS	2017 TARGET	2017 ACTUAL	2018	2019
1. Net Profit \$M	\$132M	\$138.6M	\$125M	\$150M
2. Return on equity (relative to T-Bill)	T+37%	T+48%	T+25%	T+25%
3. Trustee Market Share- Non Govt. bonds & Unit Trusts)	68.3%	80%	70.0%	75%
4. Market Capital \$B	\$830B	\$1.16T	\$900B	\$900B
5. Registry market share, %	53%	69%	70%	70%
6. Value of securities in custody \$T	\$1.13T	\$1.25T	\$1.6T	\$1.3T
7. # of Trustee Clients	73	120	82	90

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JSE GROUP

2017 MANAGEMENT'S DISCUSSION AND ANALYSIS

The JSE continues to work towards meeting our major strategic objectives, which are aligned to making the market efficient, satisfying our customers, creating value for our shareholders and ultimately creating a sustainable business model which will lend itself to long-term profitability of the Group.

Over the last fourteen (14) years, the Company has pursued a path of revenue diversification, through new products and services offered by the Group. The results of this effort are seen in the Group's reaping the benefits, notably the profitability of the JCSD Trustee Services and Registrar Services and from other initiatives that are making a significant contribution to the operating revenue of the Company. In 2017 Fee Income increased by \$154.1m or 33.7% over 2016. Over the two-year period 2016 and 2017, Fee Income increased by \$281.5M or 85.3%.

Cess revenue and Investment Income, which are usually considered two major sources of revenue of the Group, decreased by 13% and 68% respectively. The JSE experienced no significant large block transactions in 2017 when compared to 2016 hence the decline in Cess Fee. Despite this, normal ordinary trade value was higher than in 2016. In respect to the overall decline in interest income, the appreciation of the Jamaican dollar to the US\$ resulted in a foreign exchange loss as compared to a gain in the previous year.

The Group's Financial Statements reflect an improvement in revenue (not including interest income) of \$125.4m or 14.5%, driven mainly by our diversification efforts.

With the exception of Securities Commission Fees and e-Campus expenses, most areas of expenditure increased over the prior year, with the total moving from \$582.9m in 2016 to \$668.2m in 2017, which represents \$85m or 14.6% increase in expenditure. Detailed explanation is provided further in this analysis.

The profitability of the Group increased marginally when compared to the prior year. On the other hand, profit after taxation showed a marginal decline, moving from \$223.6m in 2016 to \$220.7m in 2017.

Vision, Strategies and Priorities

The vision, strategies and priorities of the individual companies that comprise the JSE Group, namely the Jamaica Stock Exchange, Jamaica Central Securities Depository and JCSD Trustee Services, are complementary and aligned to the overarching objective of consistently generating an acceptable return on investment for our shareholders, facilitated by providing to our customers an innovative, transparent and customer-oriented world class Exchange and Securities Depository.

Our 2020 Vision: To be an innovative, transparent and customer-oriented world-class exchange, operating in over five (5) countries in the Caribbean Region; has over 100 listings and contributes significantly to capital expansion while consistently generating satisfactory returns to our shareholders.

Our Priorities:

- **Grow Core Business through Innovation**

We continue to pursue a path of growing the Group by our thrust into market education, the development of new products, the opening of new markets and the provision of better service to our customers and stakeholders. In keeping with our vision of being the premier securities market in the Caribbean, the Exchange will vigorously target the Region for new listings on the main and junior markets. The Group has also begun its efforts to work more closely with the Exchanges within the Caribbean and these efforts have resulted in significant reduction in expenditure. Given our commitment to examine and exploit market opportunities wherever they are, we are now laying the foundations to have our presence in United States and Canada through diaspora engagements and other business relationships which have been formed.

Through market education, the Group aims to retain current investors and attract new ones, as we recognize that expansion will not be successful in the long-term without an expanding pool of financially educated investors. Recognizing that attracting new players to the market must be supported by new and existing

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JSE GROUP

2017 MANAGEMENT'S DISCUSSION AND ANALYSIS

products that are driven by customer demand, the JSE is treating this as an imperative. Through industry collaboration with organizations such as the PSOJ, the Securities Dealers Association and the Small Business Association, we expect to effectively bring about positive changes to the securities market. While we believe that the Group's initiatives will result in more vibrant trading of securities on the stock market as well as more diversified revenue streams that will augur well for the medium to long-term growth and profitability of the Group, we understand that these initiatives cannot be pursued unless they are driven by external demand, and so we aim to listen to our customers.

Continued Diversification in Related Business Lines

We continue to diversify our activities into current, relevant and related business lines. We are utilizing a two-pronged approach, that of nurturing new business lines within the context of continuous review of those operations, while at the same time putting in the necessary infrastructure to encourage the development of other products and services. The decision taken by the Group to diversify its revenue stream is generally bearing fruits, measured by the contribution to profit. New product offerings by the JCSD's Registrar Services Division and the JCSD Trustee Services have met with success and they continue to make significant contributions to the bottom line. These product lines are still in their early stages and have the ability to grow even further. The provision of superior products and services compared to that of our competitors are the avenues that are being pursued to arrive at market penetration and growth. Driven by a market survey in 2015, we have re-engineered our offering in the e-Campus Division to allow for better market product acceptability as well as asset utilization. We are reaping the benefits of this exercise and the division has experienced some growth in profitability with expectation of further growth in the future.

Summary of Long Term Vision, which remains the same as previous year and includes new initiatives:

- Offering regionally and globally diversified capital market products
- Commitment to high standards of transparency and governance
- Continuously improving shareholders' value
- Setting a strong foundation in all critical divisions and subsidiaries to allow for long-term growth and development
- Enhanced attractiveness of the equities market to investors and businesses
- Participation in the development of the Fixed Income Market
- Strong internal competences
- Being among the top employers of choice in Jamaica
- To be considered a partner that is essential to nation building
- To forge key regional and global partnerships in furtherance of these goals
- Consistent operational and overall profitability

Summary of Our Performance Measurements

- High customer and employee satisfaction
- Financial measurement including growth and profitability targets, net profit and return on equity
- Diversification of products and services – scoring a 50:50 split with progressively less emphasis on equities contributions in each year
- Increase in listings on the Main, Junior, USD Equities, and Bond Markets

(Cont'd on next page)

JSE GROUP

2017 MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Business

Both the Jamaica Stock Exchange (JSE) and its subsidiary, the Jamaica Central Securities Depository (JCSD), are licensed to operate by the Financial Services Commission. The JSE and JCSD operate electronic trading and settlement platforms respectively through a service licensing agreement with providers, Securities and Trading Technology (STT) Limited and Percival Software Limited. The trading and settlement platforms allow for greater product offerings and enable us to maintain competitive pricing for the services that we provide to the market place. In February 2017, we changed to our current electronic trading platform named Multi-Instrument Trading System (MITS). We are still currently still experiencing teething pains post implementation, but it is our commitment that we will provide the market with a system capable of gaining long-term acceptance and providing efficiency.

Memberships and Accreditations

- Subscribe to the World Federation of Exchanges (WFE)
- Member of the Americas Central Securities Depositories Association (ACSDA)
- Partners of Sustainable Stock Exchanges (Global Initiative)
- ANNA Partner (Securities Numbering Agency)
- Designated Exchange in Canada
- Participant in the Canadian Depository for Securities (CDS)
- e-Campus has been:
 - CPD Certified, UK; approved by the Financial Services Commission;
 - Registered by the University Council of Jamaica (as a Tertiary Institution) and
 - Approved by the Ministry of Education and
 - Also accredited by the General Legal Council of Jamaica are the following courses; Understanding and Interpreting Jamaica's Financial Regulations & Laws, The Law Boot Camp, Mergers Acquisitions & Privatization, and Corporate Secretaries Role in ensuring Compliance with Today's Governance.

Market Depth

- Seventy one (71) listed companies offering seventy (70) Ordinary Securities (32 listed on the JSE Main Market, 34 listed on the JSE Junior Market and 4 listed on the US Dollar Equities Market) and twenty-one (21) Preference Securities (15 listed on the JSE Main Market, three listed on the JSE Junior Market and three listed on the US Dollar Equities Market). Three corporate bonds are listed on the Bond Market. Trading activities are concentrated mainly around the Ordinary Shares.
- The JSE is the primary venue for the raising of equity capital in Jamaica. The total market capitalization (Main and Junior markets) as at December 2017 was J\$1.16 trillion. The top five stocks represented 55.97% of overall market capitalization.
- The JSE maintained six indices during 2017:
 - (i) The JSE Market Index
 - (ii) The JSE All Jamaican Composite
 - (iii) The JSE Select
 - (iv) The JSE Junior Market Index
 - (v) The JSE Combined Index
 - (vi) The JSE US Dollar Equities Index

The JSE Main Index is a market-weighted index comprising ordinary shares of the listed companies on the JSE Main Market. The All Jamaican Composite Index measures the performance of Jamaican Companies only on the Main Market while the JSE Select Index measures the performance of the JSE's 15 most liquid securities. The JSE Junior Market Index measures the performance of the companies listed on the Junior Market. The JSE Combined Index measures the performance of all the companies listed on the Main and Junior markets. The JSE US Dollar Equities Index measures the performance of all the companies listed on the US Dollar Equities Market.

- Approximately JA\$9 billion and US\$21.5 million were raised by the companies that listed securities in 2017 and a total of JA\$7.1 billion has been raised by the companies listed on the Junior Market since inception in 2009.

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JSE GROUP

2017 MANAGEMENT'S DISCUSSION AND ANALYSIS

Market Operations & Trading

Notable improvement was recorded in the performance of the market in 2017 in comparison to 2016. All markets, Main, Junior & US Dollar Equities Market recorded marked improvement in 2017.

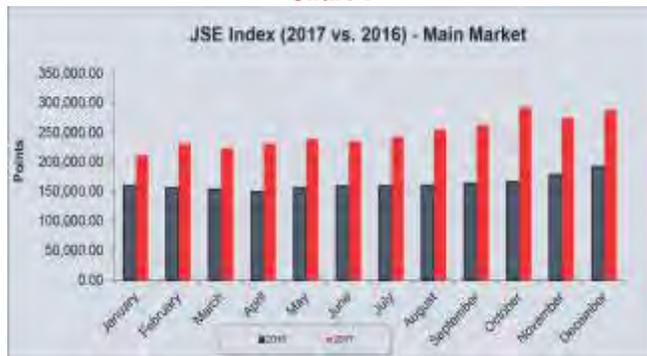
Main Market

As at the end of 2017: the JSE Index advanced by 96,105.33 points or 49.98% to close at 288,381.97 points, as per Chart 1 below. The All Jamaican Composite Index increased by 106,376.62 points or 50.62% to close at 316,516.11 points; and the JSE Select Index increased by 2,112.61 points or 32.99% to close at 8,516.38 points in comparison to the 2016

The Main Market (inclusive of block trades) recorded 43,431 transactions with volume traded of 2.59 billion units that were valued at \$36.69 billion. This represented an increase of 41.48% in the number of transactions, a decrease of 23.67% in the volume traded and a decrease of 24.27% in the value traded in comparison to prior year. For the year under review, the following was recorded in the market statistics (excluding the block market): the number of transactions, volume traded and value traded increased by 41.47%, 39.18% and 39.91% respectively when compared to the market activity of 2016.

The charts below reflect the trading activity on the main market (excluding blocks) for 2017 compared to 2016. On the block market in 2017, block trades amounted to 23, an increase of 64%, volume traded amounted to 71.3 million units, a decline of 95.5% and valued traded amounted to \$970 million, a decrease of 95.8%.

Chart 1



Market capitalization of the Main Market amounted to \$1.05 trillion at the end of 2017. This was an increase of \$351.29 billion or 50.40% from the start of the year. Please view the chart below for more detail.

Chart 2



Chart 3

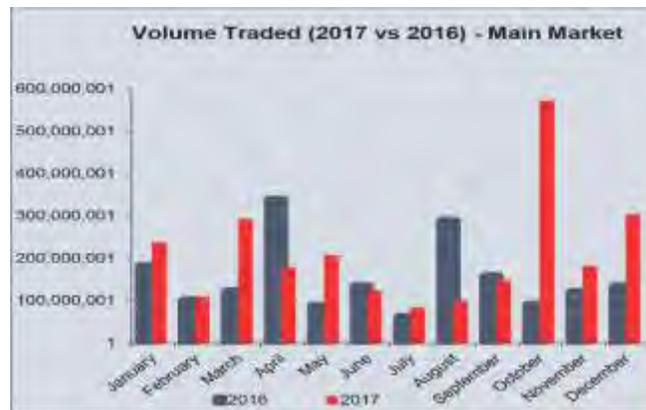
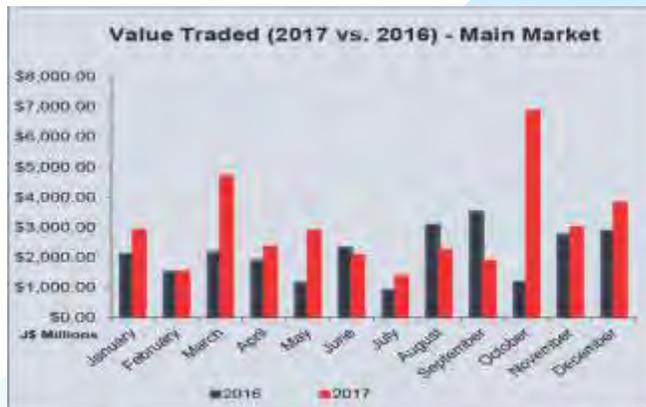


Chart 4



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JSE GROUP

2017 MANAGEMENT'S DISCUSSION AND ANALYSIS

The performance of the market for 2017 was also captured in the advance/decline ratio, which indicated that thirty stocks advanced while four declined. The average price appreciation was 52.29% for the ordinary stocks in the Main Market partially because of twelve companies reflecting significant price increase of more than 50% for the year; one company increased in price by over 200%. Presented in table 1 are the top ten advancers and decliners of the Main Market for 2017, while the succeeding charts indicate the recent five years of JSE trading history of the main market.

Table 1 - Top Advancers and Decliners for 2017

WINNERS	
Company	% Change
Pulse Investments Limited	203.37%
Berger Paints Jamaica Limited	195.54%
Palace Amusement Company Limited	187.18%
Ciboney Group Limited	127.78%
Supreme Ventures Limited	119.62%
Jamaica Producers Limited	80.93%
Carreras Limited	70.79%
Cable & Wireless Jamaica Limited	66.67%
Kingston Wharves Limited	62.42%
PanJam Investment Limited	58.90%

LOSERS	
Company	% Change
Radio Jamaica Limited	(19.23%)
Sterling Investments Limited	(17.20%)
Portland JSX Limited	(8.42%)
Caribbean Cement Company Limited	(6.72%)

Junior Market

The JSE Junior Market Index increased by 138.35 points or 5.33% to close the year at 2,732.06 points.

The Junior Market welcomed the listing of five new securities during the year, bringing the total listings to thirty-seven securities. Market activity on the Junior Market recorded an increase of 43% in the number of transactions, an increase of 117.92% in the volume traded and an increase of 78% in the value traded. The number of transactions amounted to 22,227 trades, the volume traded amounted to 1.29 billion units and the value traded amounted to \$6.61 billion in 2017. As at December 31, 2017, market capitalization of the Junior Market amounted to \$114.80 billion. This was an increase of \$11.38 billion or 11% from the start of the year. There were 250 days of trading in 2017 and 251 days of trading in 2016. The charts below reflect the trading activity in the Junior Market for the year under review compared to the previous year.

Chart 5

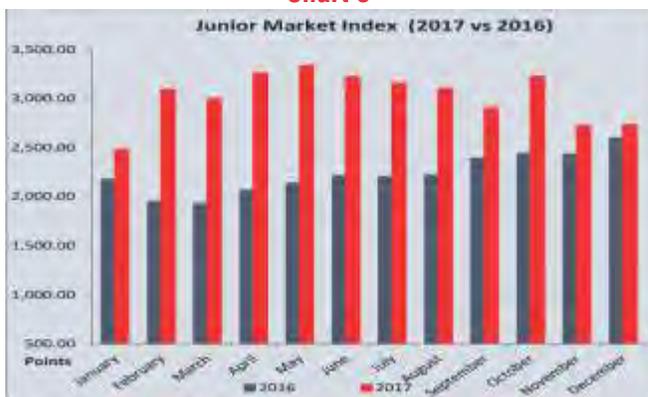


Chart 6



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JSE GROUP

2017 MANAGEMENT'S DISCUSSION AND ANALYSIS

Chart 7

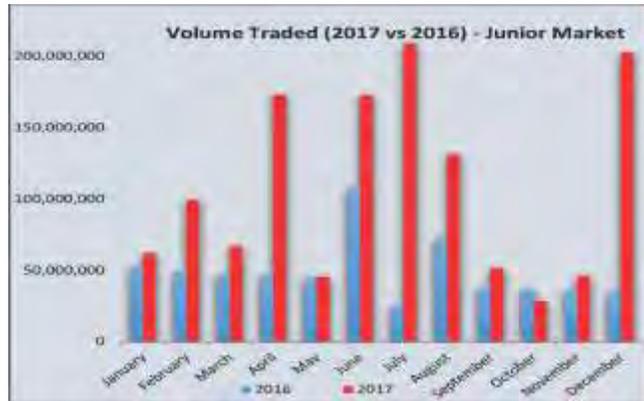


Chart 8



Charts - Five Year History of Combined Market Data for the JA\$ Markets



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JSE GROUP
2017 MANAGEMENT'S DISCUSSION AND ANALYSIS
US Dollar Equities Market

In the US Dollar Equities Market, the total volume amounted to 43.68 million units valued at US\$12.50 million in 2017. This was a decline of 26.76% in the volume traded and an increase of 3.18% in the value traded when compared to the market activity in 2016. The number of transactions stood at 1,405, representing a 9.0% increase on the 1,289 trades in 2016. The JSE USD Equities Index increased by 1.66 points or 1.01% to close at 166.16 points. Market capitalization ended the year at US\$222.58 million, an increase of 56.60% for the year. There were two new listings on the US Dollar Equities Market in 2017.

Bond Market

There was one new listing on the Bond Market in 2017. The trading activity on the Bond Market for the year resulted in seven transactions with a total value of \$1.3 billion.

The JSE Group Financial Performance
(Comparison for Years Ended December 31, 2017 & December 31, 2016)
(i) Revenue

Operating Revenue of \$991.2 million in 2017 reflects an improvement of \$125.4m or 14.5% increase over 2016. We continued the trend of an overall growth, which was reflected in all major revenue areas with the exception of Cess revenue. The Group continues to benefit from its current diversification strategies as we pursue other growth opportunities. New diversified revenue represents over 40% of total revenue.

The following table and charts provide a visual representation of the revenue structure of the JSE Group, which primarily derives income from trading and settlement, listing fees, pledge fees, investment income, trustee services, registrar services and other related activities.

