THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARIES

YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

CONTENTS

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Members of The Jamaica Stock Exchange Limited

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, 2016, 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, 2016 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for credit losses	
As described in Note 2(e) *Accounting Estimates and Judgements* under the section *Allowance for Credit Losses* 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.	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. 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. 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.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for credit losses (continued)	
	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: 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	
As detailed in Note 8 *Investment in* Securities, 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.	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. Our audit procedures included: • 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of The Jamaica Stock Exchange Limited (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)	
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. 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, 2016 amounted to $261.77 million (2015: $289.61 million). The Group has no Level 3 fair value investments. In addition, the Group determines whether objective evidence of impairment exists for individual investments.	• 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Income taxes	
As detailed in Note 2 (e) *Accounting Estimates and Judgements,* 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.	• 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.

Other information included in the Group's Annual Report

Other information consists of the information included in the Group's 2016 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2016 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.

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 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 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To The Members of The Jamaica Stock Exchange Limited (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 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 Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 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

Ernst & Young
Kingston, Jamaica

February 24, 2017

A member firm of Ernst & Young Global Limited

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

	Notes	2016 $'000	2015 $'000
Non-current assets			
Property, plant and equipment	4	257,069	86,177
Intangible assets	5	51,716	45,224
Employee benefits	7	132,455	118,789
Investment in securities	8(a)	196,395	233,359
Long-term receivables	9	8,850	11,082
Total non-current assets		646,485	494,631
Current assets			
Due from related party	10(b)	-	141
Trade and other receivables	11	125,973	119,174
Investment in securities	8(b)	65,379	62,985
Government securities purchased under resale agreements	12	135,004	50,404
Cash and cash equivalents	13	146,310	64,009
Total current assets		472,666	296,713
Total assets		1,119,151	791,344
Equity			
Share capital	14	238,146	238,146
Fair value reserve	15	10,883	5,945
Property revaluation reserve	4	118,488	-
Revenue reserve non-distributable	16	48,367	48,367
Revenue reserve	17	392,197	329,469
Total equity		808,081	621,927
Non-current liabilities			
Deferred tax liabilities	18	76,875	43,772
Total non-current liabilities		76,875	43,772
Current liabilities			
Due to related party	10 (b)	79	-
Income tax payable		21,778	19,060
Payables and accruals	19	212,338	106,585
Total current liabilities		234,195	125,645
Total equity and liabilities		1,119,151	791,344

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 24, 2017 and signed on its behalf by:

_____ Chairman
Ian McNaughton

_____ Director
L Garth Kiddoe

THE JAMAICA STOCK EXCHANGE LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

	Notes	2016 $'000	2015 $'000
Revenue			
Cess		330,229	301,882
Fee income		457,516	330,086
E-campus		14,218	9,978
Other operating income	20	63,818	66,345
		865,781	708,291
Expenses			
Staff costs	21	273,437	215,139
Property expenses		95,204	87,581
Depreciation and amortization	4,5	25,776	18,833
Advertising and promotion		48,492	41,876
Professional fees		45,191	35,336
Securities commission fees		45,617	47,205
Bad debts, less recoveries		(2,115)	6,838
E-campus		14,077	14,004
Other operating expenses		37,174	29,118
		582,853	495,930
		282,928	212,361
Investment income	22(a)	51,808	42,424
Profit before taxation	23	334,736	254,785
Taxation	24	(111,147)	(79,832)
Profit for the year	25	223,589	174,953
OTHER COMPREHENSIVE INCOME			
Items that will never be reclassified to profit or loss:			
Remeasurement of employee benefits asset	7(c)	6,531	46,825
Deferred income tax on item that will never be reclassified to profit or loss	18	(2,177)	(15,608)
Revaluation surplus on land	4	75,003	-
Revaluation surplus on property, plant & equipment	4	65,227	-
Deferred income tax on revaluation surplus	18	(21,742)	-
		122,842	31,217
Items that may be reclassified to profit or loss:			
Realised gains on sales of available-for-sale investments	15	(5,300)	(5,433)
Unrealised gains/(loss) on available-for-sale investments	15	12,708	(2,090)
Deferred income tax on items that may be reclassified to profit or loss	18	(2,470)	2,507
		4,938	(5,016)
Other comprehensive income for the year, net of taxes		127,780	26,201
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		351,369	201,154
Earnings per stock unit	26	$0.32	$0.25