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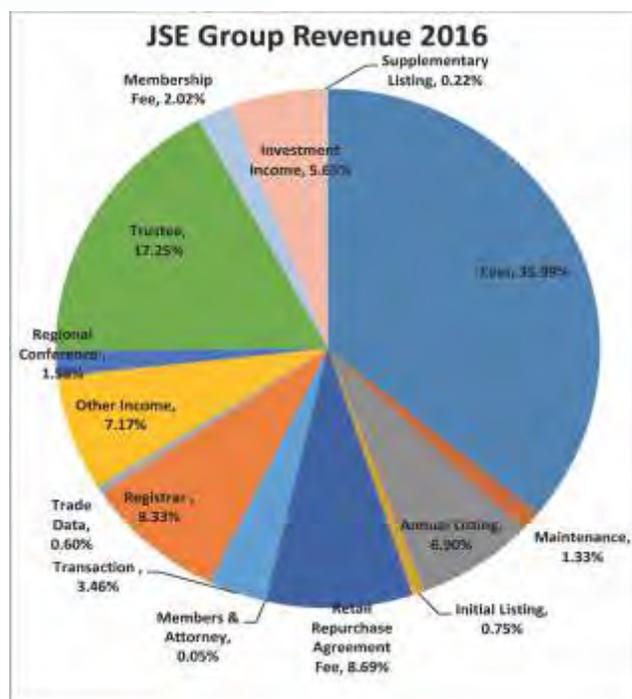
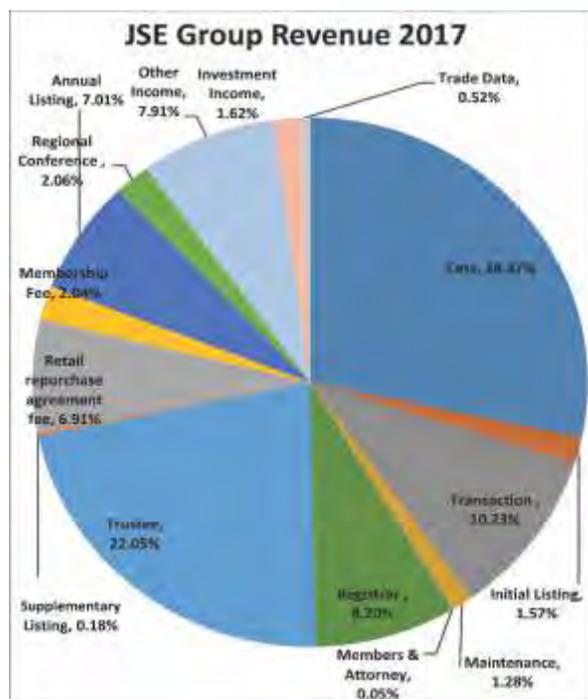
JSE GROUP
2017 MANAGEMENT'S DISCUSSION AND ANALYSIS
**TABLE 4: JSE GROUP REVENUE (INCLUSIVE OF INVESTMENT INCOME)
PERIOD 2013- 2017**

GROUP REVENUE	2017	2016	2015	2014	2013
Cess	285,776,000	330,229,000	301,882,000	68,632,000	70,373,000
Fee Income					
<i>Annual Listing</i>	70,648,048	63,296,524	49,612,390	49,344,448	38,849,344
<i>Initial Listing</i>	15,842,690	6,915,162	4,549,360	3,423,808	5,010,778
<i>Supplementary Listing</i>	1,785,032	2,016,254	497,144	337,682	109,433
<i>Members & Attorney</i>	490,000	430,000	375,000	1,624,175	1,000,000
<i>Transaction</i>	103,061,148	31,766,185	45,009,747	13,902,102	28,959,401
<i>Maintenance</i>	12,850,003	12,238,260	8,972,863	3,733,047	3,381,940
<i>Trade Data</i>	5,233,206	5,479,766	4,945,769	4,027,054	3,467,314
<i>Registrar</i>	82,645,017	76,469,482	73,975,546	51,679,401	22,673,653
<i>Trustee</i>	222,192,071	58,316,544	104,519,850	67,850,000	56,082,997
<i>Retail repurchase agreement fee</i>	69,596,687	79,781,069	29,209,867	-	-
<i>Membership Fee</i>	20,556,322	18,533,064	8,155,697	2,716,833	1,433,600
Other Income					
<i>Regional Conference</i>	20,792,000	14,532,000	11,376,000	13,800,060	14,497,462
<i>Other Income</i>	79,681,776	65,778,048	65,209,697	56,178,940	45,480,538
Sub-Total	991,150,000	765,781,358	708,290,930	337,249,550	291,319,460
<i>Investment Income</i>	16,319,000	51,808,000	42,424,000	42,362,000	56,455,000
<i>Other Gains</i>	-	-	-	147,000	27,000
TOTAL	1,007,469,000	917,589,358	750,714,930	379,758,550	347,801,460

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JSE GROUP

2017 MANAGEMENT'S DISCUSSION AND ANALYSIS



(ii) Expenditure

Expenses of \$668.2m in 2017 represent an increase of \$85m or 14.6% over the \$582.9m in 2016. The Group continues to monitor expenditure by applying tight procurement guidelines and seeking alternative and more effective means of achieving the same objectives. However, we have experienced some increases in expenditure due to our expansion. Our operating efficiency however has improved over the previous year. Some areas, which showed significant increase over 2016, are highlighted below:

- **Staff Costs**

Staff Cost was \$273.4m in 2016 compared to \$289.5m in 2017, which represents an increase of \$16.1m or 5.9%. This net movement was because of an increase in staff complement driven by the introduction of new business lines, salary increase of 5% for 2017. The Group's Incentive for 2017 was much lower than 2016 and in keeping with the Group Incentive Policy.

- **Property Expenses**

Property Expenses increased from \$95m in 2016 to \$119m in 2017. The increase of \$24m or 25% is largely associated with increases in maintenance cost and licences expense that were required based on the upgrades to JSEG IT infrastructure.

- **Depreciation & Amortization**

An increase from \$25.8m in 2016 to \$37.4m in 2017 representing \$11.6M or 45% is due primarily to the increase in assets purchased and revaluation of land and building during the year.

- **Advertising and Promotion**

Advertising and Promotion increased from \$48.5m in 2016 to \$61.2m in 2017. This increase of \$12.7m or 26% is primarily associated with promotions of new and existing markets by the Group, which have borne fruits.

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JSE GROUP

2017 MANAGEMENT'S DISCUSSION AND ANALYSIS

- **Professional Fees**

Professional Fees increased from \$45.2m in 2016 to \$52.5m in 2017. This increase of \$7.3m or 16.2% is primarily associated with legal costs.

- **Bad Debts**

Bad Debt increased from (\$2.1m) to \$6.3m in 2017. This increase of \$8.4m or 397% is due to additional provisions of outstanding receivables.

(iii) **Net Profit**

The parent company's profit for 2017 was \$127.7m inclusive of \$102.1m dividend income from subsidiary and the profit from its subsidiary was \$195.1m. Upon consolidation, the Group recorded a Net Profit for 2017 of \$220.7m. This performance was marginally below the profit of \$223.6m recorded in 2016 due primarily to reduction in Cess revenue. Expenditure increased by 14.8%.

(iv) **Earnings Per Share**

Basic earnings per stock units is calculated by dividing the profit by the weighted average number of ordinary stock units. The weighted average number of stock units in 2017 is 701,250,000 and represents the total ordinary stocks on issue at no par value. The basic earnings per stock unit decreased from \$0.32 in 2016 to \$0.31 in 2017.

(v) **Revenue Reserves**

The Group's Revenue Reserves increased in 2017 to \$501.1 million from \$392.2 million in 2016.

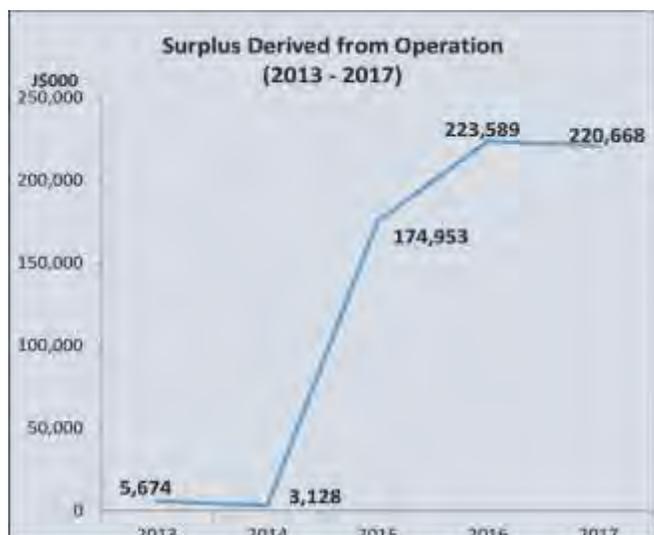
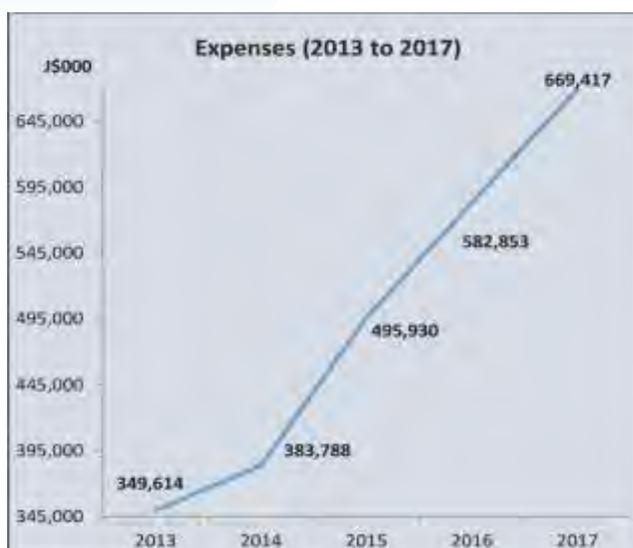
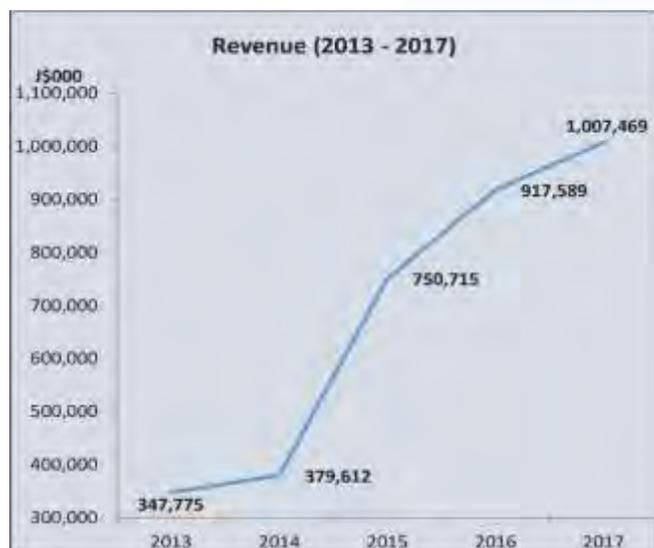
Table 5: Five Year Key Financial Highlights and Graphical Presentations

(\$000)	2017	2016	2015	2014	2013
Revenue	1,007,469	917,589	750,715	379,758	347,775
Expenses	669,417	582,853	495,930	383,788	349,614
Surplus derived from Operations	220,668	223,589	174,953	3,128	5,674
Efficiency Ratio	66%	64%	66%	101%	101%
Return on Equity	23.3%	27.7%	28.1%	0.6%	1.0%
Earnings per share \$	0.31	0.32	0.25	0.02	0.05

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2017 MANAGEMENT'S DISCUSSION AND ANALYSIS



Market Conditions and Outlook

(This section contains certain forward-looking statements that contain elements of Management's best evaluation of current conditions and likely future events)

According to a World Bank report, Jamaica has seen growth in the economy over the last three (3) years including 2016, which saw a GDP of 1.7%. The forecast for 2017 is a growth of 2% aided by a pick-up in the US economy, low oil prices and a reform on investment climate. As the new government has demonstrated that it intends to continue with the IMF programmes started under the previous administration aimed at improving the economic landscape, this should redound to growth in the capital markets. The recently released report on business and consumer confidence shows that these two sectors are still hopeful that there will be growth in the economy and the JSE Group will capitalize on this. We have and will continue to put in place the necessary infrastructure in order to attract new business and retain the market we currently have.

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JSE GROUP

2017 MANAGEMENT'S DISCUSSION AND ANALYSIS

Partnership/collaborations

We have benefitted from our partnership with the government and we will continue to engage them as we encourage SME and others to list and otherwise participate in the market. We see as critical our continued dialogue with the government regarding the listing of government of Jamaica securities and the divestment of government assets through the market as other steps in the development of Jamaica's financial landscape.

We have successfully completed the US\$1.1m project in which we collaborated with the IDB Multilateral Investment Fund in 'Promoting Access to Equity Financing to SMEs through the Junior Market'. The programme has so far stimulated more interest in the equities market, which will ultimately lead to more listings and more persons investing in the market. The programme has increased the access to capital of the small to medium size businesses, provided capacity-building support to various SMEs, encouraged good corporate governance and enhanced several functions of the JSE, such as online trading. The Exchange takes this opportunity to thank the IDB for this timely intervention.

The JSE Group expects to see a steady growth in the market in 2018, continuing the improvement in ordinary value and volume of securities traded across the floor of the Exchange. We expect to see more companies engaging the Registrar Division and the Trustee Services as they seek equities or debt financing. As we seek to achieve growth in the economy, we believe the JSE Group, is well poised based on the development of our infrastructure to assist with the back and middle office services needed to complete many of these transactions. The Group is well equipped and positioned for long-term growth and sustainability.

For further information and in keeping with the JSE Listing Requirement, financial information is also available on the JSE Website www.jamstockex.com. We invite you to visit our Facebook page at www.facebook.com/jamaicastockexchange.

The Chief Regulatory Officer's 2017 YEAR IN REVIEW

During the year much attention was focused on intensifying the Regulatory and Market Oversight Division's (RMOD) market surveillance functions which included:

- i. Commencing activities to reviewing the RMOD's Market Surveillance policies and procedures.
- ii. Heightened surveillance of dealings by insiders of listed companies in accordance with market requirements for notification of such trades.
- iii. Heightened surveillance of possible breaches of Market Integrity Rules as found in the Securities Act of Jamaica, 1993.

Through the above activities, the RMOD was more proactive in not only identifying dealings by insiders but was also able to foster an improved state of compliance through the issuance of reminders and enforcement activities.

Performance Indicators

As a consequence of the RMOD's market surveillance strategy in 2017, the number of compliance and market surveillance issues handled in 2017 increased to 412, which was a 36% percent increase in the number of issues handled in 2016. Notwithstanding the increase in issues handled for 2017, the RMOD's case closure rate recorded an improvement over the rate for 2016 to close at 98% as at the end of the year. The performance statistics as detailed in **Table 1** below also shows improvement in both Member-Dealers and Listed Companies compliance rate in filing financial returns and trade notices on a timely basis. The improvements noted justify the Division's proactive approach in fostering compliance through orientations, market education and reminder notices.

Table 1 – Performance Indicators

Activity	2017	2016	2015	2014
Compliance and Market Surveillance Issues handled	412	303	205	238
Percentage of regulatory/compliance Issues Closed	98%	95%	95%	98%
Total Number of Enforcement Actions	62	60	60	31
Member-dealers timely filing of Monthly Statements	97%	93%	95%	97%
Member-dealers timely filing of Quarterly Statements	94%	94%	100%	98%
Member-dealers timely filing of Audited Statements	92%	75%	58%	85%
Main Market Companies timely filing of Unaudited Statements	91%	94%	95%	96%
Main Market Companies timely filing of Audited Statements	80%	73%	78%	80%
Main Market Companies timely filing of Annual Reports	76%	56%	86%	79%
Junior Market Companies timely filing of Unaudited Statements	95%	96%	95%	87%
Junior Market Companies timely filing of Audited Statements	81%	69%	87%	77%
Junior Market Companies timely filing of Annual Reports	77%	74%	68%	48%
Main Market Companies timely filing of Trade Notices	97%	89%	85%	N/A
Junior Market Companies timely filing of Trade Notices	88%	84%	66%	N/A

Key N/A- data on compliance was not available or being maintained for the period

Operational Activities

In addition to discharging its market surveillance function, the RMOD continued to satisfy core activities pertaining to Member-Dealer Regulation, Listed Company Compliance, Enforcement, Dispute Resolution and Risk Assessment. Activities undertaken during the year for each area are detailed below:

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The Chief Regulatory Officer's 2017 YEAR IN REVIEW

1. Member-Dealer Regulation

The RMOD's processes for supervising Member-Dealers involves the review of financial returns, monitoring of trading activities on the JSE, inspections and the monitoring of Member-Dealers compliance to applicable rules of the JSE. Arising from the discharge of the abovementioned functions, the RMOD in 2017 identified Seventy (70) compliance and market surveillance issues of which Sixty-Eight (68) of the cases were closed as at the end of the year.

Details of the RMOD's operations as it relates to Member-Dealer supervision includes the fact that the Division reviewed Two Hundred and Eleven (211) financial returns from Member-Dealers and conducted two (2) on-site inspections. During the year the RMOD also undertook off-site reviews of Member-Dealers equity trading policies and procedures to ascertain their state of readiness to transition to the new settlement cycle of Trade (T) + Two (2) Days. The RMOD also continued in 2017 to issue timely reminders to Member-Dealers on JSE Rule 229 - Business Continuity and Contingency Plan (BCCP) reviews and JSE Rule 225 – Insurance renewals, which resulted in all firms who were required to satisfy the rules doing so during the year.

2. Listed Company Compliance

Our records reveal that during the year Listed Companies submitted a total of 1,286 submissions (2016: 1,315) which were reviewed by the Division. Based on reviewing the submissions, the RMOD identified Three Hundred and Twenty-Six (326) issues concerning Listed Companies of which Three Hundred and Twenty-Two (322) of the issues identified were closed as at the end of the year. These issues were identified through the review of filings by listed companies concerning financial statements, trade notices and corporate actions as well as the RMOD's strategy to closely monitor dealings by insiders of Listed Companies.

The policy to educate and remind Listed Companies of their responsibilities under the rules of the JSE continued in 2017. In this regard, the RMOD circulated 537 (2016; 353) reminder notices concerning the filing of financial statements, share registers, corporate governance guidelines reviews and trade notices concerning dealings by insiders. In 2017 the RMOD also

convened thirteen (13) orientation sessions with newly appointed Company Secretaries and Mentors of Listed Companies to sensitize their role and the JSE's requirements.

The RMOD is pleased to note that as a consequence of the abovementioned activities, Listed Companies registered a 100% compliance rate for the filing of share registers with the Exchange and JSE Rule 414 concerning Corporate Governance Guidelines. Our engagement also resulted in a compliance rate of 98% for listed companies as it relates to the filing of dividend notices and declarations.

3. Market Surveillance

As noted before, the RMOD's market surveillance strategy for 2017 involved the heightened monitoring of dealings by insiders as well as identifying possible breaches of market rules relating to trading. This activity was supported by the generation of Exception Reports. Arising from the daily examination of trading on the JSE, the RMOD in 2017 generated 46 (2016: 25) Exception Reports. Based on this process the RMOD was able to easily identify dealings by insiders and implement actions that resulted in listed companies recording considerable improvement in the compliance rate for the area as outlined above in Table 1.

4. Enforcement

The Division's enforcement activities involve levying fines, delisting and suspension of market constituents. In 2017 the Division administered Sixty-Two (62) enforcement actions and levied fines amounting to \$18.4 million.

5. Dispute Resolution

In 2017 the RMOD handled 7 (2016: 14) complaints through its Dispute Resolution processes and closed all except one (1).

6. Risk Assessment

The RMOD's Risk Assessment applies to all area of its operations and is supported by examinations from the JSE's Internal Auditors. Through market surveillance activities the RMOD identified a potential risk to the JSE which was treated during the year.

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The Chief Regulatory Officer's 2017 YEAR IN REVIEW

7. Other Operational Activities

During the year the RMOD continued its standard procedures for educating the public and promoting awareness to the JSE's regulatory programme by releasing via the JSE's website twelve (12) Monthly Regulatory Reports and two (2) Newsletters.

The RMOD was also directly involved in the processing of eleven (11) rule amendments that will further serve to bolster market regulations and assisted in the review of nineteen (19) circulars concerning Initial Public Offerings and Takeover Offers.

Closing Remarks

The RMOD is cognizant of the fact that the responsibility to ensure a fair, efficient and transparent market is not the sole responsibility of the regulators but all participants in the market. Therefore we must take time out to acknowledge the contribution of all our stakeholders who have assisted us in engendering an improved state of compliance during the year. In this regard many thanks

must be extended to the Regulatory and Market Oversight Committee (RMOC) who provided support and guidance to the RMOD's operations during the year and to the JSE's Board for their continued commitment to the JSE's regulatory programme. Also we must say thanks to our key partners, such as Member-Dealers and Listed Companies, who were very responsive to our calls on matters that were deemed as important to the market.

Last but not least, the RMOD uses this opportunity to express condolences to the family of Mr. Wentworth Graham on his passing during the year. As Chief Regulatory Officer of the Exchange, Mr. Graham contributed significantly to the advancement of the Exchange's regulatory framework following the decision of the JSE's Board in 2007 to cede its regulatory responsibilities to the RMOC. Despite not being with us physically, his legacy will continue to live on through the accomplishments of the Division.



The Chief Regulatory Officer (Acting) of the Regulatory and Market Oversight Division (RMOD) of the Jamaica Stock Exchange (JSE), Mr. Andrae Tulloch (r), presents a copy of the JSE's Rules Book to Mr. Michael McMorris, Chairman of Victoria Mutual Investments Limited (VMIL), at VMIL's Listing Ceremony at the JSE on December 29, 2017.

SHAREHOLDINGS

Top 10 for Jamaica Stock Exchange
As at December 31, 2017

Name	Joint Holders	Volume	Percentage
JCS D TRUSTEE SERVICES LTD - SIGMA OPTIMA		69,849,200	9.96
		19,817,917	2.82
		<u>16,000,000</u>	<u>2.28</u>
	Client total ownership	105,667,117	15.06
SAGICOR POOLED EQUITY FUND		<u>73,109,006</u>	<u>10.42</u>
	Client total ownership	73,109,006	10.42
M/VL (PRINCIPAL TRADING A/C)		26,142,623	3.72
		<u>25,175,000</u>	<u>3.59</u>
	Client total ownership	51,317,623	7.31
VMWM (PRINCIPAL TRADING A/C)		<u>51,000,000</u>	<u>7.27</u>
	Client total ownership	51,000,000	7.27
GK CAPITAL MANAGEMENT LIMITED		<u>51,000,000</u>	<u>7.27</u>
	Client total ownership	51,000,000	7.27
MAYBERRY CO A/C 120008		<u>48,500,000</u>	<u>6.91</u>
	Client total ownership	48,500,000	6.91
BARITA INVESTMENTS LIMITED		<u>48,000,000</u>	<u>6.84</u>
	Client total ownership	48,000,000	6.84
JMMB LONG TERM EQUITY PORTFOLIO		<u>44,200,000</u>	<u>6.30</u>
	Client total ownership	44,200,000	6.30
SJIML A/C 3119		<u>35,235,572</u>	<u>5.02</u>
	Client total ownership	35,235,572	5.02
NCB CAPITAL MARKETS LTD. A/C 2231		28,114,145	4.00
		<u>98,853</u>	<u>0.01</u>
	Client total ownership	28,212,998	4.02
SAGICOR INVESTMENTS JAMAICA LIMITED		<u>21,000,000</u>	<u>2.99</u>
	Client total ownership	21,000,000	2.99

SHAREHOLDINGS

Executives Holdings for Jamaica Stock Exchange
As at December 31, 2017

Name	Joint Holders	Volume	Percentage
MARLENE STREET FORREST	Keena Street	<u>75,000.00</u> 75,000.00	<u>0.01</u> 0.01
SUZETTE MCNAUGHT	Minette McLeish	<u>45,000.00</u> 45,000.00	<u>0.00</u> 0.00
SUZETTE WHYTE	Felix Whyte	<u>30,000.00</u> 30,000.00	<u>0.00</u> 0.00
NEVILLE ELLIS	Judith Vynel Ellis	<u>10,000.00</u> 10,000.00	<u>0.00</u> 0.00
SUZETTE PRYCE		<u>5,000.00</u> 5,000.00	<u>0.00</u> 0.00

Directors Holdings for Jamaica Stock Exchange
As at December 31, 2017

Name	Joint Holders	Volume	Percentage
DIAN BLACK	Key Members Holdings	2,000.00	0.0003
	Connected Party Holdings	0.00	0.0000
	Combined Holdings	2,000.00	0.0003
DERRICK MCKOY	Grace McKoy WIFE	706,170.00	0.1007
	Key Members Holdings	0.00	0.0000
	Connected Party Holdings	<u>706,170.00</u>	<u>0.1007</u>
	Combined Holdings	706,170.00	0.1007
ALTERNATE DIRECTORS			
EDWIN MCKIE	Key Members Holdings	1,050,000.00	0.1497
	Connected Party Holding	<u>0.00</u>	<u>0.0000</u>
	Combined Holdings	1,050,000.00	0.1497

SUBSIDIARIES' REPORT FOR 2017

OVERVIEW

The JCSD comprising the Jamaica Central Securities Depository Limited a subsidiary of the Jamaica Stock Exchange (“JSE”) and the JCSD Trustee Services Limited (JCS DTS) has exceeded its prior year performance as evidenced in its increased revenue and financial growth at the end of 2017.

FINANCIAL ANALYSIS

Despite the marginal reduction in Cess fees and Retail Repurchase Agreement fees, there was an overall increase in revenues year-over-year. The year's total revenue of \$553m represented a 31% improvement over 2016. The largest revenue increases were Membership and User Fees, which amounted to 57% and resulted mainly from an increase in the number of pledges registered for the period. Trustee Fees amounted to 40% of income. The combined JCS DTS income lines now comprise approximately 53% of total JCSD revenue for the year. Other Operating incomes also increased by 79%.

The JCSD Group's total expenses of \$273M for the year represented a 19% increase over 2016, largely due to increased personnel costs to accommodate new business from Registrar Services and Trustee Services, increased property expenses and professional fees. Securities and Commission expenses also increased by over 224%. Expenditure was largely within budget throughout the year. Group After-tax Profit of \$195m for 2017 represented a 41% increase over the previous year. The consolidated year-end balance sheet reflected a strengthened capital position, with equity increasing by 33%, while Total Assets increased by 20% to end 2017 at \$547m. During the year, an interim dividend of \$102m was also paid to the parent company, the Jamaica Stock Exchange.

OPERATIONS

The Group's technical and human resources was a major contributor to the excellent performance of 2017 exemplified through efficiency and high customer service standards. The Depository was granted approval to become a participant in the

Canadian Depository for Securities (CDS) in 2017 and will be able to facilitate Canadian Exchange Traded Funds in the depository from this association. Additionally, the Depository also transitioned to a T+2 settlement cycle to align with international standards. This will bring greater efficiency and liquidity to the market and will also reduce settlement and currency risk. There were new hires, targeted training and some cross-training during the year. Internal audits conducted by PriceWaterhouseCoopers supported the process reviews that were done throughout the year, to facilitate the management of the risks associated with the increasing size and variety of new business being undertaken.

CONCLUSION & VISION

The Group was very instrumental throughout the year and was a participant in several major projects of national importance. We will continue to garner new ways to improve efficiencies to ensure that the Group is well positioned to facilitate the financial services industry and the investing public to maximize their return on investment, contribute to national growth and development and our shareholders' wealth.

We wish to thank Mr. Robin Levy, past General Manager, who demitted office in November 2017, for his sterling contribution to the growth and development of the JCSD Group.



Andrea Kelly
Trustee Manager
(General Manager
- JCSD and JCS DTS
effective April 2, 2018)



AND ITS SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2017**
(Expressed in Jamaican Dollars)



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Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of The Jamaica Stock Exchange Limited

Report on the Financial Statements

Opinion

We have audited the separate financial statements of The Jamaica Stock Exchange Limited (the Company) and the consolidated financial statements of the Company and its subsidiaries (the Group), which comprise the separate and consolidated statements of financial position as at December 31, 2017, the separate and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the financial position of the Company and the Group as at December 31, 2017 and of its separate and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

(Cont'd on next page)



Chartered Accountants

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of The Jamaica Stock Exchange Limited (Continued)

Report on the Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for credit losses	
<p>As described in Note 2(e) <i>Accounting Estimates and Judgements</i> under the section <i>Allowance for Credit Losses</i> in the financial statements, in determining amounts recorded for impairment losses in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, defaults in payments and adverse economic conditions. Management also makes estimates of the likely future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics.</p>	<p>Assessing the valuation of trade receivables requires judgment and we have reviewed and challenged the assumptions used by management to calculate the trade receivables impairment amount.</p> <p>We tested aged balances where no provision was recognised to determine if the balances were impaired. This included verifying if payments had been received since the year-end, and reviewing historical payment patterns and any correspondence with customers on expected settlement dates.</p> <p>We selected a sample of the trade receivable balances where a provision for impairment of trade receivables was recognised and obtained an understanding of management's rationale for the judgement. In order to evaluate the appropriateness of these judgements we verified whether balances were overdue, the customers' historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained corroborative evidence including correspondence indicating any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available.</p>

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Chartered Accountants

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of The Jamaica Stock Exchange Limited (Continued)

Report on the Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for credit losses (continued)	<p>In assessing the appropriateness of the overall provision for impairment we also considered the consistency of management's application of policy for recognising provisions with the prior year. Specifically we considered:</p> <ul style="list-style-type: none"> i) how much of prior years' provisions had been utilised for bad debt write offs during the year; and ii) prior year provision amounts released where a customer has paid.
Valuation of financial instruments and fair value hierarchy	<p>As detailed in Note 8 <i>Investment in Securities</i>, the Group's investments are classified as available for sale and comprises a portfolio of debt and equity investments. These instruments are measured at fair value with the corresponding fair value change recognised in other comprehensive income. Valuation techniques may be subjective and involve assumptions about pricing factors. Changes in these assumptions could result in significantly different values.</p> <p>Our audit procedures comprised, amongst others, an assessment of the methodology and the appropriateness of the valuation models and inputs used to value investments classified as available for sale.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> ▶ Obtaining an understanding of the design and implementation of the Group's controls over the measurement and management of valuation risk including independent price verification.



Chartered Accountants

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of The Jamaica Stock Exchange Limited (Continued)

Report on the Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments and fair value hierarchy (continued)	
<p>All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole: - Level 1 categorized investment valuations are based on quoted prices (unadjusted) in active markets. - Level 2 categorized investment valuations are based on other than quoted prices included within Level 1, that are observable either directly or indirectly. - Level 3 categorized investment valuations are based on unobservable inputs for the asset.</p> <p>Given the inherent subjectivity in the valuation of Level 2 and Level 3 investments available for sale, we determined this to be a significant item for our audit. The Level 2 investments at available for sale as at December 31, 2017 amounted to \$218.54 million. The Group has no Level 3 fair value investments.</p> <p>In addition, the Group determines whether objective evidence of impairment exists for individual investments.</p>	<ul style="list-style-type: none"> ▸ Testing, for a selection of pricing inputs used, that they were externally sourced and were correctly inputted into pricing models ▸ Valuing 100% of the Group's securities independently. We assessed whether the valuations performed by the Group were within a pre-defined tolerable differences threshold. ▸ We also evaluated the Group's assessment of whether objective evidence of impairment exists for individual investments. In completing this assessment we considered any judgements made by management as to current economic and credit conditions and their effect on default rates, loss rates and the expected timing of future recoveries, ensuring that assumptions are appropriate. ▸ Further, we assessed the completeness and accuracy of the disclosures relating to investments to assess compliance with the disclosure requirements of IFRS.



Chartered Accountants

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To The Members of The Jamaica Stock Exchange Limited (Continued)

Report on the Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Income taxes	
<p>As detailed in Note 2 (e) <i>Accounting Estimates and Judgements</i>, under the section relating to Taxes, uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. The Group establishes provisions based on reasonable estimates, taking cognizance of possible differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Group.</p>	<ul style="list-style-type: none"> ▶ We tested the amounts recognized as current and deferred tax. Together with our tax specialists, we considered any large or unusual items affecting the effective tax rate and whether or not any current year items would indicate a requirement for further accruals. ▶ We analysed and challenged the assumptions used to determine the tax accruals and tested the accuracy of calculations. This included the assessment of correspondence with the relevant tax authorities. We also used our knowledge and experience of the application of local legislation by the relevant authorities and courts in order to challenge the positions taken by management. ▶ We also assessed the adequacy of the Group's disclosures included in Notes 18 and 24 to the financial statements.

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Chartered Accountants

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To The Members of The Jamaica Stock Exchange Limited (Continued)

Report on the Financial Statements (Continued)

Other information included in the Group's Annual Report

Other information consists of the information included in the Group's 2017 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2017 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and the Board of Directors for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's and the Group's financial reporting process.

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Chartered Accountants

INDEPENDENT AUDITORS' REPORT (CONTINUED)**To The Members of The Jamaica Stock Exchange Limited (Continued)****Report on the Financial Statements (Continued)*****Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that presents a true and fair view.



Chartered Accountants

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To The Members of The Jamaica Stock Exchange Limited (Continued)

Report on the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Management and the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

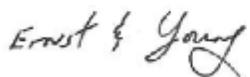
We also provide the Management and the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Management and the Board of Directors, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on additional requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditor's report is Winston Robinson.



Ernst & Young
Kingston, Jamaica

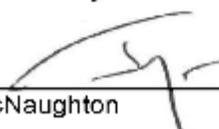
February 21, 2018

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

	Notes	2017 \$'000	2016 \$'000
Non-current assets			
Property, plant and equipment	4	342,820	257,069
Intangible assets	5	60,252	51,716
Employee benefits	7(b)	126,561	132,455
Investment in securities	8(a)	205,049	196,395
Long-term receivables	9	11,155	8,850
Total non-current assets		745,837	646,485
Current assets			
Income tax recoverable		15,159	-
Trade and other receivables	11	170,433	125,973
Investment in securities	8(b)	13,496	65,379
Government securities purchased under resale agreements	12	166,889	135,004
Cash and cash equivalents	13	143,164	146,310
Total current assets		509,141	472,666
Total assets		1,254,978	1,119,151
Equity			
Share capital	14	238,146	238,146
Fair value reserve	15	17,487	10,883
Property revaluation reserve	4	143,637	118,488
Revenue reserve non-distributable	16	48,367	48,367
Revenue reserve	17	501,143	392,197
Total equity		948,780	808,081
Non-current liabilities			
Deferred tax liabilities	18	80,507	76,875
Total non-current liabilities		80,507	76,875
Current liabilities			
Due to related party	10 (b)	755	79
Income tax payable		-	21,778
Payables and accruals	19	224,936	212,338
Total current liabilities		225,691	234,195
Total equity and liabilities		1,254,978	1,119,151

The accompanying notes form an integral part of these financial statements.

The financial statements were approved for issue by the Board of Directors on February 21, 2018 and signed on its behalf by:



Ian McNaughton

Chairman



Marlene Street Forrest

Managing Director

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

	Notes	2017 \$'000	2016 \$'000
Revenue			
Cess		285,776	330,229
Fee income		611,563	457,516
E-campus		15,921	14,218
Other operating income	20	77,890	63,818
		<u>991,150</u>	<u>865,781</u>
Expenses			
Staff costs	21	289,485	273,437
Property expenses		119,339	95,204
Depreciation and amortization	4,5	37,387	25,776
Advertising and promotion		61,193	48,492
Professional fees		52,471	45,191
Securities commission fees		40,386	45,617
Bad debts, less recoveries		6,274	(2,115)
E-campus		13,373	14,077
Other operating expenses		48,314	37,174
		<u>668,222</u>	<u>582,853</u>
Investment income	22(a)	16,319	51,808
Finance costs		(1,195)	-
Profit before taxation	23	338,052	334,736
Taxation	24	(117,384)	(111,147)
Profit for the year	25	<u>220,668</u>	<u>223,589</u>
OTHER COMPREHENSIVE INCOME			
Items that will never be reclassified to profit or loss:			
Remeasurement of employee benefits asset	7(c)	(14,430)	6,531
Deferred income tax on item that will never be reclassified to profit or loss	18	4,810	(2,177)
Revaluation surplus on land	4	15,000	75,003
Revaluation surplus on property, plant & equipment	4	15,224	65,227
Deferred income tax on revaluation surplus	18	(5,075)	(21,742)
		<u>15,529</u>	<u>122,842</u>
Items that may be reclassified to profit or loss:			
Realised gains on sales of available-for-sale investments	15	(1,165)	(5,300)
Unrealised gains on available-for-sale investments	15	11,070	12,708
Deferred income tax on items that may be reclassified to profit or loss	18	(3,301)	(2,470)
		<u>6,604</u>	<u>4,938</u>
Other comprehensive income for the year, net of taxes		<u>22,133</u>	<u>127,780</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>242,801</u>	<u>351,369</u>
Earnings per stock unit	26	<u>\$0.31</u>	<u>\$0.32</u>

The accompanying notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

	Share Capital \$'000 (Note 14)	Fair Value Reserve \$'000 (Note 15)	Property Revaluation Reserve \$'000 (Note 4)	Revenue Reserve Non- Distributable \$'000 (Note 16)	Revenue Reserve \$'000 (Note 17)	Total \$'000
Balance at January 1, 2016	238,146	5,945	-	48,367	329,469	621,927
Profit for the year	-	-	-	-	223,589	223,589
Appreciation in fair value of investments, net of taxes	-	4,938	-	-	-	4,938
Re-measurement of employees benefit assets, net of taxes	-	-	-	-	4,354	4,354
Revaluation surplus of property, plant and equipment, net of taxes	-	-	118,488	-	-	118,488
Total comprehensive income for the year	-	4,938	118,488	-	227,943	351,369
Dividend (Note 30)	-	-	-	-	(165,215)	(165,215)
Balance at December 31, 2016	238,146	10,883	118,488	48,367	392,197	808,081
Profit for the year	-	-	-	-	220,668	220,668
Appreciation in fair value of investments, net of taxes	-	6,604	-	-	-	6,604
Re-measurement of employees benefit assets, net of taxes	-	-	-	-	(9,620)	(9,620)
Revaluation surplus of property, plant and equipment, net of taxes	-	-	25,149	-	-	25,149
Total comprehensive income for the year	-	6,604	25,149	-	211,048	242,801
Dividend (Note 30)	-	-	-	-	(102,102)	(102,102)
Balance at December 31, 2017	238,146	17,487	143,637	48,367	501,143	948,780

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Profit for the year		220,668	223,589
Adjustments for:			
Depreciation of property, plant and equipment	4	20,607	19,095
Amortisation of intangible assets	5	16,780	6,681
Gain on sale of available-for-sale investments	22(a)	(1,377)	(11,378)
Loss on disposal of property, plant and equipment		80	719
Write-off of property, plant and equipment	4	-	257
Write off of intangible assets	5	4,329	4,706
Foreign exchange loss/(gains) on investments		6,830	(13,148)
Employee benefits expense	7(c)	2,271	1,822
Bad debts, less recoveries	11	6,274	(2,371)
Income tax charge	24	117,384	111,147
Interest income	22(a)	(21,119)	(27,282)
Operating cash flows before movements in working capital		372,727	313,637
Increase in trade and other receivables		(50,734)	(2,911)
Increase in payables and accruals		12,598	105,753
Post employment benefit contributions	7(d)	(10,807)	(8,757)
Cash provided by operations		323,784	407,722
Income tax paid		(154,255)	(101,714)
Cash provided by operating activities		169,529	306,008
Cash flows from investing activities			
Investment securities, net		(43,047)	(68,308)
Proceeds from disposal of property, plant and equipment		-	185
Government securities purchased under resale agreements		(31,885)	(83,396)
Receipts from related parties		678	220
Proceeds from sale of available-for-sale investments		91,231	133,813
Acquisition of property, plant and equipment	4	(76,214)	(50,918)
Acquisition of intangible assets	5	(29,645)	(22,033)
Long-term receivables		(2,305)	2,232
Interest received		22,047	28,793
Cash used in investing activities		(69,142)	(59,412)
Cash flows from financing activity			
Dividends paid		(102,102)	(165,215)
Cash used in financing activity		(102,102)	(165,215)
Net (decrease)/increase in cash and cash equivalents		(1,715)	81,381
Cash and cash equivalents at the beginning of the year		146,310	64,009
Effect of foreign exchange rate changes		(1,431)	920
Cash and cash equivalents at the end of the year	13	143,164	146,310

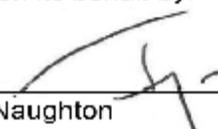
The accompanying notes form an integral part of these financial statements

**SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

	Notes	2017 \$'000	2016 \$'000
Non-current assets			
Property, plant and equipment	4	309,513	240,050
Intangible assets	5	43,233	40,588
Investment in subsidiary	6	61,000	61,000
Employee benefits	7(b)	91,057	92,570
Investment in securities	8(a)	136,559	126,469
Long-term receivables	9	6,926	6,885
Total non-current assets		648,288	567,562
Current assets			
Income tax recoverable		34,874	2,511
Due from related party	10(b)	19,475	5,409
Trade and other receivables	11	60,690	53,904
Investment in securities	8(b)	7,082	49,147
Government securities purchased under resale agreements	12	38,042	27,107
Cash and cash equivalents	13	10,293	35,509
Total current assets		170,456	173,587
Total assets		818,744	741,149
Equity			
Share capital	14	238,146	238,146
Fair value reserve	15	12,554	8,002
Property revaluation reserve	4	143,637	118,488
Revenue reserve	17	249,562	228,772
Total equity		643,899	593,408
Non-current liabilities			
Deferred tax liabilities	18	67,947	58,215
Total non-current liabilities		67,947	58,215
Current liabilities			
Due to related parties	10(b)	11,599	10,923
Payables and accruals	19	95,299	78,603
Total current liabilities		106,898	89,526
Total equity and liabilities		818,744	741,149

The accompanying notes form an integral part of these financial statements.