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

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2016
(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, 2015	238,146	10,961	-	-	311,916	561,023
Profit for the year	-	-	-	-	174,953	174,953
Depreciation in fair value of investments, net of taxes	-	(5,016)		-	-	(5,016)
Re-measurement of employees benefit assets, net of taxes	-	-	-	-	31,217	31,217
Total comprehensive income for the year	-	(5,016)	-	-	206,170	201,154
Transfer to non-distributable revenue reserve	-	-	-	48,367	(48,367)	-
Dividend (Note 30)	-	-	-	-	(140,250)	(140,250)
Balance at December 31, 2015	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

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

THE JAMAICA STOCK EXCHANGE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit for the year		223,589	174,953
Adjustments for:			
Depreciation of property, plant and equipment	4	19,095	13,045
Amortisation of intangible assets	5	6,681	5,788
Gain on sale of available-for-sale investments	22(a)	(11,378)	(5,620)
Loss on disposal of property, plant and equipment		719	-
Write-off of property, plant and equipment	4	257	-
Adjustments to intangible assets		4,706	-
Unrealised foreign exchange gains	22(a)	(13,148)	(10,737)
Employee benefits expense	7(c)	1,622	2,559
Bad debts, less recoveries	11	(2,371)	6,838
Income tax charge	24	111,147	79,832
Interest income	22(a)	(27,282)	(26,067)
Operating cash flows before movements in working capital		313,637	240,591
Increase in trade and other receivables		(2,911)	(65,569)
Increase in payables and accruals		105,753	42,557
Post employment benefit contributions	7(d)	(8,757)	(7,566)
Cash utilised in operations		407,722	210,013
Income tax paid		(101,714)	(13,324)
Cash provided by operating activities		306,008	196,689
Cash flows from investing activities			
Investment securities, net		(68,308)	(48,282)
Proceeds from disposal of property, plant and equipment		185	-
Government securities purchased under resale agreements		(83,396)	16,569
Receipts from related parties		220	2,235
Proceeds from sale of available-for-sale investments		133,813	41,499
Acquisition of property, plant and equipment	4	(50,918)	(16,794)
Acquisition of intangible assets	5	(22,033)	(26,321)
Long-term receivables		2,232	(295)
Interest received		28,793	24,045
Cash used in investing activities		(59,412)	(7,344)
Cash flows from financing activity			
Dividends paid		(165,215)	(140,250)
Cash used in financing activity		(165,215)	(140,250)
Net increase in cash and cash equivalents		81,381	49,095
Cash and cash equivalents at the beginning of the year		64,009	14,330
Effect of foreign exchange rate changes		920	584
Cash and cash equivalents at the end of the year	13	146,310	64,009

The accompanying notes form an integral part of these financial statements

THE JAMAICA STOCK EXCHANGE LIMITED

SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

	Notes	2016 $'000	2015 $'000
Non-current assets			
Property, plant and equipment	4	240,050	73,966
Intangible assets	5	40,588	33,092
Investment in subsidiary	6	61,000	61,000
Employee benefits	7	92,570	78,568
Investment in securities	8(a)	126,469	154,836
Long-term receivables	9	6,885	9,721
Total non-current assets		567,562	411,183
Current assets			
Income tax recoverable		2,511	1,832
Due from related party	10(b)	5,409	10,119
Trade and other receivables	11	53,904	54,689
Investment in securities	8(b)	49,147	61,022
Government securities purchased under resale agreements	12	27,107	16,731
Cash and cash equivalents	13	35,509	15,125
Total current assets		173,587	159,518
Total assets		741,149	570,701
Equity			
Share capital	14	238,146	238,146
Fair value reserve	15	8,002	3,470
Property revaluation reserve		118,488	-
Revenue reserve	17	228,772	212,316
Total equity		593,408	453,932
Non-current liabilities			
Deferred tax liabilities	18	58,215	25,771
Total non-current liabilities		58,215	25,771
Current liabilities			
Due to related parties	10(b)	10,923	21,649
Payables and accruals	19	78,603	69,349
Total current liabilities		89,526	90,998
Total equity and liabilities		741,149	570,701