The financial statements were approved for issue by the Board of Directors on February 21, 2018 and signed on its behalf by:



Ian McNaughton

Chairman



Marlene Street Forrest

Managing Director

**SEPARATE STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

	Notes	2017 \$'000	2016 \$'000
Revenue			
Cess		250,052	288,950
Fee income		99,309	78,812
E-campus		15,921	14,218
Other operating income	20	177,346	151,227
		<u>542,628</u>	<u>533,207</u>
Expenses			
Staff costs	21	161,805	156,019
Property expenses		57,617	46,667
Depreciation and amortization	4,5	25,919	16,097
Advertising and promotion		56,709	45,998
Professional fees		29,691	23,624
Securities commission fees		35,233	44,031
Bad debts less recoveries		4,324	(589)
E-campus		13,373	14,077
Other operating expenses		12,928	7,492
		<u>397,599</u>	<u>353,416</u>
Investment income	22(a)	8,014	35,689
Finance costs		(1,195)	-
Profit before taxation	23	151,848	215,480
Taxation	24	(24,184)	(40,516)
Profit for the year	25	<u>127,664</u>	<u>174,964</u>
OTHER COMPREHENSIVE INCOME			
Items that will never be reclassified to profit or loss:			
Remeasurement of employee benefits asset	7(c)	(7,158)	10,060
Deferred income tax on item that will never be reclassified to profit or loss	18	2,386	(3,353)
Revaluation surplus on land	4	15,000	75,003
Revaluation surplus on property, plant & equipment	4	15,224	65,227
Deferred income tax on revaluation surplus	18	(5,075)	(21,742)
		<u>20,377</u>	<u>125,195</u>
Items that may be reclassified to profit or loss:			
Realised gains on sale of available-for-sale financial assets	15	(1,165)	(5,300)
Unrealised loss on available-for-sale financial assets	15	7,993	12,098
Deferred income tax on items that may be reclassified to profit or loss	15,18	(2,276)	(2,266)
		<u>4,552</u>	<u>4,532</u>
Other comprehensive income for the year, net of taxes		<u>24,929</u>	<u>129,727</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>152,593</u>	<u>304,691</u>

The accompanying notes form an integral part of these financial statements.

**SEPARATE STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

	Share Capital \$'000 (Note 14)	Fair Value Reserve \$'000 (Note 15)	Property Revaluation Reserve \$'000 (Note 4)	Revenue Reserve \$'000 (Note 17)	Total \$'000
Balance at January 1, 2016	238,146	3,470	-	212,316	453,932
Profit for the year	-	-	-	174,964	174,964
Other comprehensive income:					
Appreciation in fair value of investments, net of taxes	-	4,532	-	-	4,532
Remeasurement of employee benefits assets, net of taxes	-	-	-	6,707	6,707
Revaluation of land & building, net of taxes	-	-	118,488	-	118,488
Total comprehensive income for the year	-	4,532	118,488	181,671	304,691
Dividend (Note 30)	-	-	-	(165,215)	(165,215)
Balance at December 31, 2016	238,146	8,002	118,488	228,772	593,408
Profit for the year	-	-	-	127,664	127,664
Other comprehensive income:					
Appreciation in fair value of investments, net of taxes	-	4,552	-	-	4,552
Remeasurement of employee benefits assets, net of taxes	-	-	-	(4,772)	(4,772)
Revaluation of land & building, net of taxes	-	-	25,149	-	25,149
Total comprehensive income for the year	-	4,552	25,149	122,892	152,593
Dividend (Note 30)	-	-	-	(102,102)	(102,102)
Balance at December 31, 2017	238,146	12,554	143,637	249,562	643,899

The accompanying notes form an integral part of these financial statements.

**SEPARATE STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Profit for the year		127,664	174,964
Adjustments for:			
Depreciation of property, plant and equipment	4	14,728	13,888
Amortisation of intangible assets	5	11,191	2,209
Loss on disposal of property, plant and equipment		80	55
Write-off of property, plant and equipment	4	-	257
Write-off of intangible assets	5	1,945	3,524
Foreign exchange (loss)/gain		4,584	(9,979)
Post employment benefit expense	7(c)	1,047	1,362
Bad debts, less recoveries	11	4,324	(845)
Gain on sale of investments in available-for-sale financial assets	22(a)	(1,165)	(8,204)
Income tax charge	24	24,184	40,516
Interest income	22(a)	(10,732)	(17,506)
Dividend income		(102,138)	(90,000)
Operating cash flows before movements in working capital		75,712	110,241
(Increase)/Decrease in trade and other receivables		(11,110)	1,630
Increase in trade and other payables		16,696	9,254
Post employment benefit contributions	7(d)	(6,692)	(5,304)
Cash provided by operations		74,606	115,821
Income tax paid		(51,780)	(36,112)
Cash provided by operating activities		22,826	79,709
Cash flows from investing activities			
Net acquisition of investments in securities		(21,540)	(42,350)
Proceeds from sale of investments in available-for-sale financial assets		57,725	108,944
Government securities purchased under resale agreements		(10,935)	(10,314)
Advances to related parties		(1,523)	(6,016)
Acquisition of property, plant and equipment	4	(54,047)	(40,239)
Net proceeds on disposal of property, plant and equipment		-	185
Acquisition of intangible assets	5	(27,648)	(17,383)
Long-term receivable		(41)	2,836
Dividend received		102,138	90,000
Interest received		10,632	19,533
Cash provided by investing activities		54,761	105,196
Cash flows from financing activities			
Dividend paid		(102,102)	(165,215)
Cash used in financing activities		(102,102)	(165,215)
Net (decrease)/increase in cash and cash equivalents		(24,515)	19,690
Cash and cash equivalents at the beginning of the year		35,509	15,125
Effect of foreign exchange rate changes		(701)	694
Cash and cash equivalents at the end of the year	13	10,293	35,509

The accompanying notes form an integral part of these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

1. Identification and principal activities

The Jamaica Stock Exchange Limited (the Company) is incorporated in Jamaica as a public limited liability company. 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. The Company is domiciled in Jamaica with registered office at 40 Harbour Street, Kingston, Jamaica and is listed on the Main Market of the Jamaica Stock Exchange.

The Group comprises the Company and its wholly-owned subsidiary as detailed below:

<u>Subsidiaries</u>	<u>Principal Activity</u>
Jamaica Central Securities Depository Limited (JCSD) and its wholly-owned subsidiary, JCSD Trustee Services Limited (Incorporated July 21, 2008)	To establish and maintain a Central Securities Depository (CSD) in Jamaica to facilitate the transfer of ownership of securities by book entry, including shares, stocks, bonds or debentures of companies and other eligible securities. Its subsidiary JCSD Trustee Services Limited provides trustee custodianship and related services.

Both the JCSD and its subsidiary are incorporated and domiciled in Jamaica. The Company and its subsidiaries are herein referred to as the Group.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and comply with the provisions of the Jamaican Companies Act.

(b) Adoption of new and revised International Financial Reporting Standards:

New and amended standards and interpretations that are effective during the year

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group applied the amendments, however, their application has no effect on the Group's statement of cash flows as there are no changes in their liabilities arising from financing activities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

2. Statement of compliance and basis of preparation (Continued)**(b) Adoption of new and revised International Financial Reporting Standards: (Continued)****New and amended standards and interpretations that are effective during the year (Continued)****IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

IFRS 12 Disclosure of Interests in Other Entities – Amendments to IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal Group that is classified) as held for sale. The amendments were applied retrospectively, however their application had no effect on the Group's financial position and performance as the Group had no interest in a subsidiary, joint venture or an associate classified as held for sale.

New revised and amended standards and interpretations that are not yet effective

The standards and interpretations that are issued, but not yet effective are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 40, Investment Property – Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments are effective for annual periods on or after January 1, 2018. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. These amendments are not expected to have any impact on the financial statements of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)****2. Statement of compliance and basis of preparation (Continued)**

- (b) Adoption of new and revised International Financial Reporting Standards: (Continued)

**New revised and amended standards and interpretations that are not yet effective
(continued)*****IFRS 2 Classification and Measurement of Share-based Payment Transactions —
Amendments to IFRS 2***

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Group does not have share-based transactions therefore the amendments are not expected to have an impact on its financial statements.

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement categories are significantly different. IFRS 9 replaces the ‘incurred loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

At the date of transition, the Group is permitted to make a one-time irrevocable reassessment of its fair value through profit or loss designations for its financial assets and liabilities. The Group is currently evaluating the extent to which it will apply these designations to its financial instruments upon transition.

The expected credit loss model is more forward looking and will require the use of reasonable and supportable forecasts of future economic conditions to determine increases in credit risk and measurement of expected credit losses. The Group’s trade and other receivables classified under financial assets will be the most affected due to the new expected credit loss model. It may also result in an increase in the total level of impairment allowance as all financial assets will be assessed for impairment, and the population size will be greater than that for financial assets with objective evidence of impairment under IAS 39.

The Group is still assessing the impact the change in model will have on its 2018 financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)****2. Statement of compliance and basis of preparation (Continued)**

- (b) Adoption of new and revised International Financial Reporting Standards: (Continued)

**New revised and amended standards and interpretations that are not yet effective
(continued)*****IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4***

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board has developed to replace IFRS 4 (see IFRS 17 below). The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

Temporary exemption from IFRS 9

The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply *IAS 39 Financial Instruments: Recognition and Measurement* while they defer the application of IFRS 9 until January 1, 2021 at the latest.

Predominance must be initially assessed at the annual reporting date that immediately precedes April 1, 2016 and before IFRS 9 is implemented. Also the evaluation of predominance can only be reassessed in rare cases.

Entities applying the temporary exemption will be required to make additional disclosures.

The overlay approach

The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets; effectively resulting in *IAS 39* accounting for those designated financial assets. The adjustment eliminates accounting volatility that may arise from applying IFRS 9 without the new insurance contracts standard. Under this approach, an entity is permitted to reclassify amounts between profit or loss and other comprehensive income (OCI) for designated financial assets.

An entity must present a separate line item for the amount of the overlay adjustment in profit or loss, as well as a separate line item for the corresponding adjustment in OCI.

The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9.

These amendments are effective for annual periods beginning on or after January 1, 2018. These amendments are not expected to have any impact on the financial statements of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

2. Statement of compliance and basis of preparation (Continued)

- (b) Adoption of new and revised International Financial Reporting Standards: (Continued)

**New revised and amended standards and interpretations that are not yet effective
(continued)****Amendments to IFRS 9 - *Prepayment Features with Negative Compensation***

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the remainder of IFRS 9. The amendments are effective for annual periods beginning on or after January 1, 2019.

In 2018, the Group plans to assess the potential effect of amendments to IFRS 9 on its financial statements.

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)****2. Statement of compliance and basis of preparation (Continued)**

- (b) Adoption of new and revised International Financial Reporting Standards: (Continued)

**New revised and amended standards and interpretations that are not yet effective
(continued)****IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, the model specifies that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 effective for accounting periods beginning on or after January 1, 2018 replaces IAS 11-Construction Contracts, IAS 18 –Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 –Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply when there are non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers.

The Group plans to adopt the new standard on the required effective date using the full retrospective method. The Group performed an assessment of IFRS 15 and no material impact is foreseen based on the five step model principles to be applied to all contracts with customers.

It is the view of the Group’s management that the current revenue recognition procedures are generally in line with the new stipulations outline by IFRS 15.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)****2. Statement of compliance and basis of preparation (Continued)**

- (b) Adoption of new and revised International Financial Reporting Standards: (Continued)

**New revised and amended standards and interpretations that are not yet effective
(continued)****IFRS 16 Leases (continued)**

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group plans to assess the potential effect of IFRS 16 on its financial statements.

IFRS 17 Insurance Contracts

The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

IFRS 17 reflects the IAS Board's view that an insurance contract combines features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, the Board developed an approach that:

- (a) Combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
- (b) Presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- (c) Requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognise all insurance finance income or expenses for the reporting period in profit or loss or to recognise some of that income or expenses in other comprehensive income.

An entity may apply a simplified measurement approach (the premium allocation approach) to some insurance contracts. The simplified measurement approach allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

2. Statement of compliance and basis of preparation (Continued)

(b) Adoption of new and revised International Financial Reporting Standards: (Continued)

**New revised and amended standards and interpretations that are not yet effective
(continued)**

IFRS 17 Insurance Contracts (continued)

IFRS 17 is effective for annual periods beginning on or after January 1, 2021. Earlier application is permitted.

The directors and management have not yet assessed the impact of the application of this standard on the Group's financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This interpretation is effective for annual periods beginning on or after January 1, 2018. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the interpretation or
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The directors and management have not yet assessed the impact of the application of this standard on the Group's financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

2. Statement of compliance and basis of preparation (Continued)

(b) Adoption of new and revised International Financial Reporting Standards: (Continued)

**New revised and amended standards and interpretations that are not yet effective
(continued)**

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments (continued)*

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available.

The directors and management have not yet assessed the impact of the application of this standard on the Group's financial statements.

Annual Improvements 2012-2014 Cycle (Issued December 2016)

These include:

- **IFRS 1 *First-time Adoption of International Financial Reporting Standards***
Under this amendment the short-term exemptions for first time adopters in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments are effective for annual periods beginning on or after January 1, 2018.
- **IAS 28 *Investments in Associates and Joint Ventures***
The amendments clarify that:
 - An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
 - If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments are effective for annual periods beginning on or after January 1, 2018.

These amendments are not expected to have any impact on the financial statements of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Jamaican Dollars)**

2. Statement of compliance and basis of preparation (Continued)**(c) Basis of measurement and functional currency**

The Group's financial statements have been prepared on the historical cost basis, except for financial assets classified as available-for-sale and freehold land and buildings that are measured at revalued amounts or fair values as set out in the accounting policies at Notes 3(h) and 3(d), respectively. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Unless otherwise stated, the financial statements are presented in thousands of Jamaica dollars (\$'000). The Jamaican dollar is the functional and presentation currency of the Group and Company.

(d) 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)****2. Statement of compliance and basis of preparation (Continued)****(d) Basis of consolidation (continued)**

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

(e) Accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of, and disclosures related to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances. Actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

- Allowance for credit losses

In determining amounts recorded for impairment of amounts due from debtors in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from amounts due from debtors, for example, payment default or adverse economic conditions. Management also makes estimates of the likely future cash flows from impaired amounts due from debtors as well as the timing of such cash flows.

At year end the impairment provision recognised in respect of trade receivables of the Group amounted to \$15.96 million (2016: \$9.69 million) and for the Company \$8.78 million (2016: \$4.45 million) (Note 11).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)****2. Statement of compliance and basis of preparation (Continued)****(e) Accounting estimates and judgements (Continued)**

- Fair value of financial instruments

As described in Note 29, management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets. Valuation techniques commonly used by market practitioners supported by appropriate assumptions are applied by the Group. The financial assets of the Group at the end of the reporting period stated at fair value determined in this manner amounted to \$218.54 million (2016: \$261.77 million) and the Company \$143.64 million (2016: \$175.62 million) (Note 8).

Had the fair value of these securities been 2% higher or lower the fair value reserve for the Group would increase/decrease by \$4.37 million (2016: \$5.24 million), Company \$2.87 million (2016: \$3.51 million).

- Employee benefits

As disclosed in Note 7, the Group operates a defined benefit pension plan. The retirement benefit asset disclosed in the statement of financial position for the Group is \$126.56 million (2016: \$132.46 million) and Company \$91.06 million (2016: \$92.57 million), in respect of the defined benefits plan, is subject to estimates in respect of periodic costs which costs are dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan.

The estimated return on pension assets assumption is determined by considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group estimates the appropriate discount rate annually which rate is used to determine the present value of estimated cash outflows expected to be required to settle the pension and post-retirement benefit obligations. Actuaries are contracted in this regard.

To determine the appropriate discount rate in the absence of high quality corporate bonds, the interest rate on government bonds that have maturities approximating the related pension liabilities was considered.

Note 7(i) gives details of sensitivity analysis in respect of the above.

- Fair value of land and buildings

Included in the statement of financial position are land and buildings with a carrying value of \$255 million at fair value as determined by an external valuator less accumulated depreciation (Note 4).

The Group engaged an external valuation specialist to determine the appropriate valuation techniques and inputs for fair value measurements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)****2. Statement of compliance and basis of preparation (Continued)****(e) Accounting estimates and judgements (Continued)**

- Residual value and expected useful life of property, plant and equipment

The residual value and the useful life of each asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The useful life of an asset is defined in terms of the asset's expected utility to the Group.

- Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. The Group establishes provisions, based on reasonable estimates taking cognizance of possible differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Group.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. (Notes 18 and 24).

3. Significant accounting policies**(a) Foreign currencies**

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the Group operates (its functional currency).

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

(b) Current vs. non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

3. Significant accounting policies**(b) Current vs. non current classification (Continued)**

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(c) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group's Board of Directors determines the policies and procedures for recurring fair value measurement, such as property, plant and equipment (specifically land and buildings).

External valuers are involved for valuation of significant assets, such as property, plant and equipment (specifically land and buildings). Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies.

The Group, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Jamaican Dollars)**

3. Significant accounting policies (Continued)**(c) Fair value measurement (Continued)**

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)****3. Significant accounting policies (Continued)****(d) Property, plant and equipment**

Land and buildings held for use in the supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in properties revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued buildings is recognised in profit or loss. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in property revaluation reserve is transferred directly to revenue reserve.

Furniture and fixtures, office equipment, computer hardware and motor vehicles held for use in the supply of services, or for administrative purposes, are stated in the statement of financial position at cost, less accumulated depreciation and impairment losses.

Properties in the course of construction for supply of goods and services or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land and capital work-in-progress are not depreciated.

Depreciation is recognised so as to write off the cost of property, plant and equipment (other than freehold land, land improvements and work-in-progress) less residual values, over their useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

3. Significant accounting policies (Continued)**(e) Intangible assets****(i) Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(ii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

(f) Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)****3. Significant accounting policies (Continued)****(f) Impairment of tangible and intangible assets (Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit and loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(g) Employee benefit costs*Pension obligations*

The Group operates a defined benefit pension plan. The cost of providing benefits is determined using the Projected Unit Credit Method with actuarial valuations being carried out at the end of each reporting period.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through the statement of profit or loss and other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under expenses in consolidated statement of profit or loss and other comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. Significant accounting policies (Continued)

(h) Financial assets and liabilities

Financial assets comprise cash and cash equivalents, government securities purchased under resale agreements, investment securities, due from related parties and receivables. Financial liabilities comprise payables and due to related parties.

(i) Recognition

The Group initially recognises financial instruments on the date at which the Group becomes a party to the contractual provisions of the instrument, i.e., the date that they are originated.

(ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

The Group enters into transactions whereby it transfers assets but retains either all or a portion of the risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, repurchase transactions.

(iii) Measurement

On initial recognition, financial assets and liabilities are measured at fair value plus or minus as applicable, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The measurement of financial assets subsequent to initial recognition depends upon their classification as set out in Note 3(h)(iv) below, namely: loans and receivables are measured at amortised cost using the effective interest method; investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably determined are measured at cost.

Financial liabilities are measured at amortised cost after initial recognition, using the effective interest rate method, with interest expense recognised on an effective yield basis except where the recognition of interest would be immaterial.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

3. Significant accounting policies (Continued)**(h) Financial assets and liabilities (Continued)****(iv) Classification**

The Group classifies its financial assets into the following categories: loans and receivables; and available-for-sale. Management determines the classification of its investments at initial recognition.

(1) Loans and receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, cash and cash equivalents and long-term receivable) are measured at amortised cost using the effective interest method less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(2) Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified in any of the other three categories of financial assets. They are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or market prices. Available for sale investments are measured at fair value, except for any unquoted equity securities whose fair value cannot be reliably measured, which are carried at cost. Interest income is recognised in profit or loss using the effective interest method. Other unrealised gains and losses arising from changes in fair value of available-for-sale investments are recognized in other comprehensive income. On disposal or impairment of these investments, the unrealized gains or losses included in fair value reserve are transferred to profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

3. Significant accounting policies (Continued)**(h) Financial assets and liabilities (Continued)****(v) Identification and measurement of impairment**

At each financial year end, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for loans and receivables are at a specific asset level and collectively. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, management makes judgements as to current economic and credit conditions and their effect on default rates, loss rates and the expected timing of future recoveries, ensuring that assumptions remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)****3. Significant accounting policies (Continued)****(h) Financial assets and liabilities (Continued)****(v) Identification and measurement of impairment (continued)**

Impairment losses on available-for-sale securities are recognised by transferring the cumulative loss that has been recognised directly in other comprehensive income in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(i) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase the asset at a fixed price on a future date (repurchase agreements) and securities purchased under agreements to resell the asset at a fixed price on a future date (reverse repurchase agreements) are treated as collateralised financing transactions. In the case of reverse repurchase agreements, the underlying asset is not recognized in the Group's financial statements; in the case of repurchase agreements the underlying collateral is not derecognized from the Group's financial statements but is segregated as pledged assets. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective interest method.

(j) Investment in subsidiary

Investment in subsidiary is stated at cost in the financial statements of the Company.

(k) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

(i) Current tax:

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed In Jamaican Dollars)**

3. Significant accounting policies (Continued)**(k) Taxation (Continued)****(ii) Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(iii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
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3. Significant accounting policies (Continued)

(l) Related party transactions and balances

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity", that is, the company).

(a) A person or a close member of that person's family is related to the company if that person:

- (i) has control or joint control over the company;
- (ii) has significant influence over the company; or
- (iii) is a member of the key management personnel of the company or of a parent of the company.

(b) An entity is related to the company if any of the following conditions applies:

- (i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post employment benefit plan established for the benefit of employees of either the company or an entity related to the reporting entity.
- (vi) The entity is controlled, or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(c) A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(m) Revenue recognition

(i) Cess income

Cess income which is based on a percentage of the volume of business done through brokers on the Stock Exchange and derived from levies on investors, is accounted for on the accruals basis.

(ii) Fee income

Fee income derived from annual listing fees charged to listed companies is accounted for on the accruals basis. Fee income also includes initial listing fees paid by entities wishing to be listed on the Stock Exchange. These are accounted for when they become due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)

3. Significant accounting policies (Continued)

(m) Revenue recognition (Continued)

(ii) Fee income (continued)

Fee income of the subsidiaries include:

Membership fees

These are annual fees charged to the brokers and institutional investors who participate in the CSD, and are accounted for on the accrual basis.

Account maintenance fees

These are monthly fees charged to the brokers and institutional investors who participate in the CSD, and are accounted for on the accrual basis.

User fees

These include charges per transaction for deposits, withdrawals and delivery orders (trades), and are accounted for on the accrual basis.

Trustee service fee

These include service fees charged for the provision of trustee services, company management, custodianship and related services and are accounted for on the accrual basis.

(iii) E-campus income

This represents revenue generated from JSE offering of post graduate certificate, diploma courses, to professionals and is accounted for on the accrual basis.

(iv) Members/dealers license fee

These are fees levied on members/dealers annually. Additionally, an initial fee determined on the basis of a bid is payable by new dealers subject to approval by the Board of Directors.

(v) Other operating income:

This includes income related to other services and events of the group such as website charges conferences and is accounted for on the accrual basis.

(vi) Investment income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of the income can be measured reliably.

Interest income is accrued on a time basis and is recognised in the statement of comprehensive income, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Jamaican Dollars)

4. Property, plant and equipment

The Group

	Freehold land \$'000	Freehold buildings \$'000	Furniture & fixtures \$'000	Office equipment \$'000	Computer hardware \$'000	Motor vehicles \$'000	Work-in- progress \$'000	Total \$'000
Cost								
January 1, 2016	4,997	69,374	13,289	43,725	85,590	3,678	3,461	224,114
Transfers	-	(286)	(359)	4,435	(1,873)	-	(1,917)	-
Additions	-	6,927	1,303	16,549	14,976	-	11,163	50,918
Disposals	-	-	(870)	(3,988)	(48,931)	-	-	(53,789)
Write-offs during the year	-	-	-	(613)	-	-	-	(613)
Revaluation	75,003	39,881	-	-	-	-	-	114,884
December 31, 2016	80,000	115,896	13,363	60,108	49,762	3,678	12,707	335,514
Transfers	-	12,707	-	-	-	-	(12,707)	-
Additions	-	20,705	4,478	12,461	37,500	-	1,070	76,214
Disposals	-	-	(271)	(6,361)	(2,125)	-	-	(8,757)
Revaluation	15,000	10,692	-	-	-	-	-	25,692
December 31, 2017	95,000	160,000	17,570	66,208	85,137	3,678	1,070	428,663
Depreciation								
January 1, 2016	-	25,019	10,215	25,681	75,123	1,899	-	137,937
Transfer	-	(579)	(223)	2,480	(1,678)	-	-	-
Write-offs during the year	-	-	-	(356)	-	-	-	(356)
Charge for year (Note 23)	-	2,313	654	9,609	5,783	736	-	19,095
Eliminated on disposals	-	-	(863)	(3,706)	(48,316)	-	-	(52,885)
Revaluation adjustment	-	(25,346)	-	-	-	-	-	(25,346)
December 31, 2016	-	1,407	9,783	33,708	30,912	2,635	-	78,445
Charge for year (Note 23)	-	3,125	733	8,862	7,151	736	-	20,607
Eliminated on disposals	-	-	(271)	(6,361)	(2,045)	-	-	(8,677)
Revaluation	-	(4,532)	-	-	-	-	-	(4,532)
December 31, 2017	-	-	10,245	36,209	36,018	3,371	-	85,843
Carrying amounts								
December 31, 2017	95,000	160,000	7,325	29,999	49,119	307	1,070	342,820
December 31, 2016	80,000	114,489	3,580	26,400	18,850	1,043	12,707	257,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Jamaican Dollars)
4. Property, plant and equipment (Continued)

The Company

	Freehold land \$'000	Freehold buildings \$'000	Furniture & fixtures \$'000	Office equipment \$'000	Computer hardware \$'000	Motor vehicles \$'000	Work-in- progress \$'000	Total \$'000
Cost								
January 1, 2016	4,997	69,374	9,280	33,280	56,884	3,678	3,461	180,954
Transfers	-	(286)	(339)	2,542	-	-	(1,917)	-
Additions	-	6,927	1,138	12,057	8,954	-	11,163	40,239
Write offs during the year	-	-	-	(613)	-	-	-	(613)
Disposal	-	-	(592)	(3,155)	(36,778)	-	-	(40,525)
Revaluation	75,003	39,881	-	-	-	-	-	114,884
December 31, 2016	80,000	115,896	9,487	44,111	29,060	3,678	12,707	294,939
Transfers	-	12,707	-	-	-	-	(12,707)	-
Additions	-	20,705	3,152	10,043	19,077	-	1,070	54,047
Disposal	-	-	(271)	(6,361)	(2,125)	-	-	(8,757)
Revaluation	15,000	10,692	-	-	-	-	-	25,692
December 31, 2017	95,000	160,000	12,368	47,793	46,012	3,678	1,070	365,921
Depreciation								
January 1, 2016	-	25,019	7,578	20,642	51,849	1,900	-	106,988
Charge for year	-	2,313	397	7,198	3,244	736	-	13,888
Transfers	-	(579)	(217)	796	-	-	-	-
Write offs during the year	-	-	-	(356)	-	-	-	(356)
Eliminated on disposals	-	-	(598)	(3,139)	(36,548)	-	-	(40,285)
Revaluation adjustment	-	(25,346)	-	-	-	-	-	(25,346)
December 31, 2016	-	1,407	7,160	25,141	18,545	2,636	-	54,889
Charge for year	-	3,125	475	6,451	3,941	736	-	14,728
Eliminated on disposals	-	-	(271)	(6,361)	(2,045)	-	-	(9,677)
Revaluation adjustment	-	(4,532)	-	-	-	-	-	(4,532)
December 31, 2017	-	-	7,364	25,231	20,441	3,372	-	56,408
Carrying amounts								
December 31, 2017	95,000	160,000	5,004	22,562	25,571	306	1,070	309,513
December 31, 2016	80,000	114,489	2,327	18,970	10,515	1,042	12,707	240,050

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**
4. Property, plant and equipment (Continued)

The Group's policy is to fair value its land and building. Consequently freehold land and buildings are included at valuation based on fair market value (See Note 2(e)) as expressed by external professional valuers, Easton Douglas Consultant Limited in January 2018.

The fair value was determined based on the cost approach that reflects the prices of properties comparable in quality and location.

Had the land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:

	2017	2016
	\$'000	\$'000
Freehold land	4,997	4,997
Freehold buildings	78,738	49,265

The following useful lives are used in the calculation of depreciation of property, plant and equipment:

Buildings	-	40 years
Furniture and fixtures	-	10 years
Office equipment	-	5 years
Computer hardware	-	5 years
Motor vehicles	-	5 years

No depreciation is provided on freehold land, land improvements and work-in-progress.

Property revaluation reserve

The property revaluation reserve represents the fair value gains and losses arising on the revaluation of land and buildings that have been recognised in other comprehensive income.

	The Group and the Company	
	2017	2016
	\$'000	\$'000
Balance at January 1	118,488	-
Net gain arising on revaluation of land and buildings	30,224	140,230
Deferred tax adjustments on buildings	(5,075)	(21,742)
Balance at December 31	143,637	118,488

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**
5. Intangible assets

	The Group			The Company		
	Computer Software \$'000	Computer Software Development Project \$'000	Total \$'000	Computer Software \$'000	Computer Software Development Projects \$'000	Total \$'000
Cost						
January 1, 2016	87,324	35,227	122,551	53,295	30,509	83,804
Transfers	7,119	(7,119)	-	4,568	(4,568)	-
Additions	5,989	16,044	22,033	2,737	14,646	17,383
Adjustments	-	(6,783)	(6,783)	-	(5,601)	(5,601)
Disposals	(48,483)	-	(48,483)	(31,782)	-	(31,782)
December 31, 2016	51,949	37,369	89,318	28,818	34,986	63,804
Transfers	25,502	(25,502)	-	23,119	(23,119)	-
Additions	19,793	9,852	29,645	17,796	9,852	27,648
Transfer to subsidiary	-	-	-	-	(11,867)	(11,867)
Disposals	(15,199)	-	(15,199)	(15,199)	-	(15,199)
Write off	(6,088)	-	(6,088)	(3,044)	-	(3,044)
December 31, 2017	75,957	21,719	97,676	51,490	9,852	61,342
Amortisation						
January 1, 2016	77,327	-	77,327	50,712	-	50,712
Charge for the year	6,681	-	6,681	2,209	-	2,209
Disposals	(48,483)	-	(48,483)	(31,782)	-	(31,782)
Adjustments	2,077	-	2,077	2,077	-	2,077
December 31, 2016	37,602	-	37,602	23,216	-	23,216
Charge for the year	16,780	-	16,780	11,191	-	11,191
Disposals	(15,199)	-	(15,199)	(15,199)	-	(15,199)
Write off	(1,759)	-	(1,759)	(1,099)	-	(1,099)
December 31, 2017	37,424	-	37,424	18,109	-	18,109
Carrying amounts						
December 31, 2017	38,533	21,719	60,252	33,381	9,852	43,233
December 31, 2016	14,347	37,369	51,716	5,602	34,986	40,588

Amortisation of the computer software is calculated based on an estimated useful life of 3 - 5 years. Amortisation is not calculated on computer software in development.

During 2017, the Group and the Company wrote off amounts totaling \$4.33 million and \$1.95 million, respectively in respect of computer software no longer being used. Computer software amounting to \$11.87 million was also transferred at cost to a subsidiary.

6. Investment in subsidiary

	2017 \$'000	2016 \$'000
Shares at cost in Jamaica Central Securities Depository Limited	61,000	61,000

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**
7. Employee benefits

The Group operates a defined benefit pension plan for its employees. The plan is open to all permanent employees and is administered by Prime Asset Management Limited. The plan is funded by employee contributions of 5% of pensionable salary, with an option for additional voluntary contributions of up to 8.4% of pensionable salary. The companies in the Group contribute to the plan at rates determined periodically by external actuarial valuations (currently 6.6% of pensionable salary) to meet the obligations of the plan.

Pension benefits are determined on the basis of 2% of final annual pensionable salary times pensionable years of service.

The trustees administer an irrevocable trust for providing pensions and other benefits to employees of The Jamaica Stock Exchange Limited and Jamaica Central Securities Depository Limited (the employers). The benefits are provided in accordance with the provisions of the rules of The Jamaica Stock Exchange Superannuation Pension Plan (formerly Jamaica Stock Exchange Pension Scheme) and funding as recommended by the actuaries to meet past and future liabilities of the Plan.

Contributions are received from The Jamaica Stock Exchange Limited and Jamaica Central Securities Depository Limited on behalf of the employees who are eligible for membership. Management determines the level of contribution required to the Plan on the recommendation of the Trustees. The Trustees make and approve changes by the Investment Manager, Custodian/Trustee, Actuary, Plan Administrator and Investment Consultant; monitor and review performance of the Investment Manager at least quarterly; review the Plan's performance on a quarterly basis and approve any deviation from investment policy; review the actuarial valuation, changes in methods and assumptions and their impact upon the Plan; and review investment policies and principles at least annually.

Performance targets are set to achieve appropriate investment asset mix and diversification, rate of return above inflation and rate of return above a benchmark portfolio constructed on specified market indices and Government instruments. The primary objective of the Plan is to maximize the benefit paid to members at retirement through optimisation of returns on investments within constraint of risk exposure in the asset mix strategy. The asset mix of the Plan consists of long-term asset mix strategy with average equity content providing that the equity component is well diversified. The Plan is exposed to interest rate risk, inflation and changes in life expectancy for pensioners. Note 7(g) details the plan's exposure in respect of various financial assets.

The most recent actuarial valuation was carried out as at December 31, 2017, by Duggan Consulting Limited, a qualified actuary. The present value of the defined benefit obligation and the related current service costs and past service costs have been measured using the projected unit credit method.

(a) Principal assumptions used for the purpose of the actuarial valuations:

Financial Assumptions

	2017	2016
Discount rate	8.0%	9.0%
Expected rate of future salary increases	6.0%	7.0%
Future pension increases	0.0%	0.0%
Administrative expenses	1.5%	1.5%

The weighted average duration of the defined benefit obligation as at December 31, 2017 is 16.1 years (2016: 16.3 years).