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 24, 2017 and signed on its behalf by:

_____ Chairman
Ian McNaughton

_____ Director
L Garth Kiddoe

THE JAMAICA STOCK EXCHANGE LIMITED
SEPARATE STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

	Notes	2016 $'000	2015 $'000
Revenue			
Cess		288,950	264,150
Fee income		78,812	57,621
E-campus		14,218	9,978
Other operating income	20	151,227	87,727
		533,207	419,476
Expenses			
Staff costs	21	156,019	122,585
Property expenses		46,667	44,260
Depreciation and amortization	4,5	16,097	12,341
Advertising and promotion		45,998	38,913
Professional fees		23,624	17,288
Securities commission fees		44,031	44,915
Bad debts less recoveries		(589)	3,080
E-campus		14,077	14,004
Other operating expenses		7,492	7,526
		353,416	304,912
		179,791	114,564
Investment income	22(a)	35,689	34,137
Profit before taxation	23	215,480	148,701
Taxation	24	(40,516)	(35,397)
Profit for the year	25	174,964	113,304
OTHER COMPREHENSIVE INCOME			
Items that will never be reclassified to profit or loss:			
Remeasurement of employee benefits asset	7(c)	10,060	29,148
Deferred income tax on item that will never be reclassified to profit or loss	18	(3,353)	(9,716)
Revaluation surplus on land	4	75,003	-
Revaluation surplus on property, plant & equipment	4	65,227	-
Deferred income tax on revaluation surplus	18	(21,742)	-
		125,195	19,432
Items that may be reclassified to profit or loss:			
Realised gains on sale of available-for-sale financial assets	15	(5,300)	(5,433)
Unrealised loss on available-for-sale financial assets	15	12,098	(3,426)
Deferred income tax on items that may be reclassified to profit or loss	15,18	(2,266)	2,953
		4,532	(5,906)
Other comprehensive income for the year, net of taxes		129,727	13,526
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		304,691	126,830

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

THE JAMAICA STOCK EXCHANGE LIMITED

SEPARATE STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2016
(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, 2015	238,146	9,376		219,830	467,352
Profit for the year	-	-	-	113,304	113,304
Other comprehensive income:					
Depreciation in fair value of investments, net of taxes	-	(5,906)	-	-	(5,906)
Remeasurement of employee benefits assets, net of taxes	-	-	-	19,432	19,432
Total comprehensive income for the year	-	(5,906)	-	132,736	126,830
Dividend (Note 30)	-	-	-	(140,250)	(140,250)
Balance at December 31, 2015	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