Mortality

American 1994 Group Annuitant Mortality (GAM94) table with 5 year mortality improvement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**
7. Employee benefits (Continued)

(b) Amount included in the statement of financial position in respect of the plan:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Fair value of plan assets	465,035	395,454	334,577	276,374
Present value of defined benefit obligations	(338,474)	(262,999)	(243,520)	(183,804)
Net asset in the statement of financial position	126,561	132,455	91,057	92,570

(c) Amounts recognised in profit or loss and other comprehensive income in respect of the plan:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Items in profit or loss				
Current service costs	13,129	10,884	8,671	7,461
Interest costs	25,477	18,870	17,633	12,640
Return on plan assets	(36,335)	(28,132)	(25,257)	(18,739)
Net expense for year recognised in profit or loss	2,271	1,622	1,047	1,362
Items in Other Comprehensive Income (OCI):				
Re-measurements loss on obligation for OCI	31,151	26,412	31,586	23,311
Re-measurements gain on assets for OCI	(16,721)	(32,943)	(24,428)	(33,371)
Total re-measurements for OCI	14,430	(6,531)	7,158	(10,060)
	16,701	(4,909)	8,205	(8,698)

(d) Movement in the net asset recognised in the statement of financial position:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Net asset at start of year	132,455	118,789	92,570	78,568
Net (loss)/income from profit or loss and OCI	(16,701)	4,909	(8,205)	8,698
Contributions by Company	10,807	8,757	6,692	5,304
Net asset at end of year	126,561	132,455	91,057	92,570

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. Employee benefits (Continued)

(e) Changes on the present value of the defined benefit obligations:

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Opening defined benefit obligations	262,999	208,767	183,804	138,081
Service cost	21,315	17,518	13,741	11,479
Interest cost	25,477	18,870	17,633	12,640
Members' contributions	6,962	4,709	4,298	2,947
Benefits paid	(9,429)	(13,277)	(7,542)	(4,654)
Re-measurement loss	31,150	26,412	31,586	23,311
Closing defined benefit obligations	<u>338,474</u>	<u>262,999</u>	<u>243,520</u>	<u>183,804</u>

(f) Changes in fair value of plan assets:

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Opening fair value of plan assets	395,454	327,556	276,374	216,649
Members' contributions	15,147	11,343	9,368	6,965
Employer's contributions	10,807	8,757	6,692	5,304
Interest income on plan assets	36,335	28,132	25,257	18,739
Benefits paid	(9,429)	(13,277)	(7,542)	(4,654)
Re-measurement gain on asset for OCI	16,721	32,943	24,428	33,371
Closing fair value of plan assets	<u>465,035</u>	<u>395,454</u>	<u>334,577</u>	<u>276,374</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Jamaican Dollars)**
7. Employee benefits (Continued)

(g) The fair value of plan assets is analysed as follows:

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Corporate bonds	49,608	13,326	35,691	9,313
Equity investments	170,466	140,254	122,644	98,021
Foreign currency bonds	75,371	68,911	54,227	48,161
Government of Jamaica securities	70,913	76,506	51,019	53,469
Real estate	27,000	26,000	19,426	18,171
Repurchase agreements	14,221	24,386	10,232	17,043
Unit trust	5,688	4,682	4,092	3,272
Others	51,768	41,389	37,246	28,924
Fair value of plan assets	<u>465,035</u>	<u>395,454</u>	<u>334,577</u>	<u>276,374</u>

(h) The history of experience adjustments is as follows:

	The Group Defined Benefit Pension Plan	
	2017	2016
	\$'000	\$'000
Present value of defined benefit obligation	(338,474)	(262,999)
Fair value of plan assets	<u>465,035</u>	<u>395,454</u>
Surplus in the plan	<u>126,561</u>	<u>132,455</u>
Experience adjustments on plan liabilities	31,151	26,412
Experience adjustments on plan assets	<u>(16,721)</u>	<u>(32,943)</u>
	The Company Defined Benefit Pension Plan	
	2017	2016
	\$'000	\$'000
Present value of defined benefit obligation	(243,520)	(183,804)
Fair value of plan assets	<u>334,577</u>	<u>276,374</u>
Surplus in the plan	<u>91,057</u>	<u>92,570</u>
Re-measurement loss on obligation for OCI	31,586	23,311
Re-measurement gain on obligation for OCI	<u>24,428</u>	<u>33,371</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
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7. Employee benefits (Continued)
(i) Sensitivity analyses
1. Discount rate

	2017			
	Group		Company	
	1% decrease in Discount rate Assumption \$'000	1% increase in Discount rate Assumption \$'000	1% decrease in Discount rate Assumption \$'000	1% increase in Discount rate Assumption \$'000
	Defined benefit obligation	391,937	300,519	279,673

	2016			
	Group		Company	
	1% decrease in Discount rate Assumption \$'000	1% increase in Discount rate Assumption \$'000	1% decrease in Discount rate Assumption \$'000	1% increase in Discount rate Assumption \$'000
	Defined benefit obligation	301,327	232,611	209,896

2. Salary Assumption

	2017			
	Group		Company	
	1% decrease in Salary Assumption \$'000	1% increase in Salary Assumption \$'000	1% decrease in Salary Assumption \$'000	1% increase in Salary Assumption \$'000
	Defined benefit obligation	318,956	360,179	230,0125

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
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7. Employee benefits (Continued)

(i) Sensitivity analyses (Continued)

2. Salary Assumption (Continued)

	2016			
	Group		Company	
	1% decrease in Salary Assumption \$'000	1% increase in Salary Assumption \$'000	1% decrease in Salary Assumption \$'000	1% increase in Salary Assumption \$'000
Defined benefit obligation	244,669	284,313	171,103	198,528

3. Actuarial losses on defined benefit obligation arising from:

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial assumptions	(20,166)	(2,247)	(13,386)	(1,734)
Experience adjustments	(10,985)	(24,165)	(18,220)	(21,577)
Total actuarial losses	(31,151)	(26,412)	(31,586)	(23,311)

The Group and the Company expect to make contributions of \$15.70 million and \$7.35 million, respectively, (2016: \$11.40 million and \$6.06 million, respectively) to the defined benefit plan during the next financial year.

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by or other assets used by the Group.

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(Expressed in Jamaican Dollars)**
8. Investment in securities

(a) Non-current – classified as available for sale:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
National Commercial Bank: Fixed Rate (FR) 8.5% Note 2020	42,216	-	21,108	-
Fixed rates notes – 2019 (8.5%) (2016: 2019, 8.5%)	9,797	9,775	9,797	9,775
Variable Rates Notes – 2020 - 2023 5.23% (2016: 2018-2023 6.11%-6.24%)	18,496	22,895	4,447	4,529
Government of Belize 5% guaranteed mortgage notes 2038 (nominal value US\$53,600)	3,632	6,369	3,632	6,369
Government of Jamaica (GOJ) FR 5.25% US\$ Benchmark investment notes 2020-2038 (2016: 2020, 5.25% (nominal value US\$109,000)	-	14,876	-	14,876
GOJ FR 5.25% and 7% US\$ Benchmark investment notes 2020 (2016: 5.25% (nominal rate US\$150,000)	-	20,474	-	-
GOJ US\$ 8% Global Bond 2039 (nominal value US\$540,000)	97,575	90,920	97,575	90,920
GOJ US\$ 8% Global Bond 2039 (nominal value US\$190,000)	33,333	31,086	-	-
	<u>205,049</u>	<u>196,395</u>	<u>136,559</u>	<u>126,469</u>

Included in the investment balances above is interest receivable in the amount of \$3.51 million for the Group and \$2.60 million for the Company (2016: \$3.77 million for the Group and \$2.50 million for the Company).

(b) Current – classified as available for sale:

Available for sale:	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
BOJ VR 5.25% Benchmark Investment 2018	1,215	-	-	-
BOJ FR 7.5% Benchmark Investments 2017	-	57,068	-	43,040
	4,245	57,068	-	43,040
Investment in Unit Trust	9,251	8,311	7,082	6,107
	<u>13,496</u>	<u>65,379</u>	<u>7,082</u>	<u>49,147</u>

Included in the investment balances above is interest receivable in the amount of \$0.05 million for the Group and Company (2016: \$0.44 million).

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(Expressed in Jamaican Dollars)**
8. Investment in securities (Continued)

(c) Movement in investment in securities:

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
The movement for the year in available-for-sale financial assets is as follows:				
Balance at January 1	261,774	296,344	175,616	215,858
Additions	40,000	69,152	20,000	45,299
Foreign exchange (loss)/gain	(3,399)	22,683	(2,243)	16,605
Movement in fair value of available-for-sale financial assets	9,905	7,408	6,828	6,798
Disposal of investments	(89,735)	(133,813)	(56,560)	(108,944)
Balance at December 31	<u>218,545</u>	<u>261,774</u>	<u>143,641</u>	<u>175,616</u>

9. Long-term receivables

These represent loans granted to employees. The loans are repayable by monthly installments and are for a period of 5 years. These loans carry an interest rate of 10% per annum. The current portion of these loans, due within twelve months from the end of the reporting period, amounted to \$8.49 million (2016: \$8.85 million) for the Group and \$6.90 million (2016: \$6.73 million) for the Company \$5.84 million is included in other receivables (Note 11).

10. Related party transactions/balances

(a) During the year the Group and the Company had the following transactions with related parties in the normal course of business.

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Subsidiary				
Jamaica Central Securities Depository Limited				
Rental income	<u>-</u>	<u>-</u>	<u>1,966</u>	<u>1,837</u>
Related party				
JSE Compensation Fund				
Administrative fee	<u>28,270</u>	<u>29,388</u>	<u>28,270</u>	<u>29,388</u>

(b) Amount due from/(to) related parties

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Jamaica Central Securities Depository Limited	-	-	19,475	5,409
	<u>-</u>	<u>-</u>	<u>19,475</u>	<u>5,409</u>
Amount owed to related party:				
JCSD Trustee Services Limited	-	-	(10,844)	(10,844)
JSE Compensation Fund	(755)	(79)	(755)	(79)
	<u>(755)</u>	<u>(79)</u>	<u>(11,599)</u>	<u>(10,923)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**
10. Related party transactions/balances (Continued)
(c) Dividend received during the year

During the year, dividend of \$102 million (2016: \$90 million) was received from the Company's subsidiary (Note 20).

(d) Compensation of key management personnel

The remuneration of management during the year were as follows:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Short-term benefits	46,329	44,852	27,128	27,246
Post employment benefits	2,784	2,752	1,635	1,638
	<u>49,113</u>	<u>47,604</u>	<u>28,763</u>	<u>28,884</u>

(e) Loans to related parties

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Loans to key management personnel	2,248	3,878	2,033	3,285

11. Trade and other receivables

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cess receivable	30,227	21,432	26,448	18,761
Fees receivable	68,814	50,550	-	-
E-campus	7,720	6,336	7,720	6,336
Registrar service fee	18,085	14,298	-	-
Other	35,631	32,037	29,504	27,023
	<u>160,477</u>	<u>124,653</u>	<u>63,672</u>	<u>52,120</u>
Less: Allowance for doubtful debts	<u>(15,961)</u>	<u>(9,687)</u>	<u>(8,775)</u>	<u>(4,451)</u>
Prepayments	144,516	114,966	54,897	47,669
	<u>25,917</u>	<u>11,007</u>	<u>5,793</u>	<u>6,235</u>
	<u>170,433</u>	<u>125,973</u>	<u>60,690</u>	<u>53,904</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**
11. Trade and other receivables (Continued)

The average credit period on services is 30 days. No interest is charged on the trade and other receivables in accordance with the Group's policy. The Group has provided 100% for receivables over 180 days (except where these amounts are assessed as recoverable by management), because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable.

Included in trade and other receivables however, are debtors with a carrying amount of approximately \$13.05 million (2016: \$8.66 million) for the Group and \$5.43 million (2016: \$6.43 million) for the Company which are past due at the reporting date for which the Group has not provided as there has not been a change in credit quality and the amounts are still considered recoverable.

Ageing of receivables that are past due but not impaired:

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
180-365 days	9,846	1,877	3,124	1,158
Over 1 year	3,200	6,782	2,311	5,274
	13,046	8,659	5,435	6,432

Movement in allowance for doubtful debts on other receivables:

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	9,687	13,575	4,451	5,296
Impairment losses recognised during year	7,940	-	4,324	-
Write-offs during the year	-	(1,517)	-	-
Recoveries during for the year	(1,666)	(2,371)	-	(845)
Balance at end of year	15,961	9,687	8,775	4,451

In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. Concentration of credit risk is limited due to the nature of the customer base. Accordingly, management believes that there is no further credit allowance required in excess of the allowance for doubtful debts and that non-past due unimpaired receivable are collectable in full.

Cess receivable at the end of the year included \$17.06 million (2016: \$7.26 million), \$4.22 million (2016: \$3.52 million) and \$4.10 million (2016: \$2.54 million) for the Group and \$14.96 million (2016: \$6.35 million), \$3.69 million (2016: \$2.85 million) and \$3.58 million (2016: \$2.23 million) for the Company due from three brokers which represent 56.4% (2016: 34%), 14% (2016: 15%) and 13.6% (2016: 12%) for the Group and 56.6% (2016: 34%), 13.96% (2016: 15%) and 13.54% (2016: 12%) for the Company respectively for three brokers.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**
11. Trade and other receivables (Continued)

Ageing of impaired other receivables:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
180+ days	<u>15,961</u>	<u>9,687</u>	<u>8,775</u>	<u>4,451</u>

12. Government securities purchased under resale agreement

The Group entered into reverse repurchase agreements collateralised by the Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparties of these transactions are unable to fulfill their contractual obligations. Included in this balance is foreign currency denominated amount of US\$0.17 million for the Group and US\$0.09 million for the Company respectively (2016: US\$0.09 million for the Group and Company respectively) and interest receivable of \$0.001 million for the Group and \$0.001 million for the Company (2016: \$0.02 million for the Group and \$0.006 million for the Company). The fair value of collateral pursuant to reverse repurchase agreements is \$166.90 million for the Group and \$38.04 million for the Company (2016: \$133.72 million for the Group and \$27.10 million for the Company).

13. 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.

- (a) Cash and cash equivalents at the reporting date as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash on hand and in banks	<u>143,164</u>	<u>146,310</u>	<u>10,293</u>	<u>35,509</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Jamaican Dollars)**
14. Share capital

	2017	2016
	\$'000	\$'000
Authorised:		
2,400,000,000 ordinary shares of no par value (2016: 2,400,000,000)		
1,000,000 preference shares of no par value (2016: 1,000,000)		
Issued capital:		
701,250,000 ordinary stock units of no par value (2016: 701,250,000)		
Nil preference shares of no par value		
Issued capital:		
At January 1 and December 31	<u>238,146</u>	<u>238,146</u>

15. Fair value reserve

The reserve represents the fair value adjustment relating to available-for-sale investment in securities (Note 8).

	<u>The Group</u>		<u>The Company</u>	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Balance at January 1	<u>10,883</u>	<u>5,945</u>	<u>8,002</u>	<u>3,470</u>
Net gain/(loss) arising on revaluation of available-for-sale financial assets	11,070	12,708	7,993	12,098
Net gain reclassified to profit on sale of investment	(1,165)	(5,300)	(1,165)	(5,300)
Deferred tax adjustments on available-for-sale financial assets (Note 18)	<u>(3,301)</u>	<u>(2,470)</u>	<u>(2,276)</u>	<u>(2,266)</u>
	<u>6,604</u>	<u>4,938</u>	<u>4,552</u>	<u>4,532</u>
Balance at December 31	<u>17,487</u>	<u>10,883</u>	<u>12,554</u>	<u>8,002</u>

The fair value reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**
16. Revenue reserve – non distributable

In order to provide custody services to its clients, JCSD Trustco Services Limited (the "subsidiary") is required by the Financial Services Commission to have a minimum of \$50 million as Non-Distributable Capital. Consequently during the year ended December 31, 2015, in order to meet this requirement, the subsidiary received approval from the Board of Directors to transfer \$48.37 million from Revenue Reserves to Revenue Reserves – Non-Distributable.

17. Revenue reserve

Reflected in the financial statements of the:

	2017 \$'000	2016 \$'000
Parent company	249,562	228,772
Subsidiaries	251,581	163,425
	<u>501,143</u>	<u>392,197</u>

18. Deferred tax

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Deferred tax assets	1,773	2,501	1,151	1,818
Deferred tax liabilities	(82,280)	(79,376)	(69,098)	(60,033)
Net position at the end of the year	<u>(80,507)</u>	<u>(76,875)</u>	<u>(67,947)</u>	<u>(58,215)</u>

The movement in the net deferred tax position was as follows:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At January 1	(76,875)	(43,772)	(58,215)	(25,771)
Charged to income for the year (Note 24)	(66)	(6,714)	(4,767)	(5,083)
Charged to equity	(265)	(23,919)	(2,689)	(25,095)
Charged to fair value reserve for the year (Note 15)	(3,301)	(2,470)	(2,276)	(2,266)
At December 31	<u>(80,507)</u>	<u>(76,875)</u>	<u>(67,947)</u>	<u>(58,215)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**
18. Deferred tax (Continued)

The following are the deferred tax assets and deferred tax liabilities recognised by the Group during the year:

Deferred tax assets

	The Group		
	Accrued Vacation \$'000	Tax Loss \$'000	Total \$'000
At January 1, 2016	1,456	8,202	9,658
Credited/(Charged) to income for the year	1,045	(8,202)	(7,157)
At December 31, 2016	2,501	-	2,501
Charged to income for the year	(728)	-	(728)
At December 31, 2017	1,773	-	1,773

	The Company		
	Accrued Vacation \$'000	Tax Loss \$'000	Total \$'000
At January 1, 2016	1,033	8,201	9,234
Credited/(Charged) to income for the year	785	(8,201)	(7,416)
At December 31, 2016	1,818	-	1,818
Charged to income for the year	(667)	-	(667)
At December 31, 2017	1,151	-	1,151

Deferred tax liabilities

	The Group					Total \$'000
	Capital Allowance In excess of Depreciation \$'000	Interest receivable \$'000	Unrealised gains in Investment in securities \$'000	Retirement Benefit Asset \$'000	Property Revaluation Reserve \$'000	
January 1, 2016	(8,451)	(2,340)	(3,043)	(39,596)	-	(53,430)
Credited/(Charged) to income for the year	3,179	509	(867)	(2,378)	-	443
Charged to equity for the year	-	-	-	(2,177)	(21,742)	(23,919)
Charged to fair value reserve (Note 15)	-	-	(2,470)	-	-	(2,470)
At December 31, 2016	(5,272)	(1,831)	(6,380)	(44,151)	(21,742)	(79,376)
Credited/(Charged) to income for the year	3,199	309	-	(2,846)	-	662
Credited/(Charged) to equity for the year	-	-	-	4,810	(5,075)	(265)
Charged to fair value reserve (Note 15)	-	-	(3,301)	-	-	(3,301)
December 31, 2017	(2,073)	(1,522)	(9,681)	(42,187)	(26,817)	(82,280)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)
18. Deferred tax (Continued)

	The Company					Total \$'000
	Capital Allowance In excess of Depreciation \$'000	Interest receivable \$'000	Unrealised gains In Investment in securities \$'000	Retirement Benefit Asset \$'000	Property Revaluation Surplus \$'000	
January 1, 2016	(5,331)	(1,681)	(1,804)	(26,189)	-	(35,005)
Credited/(Charged) to income for the year	3,840	675	(867)	(1,315)	-	2,333
Charged to equity for the year	-	-	-	(3,353)	(21,742)	(25,095)
Credited to fair value reserve (Note 15)	-	-	(2,266)	-	-	(2,266)
At December 31, 2016	(1,491)	(1,006)	(4,937)	(30,857)	(21,742)	(60,033)
Charged to income for the year	(2,185)	(33)	-	(1,882)	-	(4,100)
Credited/(Charged) to equity for the year	-	-	-	2,386	(5,075)	(2,689)
Charged to fair value reserve (Note 15)	-	-	(2,276)	-	-	(2,276)
December 31, 2017	(3,676)	(1,039)	(7,213)	(30,353)	(26,817)	(69,098)

19. Payables and accruals

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Payables and accruals	224,936	212,338	95,299	78,603

No interest is charged on the payables balance. The Group has financial risk management policies to ensure that all payables are paid within the pre-agreed credit terms.

20. Other operating income

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Regional conference	20,792	14,532	20,792	14,532
Administrative fee	29,406	28,270	29,406	28,270
Other	27,692	21,016	127,148	108,425
	77,890	63,818	177,346	151,227

Included in other income of the Company is an amount of \$102 million (2016: \$90 million) representing dividend income received from its subsidiary during the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21. Staff costs

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Salaries and other employee benefits	264,546	251,224	148,112	142,338
Statutory contributions	22,668	20,591	12,646	12,319
Charge on pension plan (Note 7(c))	2,271	1,622	1,047	1,362
	<u>289,485</u>	<u>273,437</u>	<u>161,805</u>	<u>156,019</u>

22. Investment income

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
(a) Investment income includes:				
Interest income	21,119	27,282	10,732	17,506
Foreign exchange (loss)/gain	(6,177)	13,148	(3,883)	9,979
Gain on sale of available-for-sale investments	1,377	11,378	1,165	8,204
	<u>16,319</u>	<u>51,808</u>	<u>8,014</u>	<u>35,689</u>
(b) Investment income earned, analysed by category of financial asset is as follows:				
Loans and receivables	4,565	11,763	652	7,047
Available-for-sale	11,754	40,045	7,362	28,642
	<u>16,319</u>	<u>51,808</u>	<u>8,014</u>	<u>35,689</u>
(c) Other losses:				
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Disposal of property, plant & equipment	80	719	80	55
	<u>80</u>	<u>719</u>	<u>80</u>	<u>55</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Jamaican Dollars)**
23. Profit before taxation

Profit before taxation is stated after taking account of the following:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Income:				
Interest	21,119	27,282	10,732	17,506
Expenses:				
Directors' emoluments				
Fees	12,432	9,694	9,960	7,212
Management	14,837	693	13,344	-
Audit fees	4,426	4,257	2,668	2,566
Depreciation of property, plant and equipment	20,607	19,095	14,728	13,888
Amortisation of intangible assets	16,780	6,681	11,191	2,209

24. Taxation

Recognised in profit or loss

(i) The charge for the year represents:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current tax	117,318	104,433	19,417	35,433
Deferred tax (Note 18)	66	6,714	4,767	5,083
	<u>117,384</u>	<u>111,147</u>	<u>24,184</u>	<u>40,516</u>

(ii) The charge for the year is reconciled to the profit as per the statement of comprehensive income as follows:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Profit before tax	338,052	334,736	151,848	215,480
Tax at the domestic income tax rate of 33½%	112,684	111,579	50,615	71,827
Tax effect of items that are not deductible in determining taxable profits	8,197	943	674	651
Effect of income not taxable	-	-	(34,046)	(30,000)
Other	(3,497)	(1,375)	6,940	(1,962)
	<u>117,384</u>	<u>111,147</u>	<u>24,184</u>	<u>40,516</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Jamaican Dollars)
25. Profit of the group for the year

Reflected in the financial statements of the:

	The Group	
	2017	2016
	\$'000	\$'000
Parent company	127,664	174,964
Subsidiaries	195,142	138,625
Less Dividend paid to parent company	<u>(102,138)</u>	<u>(90,000)</u>
	<u>220,668</u>	<u>223,589</u>

26. Earnings per stock unit

The basic earnings per stock units is calculated by dividing the profit by the weighted average number of ordinary stock unit.

	The Group	
	2017	2016
Profit (\$'000)	220,668	223,589
Weighted average number of ordinary stock units	<u>701,250,000</u>	<u>701,250,000</u>
Basic earnings per stock unit	<u>\$0.31</u>	<u>\$0.32</u>

27. 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.
- JCSD services – Services in connection with transferring and holding of securities, shares, stocks, bonds, debentures and registrar services.
- Investments – Income derived from investing activities of the Group.
- Trustee, custodianship, company management and other activities.

The Group's operations are located solely in Jamaica.

	2017					
	Exchange operations \$'000	JCSD Services \$'000	Investment other \$'000	Trustees Services \$'000	Eliminations \$'000	Group \$'000
Revenue - external	542,628	362,975	16,319	291,789	(206,242)	1,007,469
Segment result/ Profit before taxation	143,834	212,612	16,319	169,564	(204,277)	338,052
Taxation						<u>(117,384)</u>
Profit for the year						<u>220,668</u>
Other information						
Depreciation and amortisation	25,919	7,088	-	4,380	-	37,387
Assets						
Segment assets	818,744	364,332	-	230,440	(158,538)	1,254,978
Liabilities						
Segment liabilities	174,845	150,874	-	76,386	(95,907)	306,198
Capital expenditure	54,047	11,662	-	10,505	-	76,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27. Segment reporting (Continued)

	2016					
	Exchange operations \$'000	JCSD Services \$'000	Investment other \$'000	Trustees Services \$'000	Eliminations \$'000	Group \$'000
Revenue - external	533,207	229,476	51,808	238,098	(135,000)	917,589
Segment result/ Profit before taxation	179,791	98,520	51,808	139,617	(135,000)	334,736
Taxation						(111,147)
Profit for the year						<u>223,589</u>
Other information						
Depreciation and amortisation	16,097	7,340	-	2,339	-	25,776
Assets						
Segment assets	741,149	266,118	-	260,140	(148,256)	1,119,151
Liabilities						
Segment liabilities	147,741	126,819	-	122,134	(85,624)	311,070
Capital expenditure	40,239	7,872	-	2,807	-	50,918

28. Commitments
Capital commitments:

Capital commitments which were authorized and contracted for as at December 31, 2017, amounted to \$9.15 million for the Group and Company in relation to a system upgrade project (2016: \$32.48 million for the Group and \$31.03 million for the Company – in relation to a website development project).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**

29. Financial instruments

(a) Capital risk management:

The capital structure of the Group consists of equity attributable to the shareholders of the parent company comprising issued capital, reserves, and retained earnings.

The Group's objectives when managing its capital structure, which is a broader concept than the equity on the face of the statement of financial position are:

- i) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
- ii) To maintain a strong capital base to support the business development.

The Group's overall strategy remains unchanged from 2016.

The subsidiary is subject to externally imposed capital requirements (capital in excess of \$50 million). The subsidiary has complied with this requirement (Note 16).

(b) Financial risk management objectives

The Group's Investment Committee is responsible for recommending to the Board of Directors, through the Audit and Finance Committee, uniform investment decisions, policies and procedures for the operations of the Group. The specific duties of the Investment Management Committee are to receive and review data on current market conditions and economic outlook; review various risk reports submitted including fair value, credit risk, liquidity risk, market risk, and review monthly report on portfolios and establish quarterly investment portfolio strategies. The Group does not enter into or trade financial investments, including derivative financial instruments for speculative purposes.

(c) Market risk

The Group's investment activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and prices. The Group manages its risk through extensive research and monitors the risk exposures on the local and international markets.

There has been no change to the manner in which the Group manages and measures this risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**
29. Financial instruments (Continued)
(c) Market risk (Continued)
Foreign currency risk management

The Group undertakes certain investment transactions denominated in currencies other than the Jamaican dollar. Exchange rate exposures are managed within approved policy parameters and maintaining a manageable balance in the types of investments.

The following balances held in United States dollars are included in these financial statements:

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Investment in securities	133,988	162,848	101,207	112,164
Government securities purchased under resale agreement	20,799	14,004	10,926	11,092
Cash and cash equivalents	103,514	99,243	2,630	890
	258,301	276,095	114,763	124,146

Sensitivity analysis

The Group's investment portfolio is exposed to the United States dollar. The Group's sensitivity to a 2% increase or 4% decrease in the Jamaican dollar against the United States dollar is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity of the 2% (2016: 1%) increase or 4% (2016: 6%) decrease in the Jamaican dollar against the United States dollar exposure would be a decrease in profit of the Group by J\$5.17million (2016: \$2.76 million) million or J\$10.33 million (2016: J\$16.57 million) increase; Company J\$2.30 million (2016: J\$1.24 million) decrease or J\$4.29 million (2016: J\$7.45 million) increase. The Group's sensitivity to foreign currency has not changed significantly during the current year.

The analysis is done on the same basis as 2016 and assumes that all other variables, in particular interest rate, remain constant.

Interest rate risk management

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. Interest rate sensitivity analysis has been determined based on the exposure to interest rates for the Group's investment in securities at the end of reporting period as these are substantially the interest sensitive instrument impacting financial results. For floating rate financial assets and financial liabilities, the analysis assumes the amount outstanding at year end was outstanding for the whole year. A 100 (2016: 100) basis points increase or 100 (2016: 100) basis points decrease for local currency and 100 (2016: 100) basis points increase or 50 (2016: 50) basis points decrease for United States currency represents management's assessment of the reasonable possible change in interest rates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**
29. Financial instruments (Continued)
(c) Market risk (Continued)
Interest rate risk management (Continued)

Net effect on profit if market interest rates had been 100 or 100 basis points higher or lower for investment denominated in local currency and 100 or 50 basis points higher or lower for investments denominated in United States currency and all other variables were held constant is as follows:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Effect on profit increase 100 (2016: 100) basis points (J\$)	1,821	904	602	723
Effect on profit decrease 100 (2016: 150) basis points (J\$)	(1,821)	(904)	(602)	(723)
Effect on profit increase 100 (2016: 100) basis points (US\$)	1,370	1,622	943	1,176
Effect on profit decrease 50 (2016: 50) basis points (US\$)	(685)	(811)	(472)	(588)

The Group's and the Company's sensitivity to interest rates has increased during the current year as the Group had an increase in the number of variable rate financial instruments.

(d) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is guided by the investment policies and procedures of the Stock Exchange. In relation to bank accounts and investment securities, the Group, as a policy, deals only with credit worthy counterparties, to minimise credit risk exposures. In addition, limits are assigned to various counterparties by the Group.

Trade receivables consist of broker members of the Group and accordingly mitigates against credit risk in relation to such receivables. In the case of other receivables, ongoing credit evaluation is performed on the financial condition of those receivables.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**
29. Financial instruments (Continued)
(d) Credit risk management (Continued)

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial assets				
Available-for-sale financial assets	218,545	261,774	143,841	175,616
Long-term receivables	11,155	8,850	6,926	6,885
Trade and other receivables	144,516	114,966	54,897	47,689
Due from related parties	-	-	19,475	5,409
Government securities purchased under resale agreements	166,889	135,004	38,042	27,107
Cash and bank balances	143,164	146,310	10,293	35,509
	<u>684,269</u>	<u>666,904</u>	<u>273,274</u>	<u>299,135</u>

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash resources, banking facilities, and by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's and the Company's contractual maturity for its non-derivative financial assets and financial liabilities. The tables below have been drawn up based on undiscounted contractual maturities of financial assets including interest that will be earned on those except where the Group and the Company anticipates that the cash flows will occur in a different period, and in the case of financial liabilities, based on the earliest date on which the Group and the Company can be required to pay.

	The Group						
	Weighted Average effective interest rate %	Less than 1 month \$'000	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2017							
Financial assets							
Non-interest bearing		104,930	175,859	-	-	-	280,789
Interest bearing	6.17	115,021	23,343	8,460	9,646	-	156,470
Variable interest rate							
Instruments	5.23	28	43,893	62,746	38,066	-	144,723
Fixed interest rate							
Instruments	5.38	26,694	4,791	17,649	95,814	248,816	393,764
		<u>246,673</u>	<u>247,876</u>	<u>88,855</u>	<u>143,526</u>	<u>248,816</u>	<u>975,746</u>
Financial liabilities							
Non-interest bearing		182,029	11,599	-	-	-	193,628

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**
29. Financial instruments (Continued)
(c) Liquidity risk management (Continued)

		The Group						
		Weighted Average effective interest rate %	Less than 1 month \$'000	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2016								
Financial assets								
Non-interest bearing			47,068	193,334	-	-	-	240,402
Interest bearing	3.18		110,964	22,793	12,802	12,378	-	156,937
Variable interest rate Instruments	4.84		33	35,561	90,263	22,735	4,260	152,852
Fixed interest rate Instruments	6.59		25	-	54,810	105,416	238,381	398,641
			<u>158,090</u>	<u>251,688</u>	<u>157,884</u>	<u>140,529</u>	<u>242,641</u>	<u>950,832</u>
Financial liabilities								
Non-interest bearing			111,966	79	-	-	-	112,045
		The Company						
		Weighted Average effective interest rate %	Less than 1 month \$'000	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2017								
Financial assets								
Non-interest bearing			14,745	75,244	-	-	-	89,989
Interest bearing	5.5		2,765	315	6,694	6,926	-	16,700
Variable interest rate Instruments	5.23		-	-	255	4,802	-	5,057
Fixed interest rate Instruments	5.38		26,694	4,791	15,519	58,135	189,787	294,926
			<u>44,204</u>	<u>80,350</u>	<u>22,468</u>	<u>69,863</u>	<u>189,787</u>	<u>406,672</u>
Financial liabilities								
Non-interest bearing			75,425	11,599	-	-	-	87,024

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)**
29. Financial instruments (Continued)
(c) Liquidity risk management (Continued)

	The Company						
	Weighted Average effective Interest rate %	Less than 1 month \$'000	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2016							
Financial assets							
Non-interest bearing		34,620	45,648	-	-	-	80,468
Interest bearing	3.18	7,595	22,302	11,329	9,953	-	51,179
Variable interest rate instruments	6.11	5	-	263	5,139	-	5,407
Fixed interest rate instruments	7.11	25	-	51,775	52,587	210,761	315,148
		<u>42,245</u>	<u>68,150</u>	<u>63,367</u>	<u>67,679</u>	<u>210,761</u>	<u>452,202</u>
Financial liabilities							
Non-interest bearing		68,424	10,923	-	-	-	79,347

(f) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions have been used to measure the Group's financial instruments that are carried at fair value:

- (i) Financial assets classified as available-for-sale are measured at fair value using interpolated yields derived from quoted prices of similar instruments or broker quotes from market makers.
- (ii) The carrying amount of liquid assets and other assets maturing within one year is assumed to approximate their fair value. This assumption is applied to liquid assets and the other short-term elements of all other financial assets and financial liabilities.

No significant unobservable inputs were applied in the valuation of the Group's financial instruments classified as available-for-sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)
29. Financial instruments (Continued)
(g) Fair value measurement recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). There were no Level 3 fair value investments.

	The Group 2017			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available-for-sale financial instruments				
Debt securities	-	218,545	-	218,545
	The Group 2016			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available-for-sale financial instruments				
Debt securities	-	261,774	-	261,774
	The Company 2017			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available-for-sale financial instruments				
Debt securities	-	143,639	-	143,639
	The Company 2016			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available-for-sale financial instruments				
Debt securities	-	175,616	-	175,616

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Expressed in Jamaican Dollars)****30. Dividends**

During the year ended December 31, 2017, two dividend payments were declared by the Board of Directors.

- On May 31st 2017 a dividend of \$0.04 per ordinary share was paid to shareholders. The total dividend paid was \$25 million. (2016: On May 5, 2016 a dividend of \$0.53 per ordinary share was paid to shareholders. The total dividend paid was \$74.30 million.)
- On December 11, 2017 a dividend of \$0.11 per ordinary share was paid to shareholders. The total dividend paid was \$77.14 million. (2016: On December 9, 2016 a dividend of \$0.13 per ordinary share was paid to shareholders on. The total dividend paid was \$90.90 million.)

31. Compensation fund

The Jamaica Stock Exchange Limited Compensation Fund ("the Fund") was created by contributions of the Exchange's member-dealers for the purpose of compensating investors who may have suffered pecuniary loss as a result of a defalcation or fraudulent misuse of securities or document of title to securities. The Exchange fulfils its obligations under Sections 27 through 35 of the Securities Act by its administration of the Fund.

Section 27(2) of the Securities Act stipulates that "The assets of the Compensation Fund are the property of the recognised stock exchange but shall be –

- (a) Kept separate from all other property; and
- (b) Held in trust for the purposes specified in this part."

Accordingly, the assets and liabilities of the Fund are segregated from those of the Exchange and separate audited financial statements are produced for the Fund.

(a) Compensation fund financial position**(i) 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, during the year there were no contributions by the member dealers as the Board was of the view that the reserve was adequate for the specific purpose.

(ii) 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 or 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 December 31, 2017, the fund had total assets of \$791.33 million (2016: \$765.31 million) and net equity of \$765.82 million (2016: \$752.29 million).

FINANCIAL & STATISTICAL HIGHLIGHTS

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenue (\$)	991,150,000.00	865,781,000.00	750,715,000.00	379,758,000.00	347,802,000.00	548,397,000.00	+309,628,000	232,537,000	263,387,000
Expenses(\$)	669,417,000.00	582,853,000.00	495,930,000.00	383,788,000.00	349,614,000.00	360,960,000.00	272,030,000	230,239,000	283,248,000
Income Before Taxes (\$)	338,052,000.00	334,736,000.00	254,785,000.00	(4,030,000.00)	1,812,000.00	187,437,000.00	37,598,000	2,298,000	-19,861,000
Net Income After Tax (\$)	220,668,000.00	223,589,000.00	174,953,000.00	3,128,000.00	5,674,000.00	129,903,000.00	50,310,000	37,402,000	43,018,000
Compensation Fund (\$)	765,820,400.00	75,229,400.00	706,398,000.00	676,522,000.00	647,928,000.00	604,296,000.00	578,617,000	564,125,000	544,281,000
Members' Equity (\$)	948,780,000.00	808,081,000.00	621,927,000.00	561,023,000	552,757,000	571,460,000	467,734,000	434,609,000	423,931,000
Reported Share Volume (Millions)* (Units)	3,938.12	4,068.58	5,412.40	2,713.38	2,311.20	3,151.11	2,125.52	3,617.26	1,764.89
Daily Average Share Volume (Millions)* (Units)	15.75	16.07	21.40	10.80	9.21	12.60	8.43	10.66	6.98
Reported Dollar Value (Millions)* (\$)	43,553.54	53,516.89	72,077.50	14,801.45	17,364.21	66,294.86	22,241.92	21,020.82	12,189.89
Daily Average Dollars Value (Millions)* (\$)	174.21	213.21	284.89	58.93	69.18	265.18	88.26	69.6	48.12
JSE Combined Index as at December 31	294,986.58	204,960.10	158,269.14	78,223.45	82,934.95	93,503.79	97,134.00		
JSE Market Index as at December 31	288,382.00	192,276.64	150,692.13	76,353.39	80,633.55	92,101.22	95,297.20	85,220.82	83,321.96
JSE Junior Market Index as at December 31	2,732.13	2,593.71	1,791.05	687.96	757.86	647.78	748.86	379.92	150.01
Member Organizations	13	12	12	12	11	11	11	11	11
New Listed Companies/Securities*	12/16	7/12	1/1	6/8	8/14	4/05	5/7	8/10	1
Total Listed Companies/Securities*	71/94	63/86	60/73	60/73	67	61	52	51	44
Total Shares Listed (Billions) (Main and Jnr)	77.54	71.41	61.29	62.35	61.20	51.04	51.51	47.65	47.16
Market Capitalization as at December 31:(Billion) (\$) (Main and Jnr)	1,163.53	800.00	683.51	322.93	519.57	612.74	691.44	564.72	544.88
JSE USD Equities Market Index as at December 31	166.16	164.50	161.06	135.35	92.86	67.86	78.57		
Market Capitalization as at December 31:(Million) (\$) (USD Equities)	222.58	142.13	132.58	76.58	38.34	28.02	32.44		

*Includes Junior Market

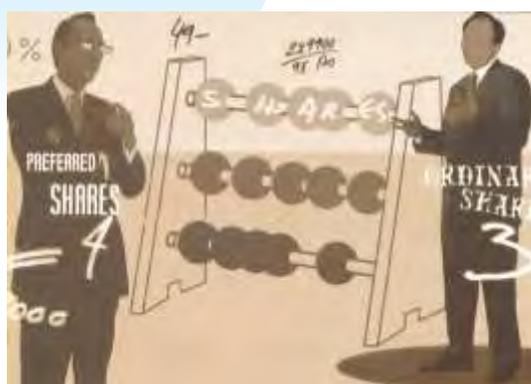
△ Restated

∅ Loss due to Exceptional Item - Write off of Fixed Income Development (\$128.7M)

+ One off gain from disposal of property

Talking Simply about Shares

Listed companies pay both initial listing fees and annual fees. In return, their SHARES are bought and sold on the JSE based on rules set by the Jamaica Stock Exchange and approved by the Financial Services Commission (FSC).



WHAT IS A SHARE?

A Share is a unit of ownership interest in a company. When you buy or receive shares in a company, you become a part owner of that company. This is known as having equity in that company. The more shares you have in relation to the total number of shares issued by the company, the more of the company you own. For example, if a company issued 10,000 shares and you own 100 shares, then you are 1.0% owner. People who own shares in a company are referred to collectively as “shareholders” or “stockholders.”

ARE THERE DIFFERENT TYPES OF SHARES?

Yes, there are two basic kinds of shares:

- A. **Ordinary Shares**- Also known as “common stock”. As part of the percentage ownership described earlier the ordinary shareholder or common stockholder usually has four basic rights in proportion to the number of shares owned:
- The right to receive dividends if and when these are declared by the Board of Directors. It is possible that the shareholders may not receive any dividends if the company performs poorly.
 - The right to vote at meetings of the shareholders.
 - The right to claim a portion of the company's undivided assets, if the company is liquidated.
 - The right to subscribe to additional stock or share offerings before they are made available to the general public. This is known as pre-emptive right.

A company may also be authorized to issue more than one class of common stock or shares, some of which may not have voting rights. (Not all companies have this provision)

- B. **Preference Shares** - Also called 'preferred shares or stocks.' The holders of these shares have certain rights and privileges over ordinary shareholders. There are different classes of preferred shares, which confer different rights. The most common types give the preferred shareholder:

- The right to receive dividends at a fixed rate prior to payment of dividends to ordinary shareholders.
- The first right of payment should the company go bankrupt or be dissolved.
- Ordinarily no voting rights.

WHAT ARE THE BENEFITS OF OWNING SHARES?