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

THE JAMAICA STOCK EXCHANGE LIMITED

SEPARATE STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit for the year		174,964	113,304
Adjustments for:			
Depreciation of property, plant and equipment	4	13,888	9,680
Amortisation of intangible assets	5	2,209	2,661
Loss on disposal of property, plant and equipment		55	-
Write-off of property, plant and equipment		257	-
Adjustments to intangible assets		3,524	-
Foreign exchange gain on investments	22(a)	(9,979)	(8,395)
Post employment benefit expense	7(c)	1,362	1,854
Bad debts, less recoveries	11	(845)	3,080
Gain on sale of investments in available-for-sale financial assets	22(a)	(8,204)	(5,620)
Income tax charge	24	40,516	35,397
Interest income	22(a)	(17,506)	(20,122)
Dividend income		(90,000)	(26,000)
Operating cash flows before movements in working capital		110,241	105,839
Decrease/(Increase) in trade and other receivables		1,630	(28,012)
Increase in trade and other payables		9,254	25,300
Post employment benefit contributions	7(d)	(5,304)	(4,764)
Cash provided by operations		115,821	98,363
Income tax paid		(36,112)	(2,780)
Cash provided by operating activities		79,709	95,583
Cash flows from investing activities			
Net acquisition of investments in securities		(42,350)	(50,245)
Proceeds from sale of investments in available-for-sale financial assets		108,944	43,462
Government securities purchased under resale agreements		(10,314)	45,087
Repayments/Advances from related parties		(6,016)	3,335
Acquisition of property, plant and equipment	4	(40,239)	(9,339)
Net proceeds on disposal of property, plant and equipment		185	-
Acquisition of intangible assets	5	(17,383)	(20,220)
Long-term receivable		2,836	(655)
Dividend received		90,000	26,000
Interest received		19,533	19,243
Cash provided by investing activities		105,196	56,668
Cash flows from financing activities			
Dividend paid		(165,215)	(140,250)
Cash used in financing activities		(165,215)	(140,250)
Net increase in cash and cash equivalents		19,690	12,001
Cash and cash equivalents at the beginning of the year		15,125	2,802
Effect of foreign exchange rate changes		694	322
Cash and cash equivalents at the end of the year	13	35,509	15,125

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

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:

Subsidiaries	Principal Activity
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 subsidiaries 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:

Standards and interpretations adopted 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, 2016. 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 were applied for the first time in 2016, 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 are described below:

IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income (OCI). The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

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

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

Standards and interpretations adopted during the year (continued)

IFRS 14 Regulatory Deferral Accounts (continued)
Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are applied retrospectively and do not have any impact on the Group as it does not have any bearer plants.

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

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

Standards and interpretations adopted during the year (continued)

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

These amendments do not have any impact on the Group's financial statements.

Annual Improvements 2012-2014 Cycle
These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

IFRS 7 *Financial Instruments: Disclosures*

(i) Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be made retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

IAS 19 Employee Benefits
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

IAS 34 *Interim Financial Reporting*
The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments do not have any impact on the Group.

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

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

Standards and interpretations adopted during the year (continued)

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

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.

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*
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2016, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group does not expect a significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group does not expect a higher loss allowance but will perform a detailed assessment in the future to determine the extent.

(a) Classification and measurement
The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. The AFS reserve currently presented as accumulated OCI will be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

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 (Continued)*

(b) Impairment
IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect a significant impact on its equity but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(c) Hedge accounting
This amendment would not apply as the Group does not apply hedge accounting.

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, 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.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

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.

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)

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. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after January 1, 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Group.

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.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after January 1, 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

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 payments therefore this amendment is not expected to have an impact on its financial statements.

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*
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.

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 2017, the Group plans to assess the potential effect of IFRS 16 on its financial statements.

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.

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 either 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 $9.69 million (2015: $13.58 million) and for the Company $4.45 million (2015: $5.30 million) (Note 11).

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 $261.77 million (2015: $296.34 million) and the Company $175.62 million (2015: $215.86 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 $5.24 million (2015: $5.93 million), Company $3.51 million (2015: $4.32 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 $132.45 million (2015: $118.79 million) and Company $92.57 million (2015: $78.57 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 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 $190 million at fair value as determined by an external valuator less accumulated depreciation (Note 4).

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

Land and buildings were carried at a cost of $74.37 million in 2015.

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.

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.

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.

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 vehicle 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.

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.

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 (excluding amounts included in net interest on the net defined benefit liability), 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

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; held-to-maturity investments 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.

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; held-to-maturity; 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) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and which are not designated as at fair value through profit or loss or as available-for-sale. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale and the Group would be prohibited from classifying investment securities as held-to-maturity for two financial years. Held-to-maturity investments are measured at amortised cost.

(3) 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.

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 and held-to-maturity investment securities at both a specific asset level and collectively. All individually significant loans and receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities 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.

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.

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 deducitble 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.

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.

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.

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, 2015	4,997	67,421	11,826	38,142	81,242	3,678	27	207,333
Additions	-	1,926	1,463	5,596	4,348	-	3,461	16,794
Disposals	-	-	-	(13)	-	-	-	(13)
Transfers	-	27	-	-	-	-	(27)	-
December 31, 2015	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
At valuation	80,000	110,000	-	-	-	-	-	190,000
At cost	-	5,896	13,363	60,108	49,762	3,678	12,707	145,514
	80,000	115,896	13,363	60,108	49,762	3,678	12,707	335,514
Depreciation								
January 1, 2015	-	23,295	9,558	20,363	70,526	1,163	-	124,905
Charge for year	-	1,724	657	5,331	4,597	736	-	13,045
Eliminated on disposals	-	-	-	(13)	-	-	-	(13)
December 31, 2015	-	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	-	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
Carrying amounts								
December 31, 2016	80,000	114,489	3,580	26,400	18,850	1,043	12,707	257,069
December 31, 2015	4,997	44,355	3,074	18,044	10,467	1,779	3,461	86,177

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, 2015	4,997	67,421	8,742	31,064	55,699	3,678	27	171,628
Transfers	-	27	-	-	-	-	(27)	-
Additions	-	1,926	538	2,229	1,185	-	3,461	9,339
Disposal	-	-	-	(13)	-	-	-	(13)
December 31, 2015	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
At valuation	80,000	110,000	-	-	-	-	-	190,000
At cost	-	5,896	9,487	44,111	29,060	3,678	12,707	104,939
	80,000	115,896	9,487	44,111	29,060	3,678	12,707	294,939
Depreciation								
January 1, 2015	-	23,295	7,249	16,403	49,210	1,164	-	97,321
Charge for year	-	1,724	329	4,252	2,639	736	-	9,680
Eliminated on disposals	-	-	-	(13)	-	-	-	(13)
December 31, 2015	-	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
Carrying amounts								
December 31, 2016	80,000	114,489	2,327	18,970	10,515	1,042	12,707	240,050
December 31, 2015	4,997	44,355	1,702	12,638	5,035	1,778	3,461	73,966

4. **Property, plant and equipment (Continued)**

During the year, the Group and the Company wrote off $0.26 million carried in office equipment as the amounts were not deemed to fulfill the criteria for capitalisation under IAS 16 Property, Plant and Equipment.

During the year, the directors decided that a policy of carrying land and buildings at fair value was more appropriate for the Company.

During the year, the directors decided that a policy of carrying land and buildings at fair value was more appropriate for the Company. Consequently freehold land and buildings are included at valuation based on fair market value (See Note 2(e)) as at December 31, 2016 as expressed by external professional valuators, Easton Douglas Consultant Limited on June 8, 2016.

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:

	2016 $'000	2015 $'000
Freehold land	4,997	-
Freehold buildings	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	
	2016 $'000	2015 $'000
Net gain/(loss) arising on revaluation of land and buildings	140,230	-
Deferred tax adjustments on buildings	(21,742)	
Balance at December 31, 2016	118,488	-

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, 2015	80,208	16,022	96,230	51,301	12,283	63,584
Transfers	2,330	(2,330)	-	1,994	(1,994)	-
Additions	4,786	21,535	26,321	-	20,220	20,220
December 31, 2015	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
Amortisation						
January 1, 2015	71,539	-	71,539	48,051	-	48,051
Charge for the year	5,788	-	5,788	2,661	-	2,661
December 31, 2015	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
Carrying amounts						
December 31, 2016	14,347	37,369	51,716	5,602	34,986	40,588
December 31, 2015	9,997	35,227	45,224	2,583	30,509	33,092

During the year, the Group and the Company wrote off $4.71 million and $3.52 million, respectively, amounts carried in computer software projects as the amounts were not deemed to fulfill the criteria for capitalisation under IAS 38 Intangible Assets.

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.