There are three main benefits of share ownership

- The shareholder benefits from the growth in the value of his or her shares over time. That is, over time the shares can be worth more than was paid for them. This is known as 'Price Appreciation'.
- The shareholder can receive income through dividends declared from time to time and paid by the company's directors.
- The shareholder gets the opportunity to participate in the continuing development of the companies in which they invest. The involvement of shareholders helps the companies and strengthens the economy.



(Cont'd on next page)

Talking Simply about Shares

WHAT IS A DIVIDEND AND HOW IS IT DETERMINED?

A dividend is a proportionate distribution of earnings (profits) of a company to its shareholders. With common (ordinary) shares or stocks, the rate of the dividend varies with the company's performance and the amount of cash on hand. With common shares the Board of Directors of the company decides the amount of the dividend to be paid out. They may also decide to hold back some of the profits to expand the company's operation. With preferred stocks or shares, the rate can be fixed or variable.

Dividends can be paid quarterly, half yearly or once per year.

WHY DO COMPANIES ISSUE SHARES?

The main reason companies issue shares is to raise capital or money. A company may need start-up capital, to repay debts or to expand. A company may also want to widen its ownership base. When you buy shares you enable the company to carry on business using your money.

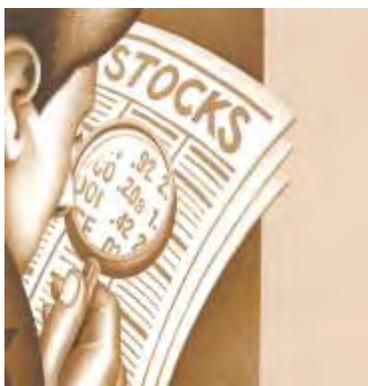
The number of shares which a company is authorized to issue is set out in its Articles of Incorporation and can only be increased with the consent of shareholders in a General Meeting.

WHY DO PEOPLE BUY SHARES?

People buy shares for different reasons. However, the principal reason is to get the best returns on their investments, whether over the long or short term. The hope is someday the stock you bought will be worth more than the amount you paid for them and that people will offer you more money to buy them from you. It is wise to regard shares as long-term investments.

WHAT ARE THE RISKS INVOLVED?

Every investment has an element of risk and buying and selling shares is not an exception. Anyone who buys shares should be aware that, although the value of each share can go up, especially over the long term, the value can also go down. It depends among other things, on the performance of the company, the value that investors in general place on owning that company's shares and on general economic conditions within the country.



WHAT ARE SOME OF THE THINGS I SHOULD DO BEFORE AND AFTER I BUY SHARES?

No one can guarantee success in the market. However, the possibility of success can be improved if, before investing in shares, you should:-

- Collect and study as much information as possible about the company in which you intend to invest.*
- Seek professional investment advice from a broker or other qualified persons.*
- Learn how to read and understand the basic financial statements and reports which the companies listed on the Stock Exchange are required to publish.*
- Develop the habit of reading and understanding financial publications.*
- After buying shares, monitor and track your investments by maintaining a daily record of advances or declines in the stock value.*



WHERE CAN I BUY SHARES

Contact a stock broker (JSE Member/Dealer). This is a person whose business it is to buy and sell shares at one of the brokerage firms authorized by the Financial Services Commission and the Jamaica Stock Exchange to operate in Jamaica.

You can visit or telephone the broker, informing him/her which shares and how many you wish to purchase. Your broker is your link with the market. He or she will buy or sell according to your orders.

(Cont'd on next page)

Talking Simply about Shares

HOW DO I BUY OR SELL SHARES?

Contact your broker and advise him or her to buy or sell shares on your behalf. Give him or her clear instructions, whether orally or in writing.

The buying/selling process begins when you place the order with your stockbroker (member/dealer) for a specified number of shares in a company. There are three types of orders that you can place:

- A market order - asks your broker to buy or sell stocks at the market price.*
- A limit order - sets the price at which you want stocks to be bought or sold.*
- A stop order - gives an approximate buying or selling price of stock. When the approximate price is reached the stock order becomes a market order.*

HOW DO I PAY?

You will receive a contract note that states the company whose stock you have bought or sold, the price paid or received, the commission and other fees and the settlement date. You should pay your bill by the settlement date.



HOW MUCH DO I HAVE TO EARN TO BUY SHARES?

A person from any income level, who has some amount of surplus funds available no matter how small, may decide to invest in the stock market.

A principal rule is never to invest any money you will need to pay your bills and other immediate living expenses. You will need to keep the money you need for your living expenses in a more liquid or immediately available manner.

WHAT IS A BONUS ISSUE?

This is the process whereby money from a company's reserves is converted into share capital, which is then distributed to shareholders in proportion to their existing holdings.

A bonus issue is also known as a script or capitalization issue.



WHAT IS A STOCK SPLIT?

This is the division of the existing shares of a company into larger number of shares, without changing the capitalization of the company. Each new stock will now be worth less depending on the ratio of the split. For example, if a stock with a market value of \$10.00 splits for 4 to 1, each new stock will be worth one fourth of the previous price, that is \$2.50. Each shareholder would get four shares for every one they owned previously. And, if the company had, let's say one million shares outstanding before the split, it would now have four million shares outstanding and worth the same dollar amount of the one million shares.

Usually, the rationale for stock split is that the lower priced stock might make the company more attractive to investors.

WHAT IS THE RECORD DATE?

It is the date by which a shareholder must be officially recorded on the company's share register in order to be entitled to a dividend, bonus, right or other distribution.

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Talking Simply about Shares

WHAT IS A BOND?

A bond is an interest bearing government or corporate debt security. It is a loan from the purchaser to the issuer which obligates the issuer to pay the bondholder a fixed interest at specific intervals and to repay the principal upon maturity. A bond issued by a company has no corporate ownership privileges as in the case of shares.



JSE CORPORATE HIGHLIGHTS

Scenes from JSE National Investor Education Week (NIEW) held Sept. 24-28, 2017



Section of the congregation at the JSE NIEW Church Service held at the Swallowfield Chapel (front row L-R: Mrs. Marlene Street Forrest MD; Mr. Ian McNaughton Chairman JSE, Mr. & Mrs. Robin Levy (GM JCSD)).



Mico University College students listened attentively during the JSE NIEW 2017.

Scenes from JDF



Members of the JDF at Up Park Camp - September 2017.



Members of the JDF Coast Guard based in Port Royal - September 2017.

Scenes from Investor Forum



Audience at the Investor Forum held at Knutsford Court Hotel in Kingston - 2017.

Scenes from SMG Awards Ceremony



Teachers and students at the Stock Market Game Awards Ceremony held at the Knutsford Court Hotel in Kingston - November 2017.

JSE CORPORATE HIGHLIGHTS

Bell Ringing Ceremony



(L-R) Mrs. Marlene Street Forrest, Managing Director JSE looks on as Mr. Lloyd Wilks, Consul General for Jamaica in Toronto, Mayor Wayne Massam of the City of Miramar Broward County Florida, Miami and Mr. Marlon Hill, Attorney-at-Law, rang the Closing Bell at the JSE, during the 7th Biennial Diaspora Conference 2017.



Jamaica's first blind Senator, Floyd Morrison launched his autobiography "By Faith Not by Sight," at a Bell Ringing Ceremony at the JSE. At the same ceremony he presented Mrs. Marlene Street Forrest, Managing Director, JSE a copy of his book. Former MP Mr. Arnaldo Brown looked on.



Minister Fayval Williams receiving her token during the Closing Bell Ringing Ceremony. Looking on are delegates from the Diaspora Conference 2017 .



Delegates to the 7th Biennial Diaspora Conference 2017 toured the JSE and participated in the Closing Bell Ring Ceremony.

JSE CORPORATE HIGHLIGHTS

Listings 2017



From Left Courtney Campbell- President & CEO, VM Group
Michael Morris- Chairman, VM Group
Devon Barrett- Group Chief Investment Officer, VM Group & CEO, VM Wealth
Sandra Shirley- VM Wealth Board Director
Colando Hutchinson- Head, Capital Markets
Phillip Silvera- VM Wealth Board Director.

(L-R) Front row - Mr Andrew Mahfood CEO inserting the strip, Mrs. Marlene Street Forrest, Managing Director, JSE; Mr William Mahfood, Chairman Wisynco far right, look on.

Second row –Mr. Herbert Hall, NCB Capital Markets; Mr. Stephen Gooden, CEO of NCB Capital Markets and (partially hidden) Mr. Stanley Thompson of NCB Capital Markets.



From left:
Mrs. Denise Samuels, Director
Dr. Konrad Kirlew, Chairman
Mr. Dennis Samuels, Director
Mrs. Marlene Street-Forrest, JSE Managing Director
Mr. Wayne Gentles, Director
Mr. Karl Townsend, Chief Country Officer, JMMB Capital Markets Group
Mr. Wayne Wray, a JSE approved Mentor.

Jamaica Stock Exchange
YEARLY TRADING SUMMARY MAIN MARKET (1991-2017)

YEAR	YEAR-END MARKET CAPITAL JAS(000)	NO. OF LISTED COMPANIES	VOLUME TRADED (000)	VALUE TRADED JAS(000)	YEAR-END JSE INDEX	YEAR-END ALL JA COMPOSITE	YEAR-END JSE SELECT	YEAR-END CROSS LISTED	YEAR-END COMBINED INDEX	NO. OF TRANS.	NO. BROKERS	YEAR-END COMBINED MKT CAP JAS(000)
1991	22,214,715	44	144,258	1,156,609	7,681.50					24,072	9	
1992	76,974,281	48	395,606	4,687,337	25,745.88					49,791	9	
1993	41,879,310	48	567,454	8,346,770	13,099.68					55,519	9	
1994	58,018,064	50	741,754	5,155,463	16,676.74					43,144	10	
1995	50,755,753	51	3,565,607	11,560,485	14,266.99					42,600	10	
1996	66,116,257	50	560,528	4,629,395	16,615.99					23,189	8	
1997	79,619,594	49	905,387	4,594,108	19,846.66					18,623	8	
1998	79,038,726	47	604,545	2,064,243	20,593.33					13,748	8+	
1999	104,041,538	44	520,531	2,218,714	21,892.58					9,256	6	
2000	160,135,746	44	694,897	3,441,081	28,893.24	26,894.76	883.67			21,066	6	
2001	222,006,166	42	2,845,199	5,948,358	33,835.59	32,508.99	1,015.26			20,979	10	
2002	292,297,900	40	1,604,591	7,636,877	45,396.21	46,142.81	1,450.34			26,999	10	
2003	512,884,380	41	4,290,433	24,237,330	67,586.72	55,629.64	1,697.87			35,954	10	
2004	879,297,296	40	5,194,558	35,994,853	112,655.51	116,218.38	3,176.62			86,875	11	
2005	839,852,762	41	2,498,028	40,746,681	104,510.38	104,941.62	2,859.62			75,001	11	
2006	822,862,351	44	5,639,412	37,040,992	100,678.00	107,213.42	2,942.88					
2007	876,690,610	44	2,433,488	29,047,425	107,968.00	106,782.82	2,928.98					
2008	597,277,036	45	2,953,011	67,026,871	80,152.03	73,994.96	1,984.74			30,323	11	
2009	544,882,559	44	1,764,894	12,189,895	83,321.96	70,995.77	1,896.05	962.92		16,099	11	
2010	564,720,705	43	3,571,199	20,828,652	85,220.82	80,793.80	2,192.19	863.01		18,359	11	
2011	619,444,770	40	1,819,302	20,993,976	95,297.20	102,178.79	2,874.01	794.55	97,134.00	23,319	11	
2012	590,637,443	36	2,581,249	61,109,565	92,101.22	91,161.60	2,489.67	873.93	93,503.79	19,515	11	612,739,023
2013	492,179,964	36	1,833,463	15,978,243	80,633.55	81,850.04	2,176.17	740.28	82,934.95	18,284	11	519,571,097
2014	296,836,862	36	2,121,337	12,807,536	76,353.39	84,084.94	2,220.27	585.90	78,223.45	16,073	12	322,933,971
2015	615,559,573	36	4,116,651	64,647,786	150,692.13	167,363.25	4,979.74	499.06	158,269.14	21,767	12	683,506,273
2016	697,446,825	35	3,393,477	48,449,577	192,276.64	201,139.49	6,403.77	2,096.06	204,960.10	30,698	12	800,864,403
2017	1,048,739,994	36	2,590,384	36,689,806	288,382.00	316,516.07	8,516.42	N/A	294,986.58	43,431	13	1,163,535

+ Six (6) active Brokers 3.64% 19,838,146.00

* The All Jamaican Composite started on the May 1, 2000 at 31,931.32 points

* JSE Select started on the June 1, 2000 at 1,000 points

* JSE Cross Listed Index started on March 2, 2009 at 1,000 points

* JSE Combined Listed Index started on April 1, 2011 at 86,897.43 points

Jamaica Stock Exchange
YEARLY TRADING SUMMARY JUNIOR MARKET (2010-2017)

YEAR	YEAR-END MARKET CAPITAL JA\$(Million)	NO. OF LISTED COMPANIES	VOLUME TRADED	VALUE TRADED	NO. OF TRANS.	NO. BROKERS	YEAR-END JSE JNR MARKET INDEX
2010	8,466.81	8	50,331,871	206,559,980	1,192	11	379.92
2011	23,595.00	12	306,220,533	1,247,948,069	7,883	11	748.86
2012	22,101.58	16	569,866,235	5,185,299,007	5,047	11	647.78
2013	27,391.13	21	477,733,468	1,385,965,574	7,157	11	757.86
2014	26,097.11	26	592,044,500	2,002,910,571	4,374	12	687.96
2015	67,946.70	23	1,295,714,331	7,429,758,488	7,754	12	1,791.05
2016	103,417.58	29	675,102,747	5,067,316,049	15,537	12	2,593.71
2017	114,795.27	34	1,347,735,367	6,863,734,530	22,230	13	2,732.13

Jamaica Stock Exchange
STOCK MARKET DATA - MAIN MARKET

YEAR	YEAR-END ISSUED SHARES (000)	TOTAL VOLUME TRADED (000)	ORDINARY VOLUME TRADED (000)	BLOCK VOLUME TRADED (000)	Average Daily Volume	Average Daily Value
1995	11,356,118	3,565,607	463,050	3,102,557		
1996	12,007,219	560,528	322,575	237,954		
1997	17,274,915	905,387	470,322	435,065		
1998	19,324,078	604,545	371,783	232,762		
1999	23,041,396	520,531	440,744	79,787	2,203,718	7,555,098
2000	28,501,260	694,897	599,834	95,063	3,014,241	16,296,328
2001	33,189,889	2,845,199	714,718	2,130,481	2,870,353	13,839,283
2002	35,769,494	1,604,591	1,434,820	169,771	5,716,412	27,466,744
2003	41,877,268	4,290,433	2,765,449	4,524,984	11,017,724	56,933,666
2004	42,280,569	5,194,557	3,240,964	1,953,593	12,759,705	114,056,429
2005	46,193,644	2,498,028	1,908,000	590,027	7,751,431	105,013,441
2006	49,234,751	5,639,412	2,917,899	2,721,512	11,671,598	78,135,584
2007	47,162,791	2,433,487	2,254,376	179,110	9,017,507	103,776,801
2008	47,491,439	2,953,011	2,295,768	657,243	9,183,074	97,517,814
2009	47,163,202	1,764,894	1,662,158	102,735	6,569,796	45,511,377
2010	47,647,441	3,571,199	2,641,538	929,661	10,482,293	68,838,178
2011	47,386,693	1,819,302	1,550,142	269,159	6,151,358	71,829,756
2012	46,038,017	2,581,249	1,431,282	1,149,967	5,725,128	73,180,378
2013	47,577,008	1,833,463	1,386,439	447,023	5,523,663	56,604,418
2014	45,828,363	2,121,337	2,117,762	3,575	8,437,299	50,984,279
2015	47,271,409	4,116,651	1,881,261	2,235,390	7,435,813	80,745,725
2016	49,769,588	3,393,477	1,809,980	1,583,496	7,211,077	101,721,227
2017	60,305,841	2,590,384	2,519,048	71,335	10,076,194	142,891,526

CORPORATE INFORMATION

Registered Office:	The Jamaica Stock Exchange, Jamaica Central Securities Depository & JCSD Trustee Services 40 Harbour Street P.O. Box 1084 Kingston. Telephone: (876) 967-3271-2 Fax: (876) 967-3277
Bankers	National Commercial Bank Cnr. Duke & Barry Streets Kingston.
Attorneys - at-law	Livingston, Alexander & Levy 72 Harbour Street, Kingston
Auditors	Ernst & Young 8 Olivier Road Kingston 8
Website Address	www.jamstockex.com
E-Mail Address	communications@jamstockex.com

BROKERAGES & CONTACT INFORMATION

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15 St. Lucia Way
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Phone: 926-2681/926-6673
Fax: 929-8432
email: barita@cwjamaica.com

**SCOTIA INVESTMENTS
JAMAICA LTD.**

7 Holborn Road
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Fax: 960-6705/ 968-7607
email: investmentinfo@scotiabank.com

JMMB SECURITIES LTD.

6 Houghton Terrace
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Phone: 920-5039/920-4720
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email: info@jmmbsecurities.com

GK CAPITAL MANAGEMENT

58 Hope Road
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Phone: 932-3290
Fax: 927-9273
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Website: www.GK-Capital.com

MAYBERRY INVESTMENTS LTD.

1 ½ Oxford Road
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email: sales@mayberry.com

SAGICOR INVESTMENTS LTD.

60 Knutsford Boulevard
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Fax: 926-4385
email: info@sagicor.com

JN FUND MANAGER LIMITED

2 Belmont Road, Kingston 5
Phone: (876) 929-2289
Fax: (876) 926-4375
Website: <http://www.jnfunds.com/>

M/VL STOCKBROKERS LTD.

19 Holborn Road
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Phone: 960-1570/926-4319
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email: info@mvl.com.jm

NCB CAPITAL MARKETS LTD.

32 Trafalgar Road, 3rd floor,
Kingston 10
Phone: 960-7108
Fax: 960-7649/ 920-4313
Toll Free: 1-888-4-WEALTH
email: info@ncbcapitalmarkets.com

STOCKS AND SECURITIES LTD.

33 ½ Hope Road
Kingston 10
Phone: 929-3400
Fax: 929-4825
email: info@sslinvest.com

**VICTORIA MUTUAL WEALTH
MANAGEMENT LTD.**

53 Knutsford Boulevard
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Fax: 960-4972
email: spalmer@vmbs.com

PROVEN WEALTH LTD.

26 Belmont Road
Kingston 5
Phone: 908-3800
Fax: 754-3802
email: info@weareproven.com

CREDIT UNION FUND MANAGEMENT COMPANY

10 Ruthven Road
Kingston 10
Tel: 926-7767

IDEAL PORTFOLIO SERVICES

17 Ripon Road
Kingston 5
Tel: 960-6389
Email: Idealfin@cwjamaica.com
Website: <http://idealportfoliojm.com>

NOTES

PROXY FORM

Please affix
\$100 postage
stamp in this
box

I/We

of.....

being a Member of the Jamaica Stock Exchange, hereby appoint

.....

of.....

or failing him/her

of.....

as my/our proxy, to vote for me/us on my/our behalf at the Annual General Meeting of the said company to be held on **Thursday June 21, 2018** and any adjournment thereof.

Signed this..... Day of2018

.....
Signature

NOTES:

- 1. This Form of Proxy must be received by the Secretary of the Company not less than 48 hours before the time appointed for the Meeting.**
- 2. If the appointer is a Corporation, this Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized in writing.**
- 3. The proxy form will attract stamp duty of J\$100 which may be paid by affixing stamps or stamp duty impressed by the Stamp Office.**