6. Investment in subsidiary

	2016 $'000	2015 $'000
Shares at cost in Jamaica Central Securities Depository Limited	61,000	61,000

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, 2016, 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

	2016	2015
Discount rate	9.0%	8.5%
Expected rate of future salary increases	7.0%	6.0%
Future pension increases	0.0%	0.0%
Administrative expenses	1.5%	1.0%

The weighted average duration of the defined benefit obligation as at December 31, 2016 is 16.3 years.

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

7. **Employee benefits (Continued)**

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

	The Group		The Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Fair value of plan assets	395,454	327,556	276,374	216,649
Present value of defined benefit obligations	(262,999)	(208,767)	(183,804)	(138,081)
Net asset in the statement of financial position	132,455	118,789	92,570	78,568

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

	The Group		The Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Items in profit or loss				
Current service costs	10,884	8,225	7,461	5,778
Interest costs	18,870	16,332	12,640	11,325
Return on plan assets	(28,132)	(21,998)	(18,739)	(15,249)
Net expense for year recognised in profit or loss	1,622	2,559	1,362	1,854
Items in Other Comprehensive Income (OCI):				
Re-measurements loss on obligation for OCI	26,412	21,065	23,311	7,826
Re-measurements gain on assets for OCI	(32,943)	(67,890)	(33,371)	(36,974)
Total re-measurements for OCI	(6,531)	(46,825)	(10,060)	(29,148)
	(4,909)	(44,266)	(8,698)	(27,294)

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

	The Group		The Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Net asset at start of year	118,789	66,957	78,568	46,510
Net income from profit or loss and OCI	4,909	44,266	8,698	27,294
Contributions by Company	8,757	7,566	5,304	4,764
Net asset at end of year	132,455	118,789	92,570	78,568

7. **Employee benefits (Continued)**

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

	The Group		The Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Opening defined benefit obligations	208,767	158,498	138,081	110,097
Service cost	17,518	13,956	11,479	9,387
Interest cost	18,870	16,332	12,640	11,325
Members' contributions	4,709	3,698	2,947	2,098
Benefits paid	(13,277)	(4,782)	(4,654)	(2,652)
Re-measurement gain	26,412	21,065	23,311	7,826
Closing defined benefit obligations	262,999	208,767	183,804	138,081

(f) Changes in fair value of plan assets:

	The Group		The Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Opening fair value of plan assets	327,556	225,455	216,649	156,607
Members' contributions	11,343	9,429	6,965	5,707
Employer's contributions	8,757	7,566	5,304	4,764
Interest income on plan assets	28,132	21,998	18,739	15,249
Benefits paid	(13,277)	(4,782)	(4,654)	(2,652)
Re-measurement gain on asset for OCI	32,943	67,890	33,371	36,974
Closing fair value of plan assets	395,454	327,556	276,374	216,649

7. **Employee benefits (Continued)**

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

	The Group		The Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Corporate bonds	13,326	13,007	9,313	8,603
Equity investments	140,254	127,902	98,021	84,594
Foreign currency bonds	68,911	92,656	48,161	61,283
Government of Jamaica securities	76,506	41,638	53,469	27,541
Real estate	26,000	26,000	18,171	17,197
Repurchase agreements	24,386	11,850	17,043	7,838
Unit trust	4,682	3,725	3,272	2,464
Others	41,389	10,778	28,924	7,129
Fair value of plan assets	395,454	327,556	276,374	216,649

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

	The Group Defined Benefit Pension Plan	
	2016 $'000	**2015 $'000**
Present value of defined benefit obligation	(262,999)	(208,767)
Fair value of plan assets	395,454	327,556
Surplus in the plan	132,455	118,789
Experience adjustments on plan liabilities	26,412	21,065
Experience adjustments on plan assets	(32,943)	(67,890)

	The Company Defined Benefit Pension Plan	
	2016 $'000	**2015 $'000**
Present value of defined benefit obligation	(183,804)	(138,081)
Fair value of plan assets	276,374	216,649
Surplus in the plan	92,570	78,568
Re-measurement loss on obligation for OCI	23,311	7,826
Re-measurement gain on obligation for OCI	33,371	36,974

7. Employee benefits (Continued)

(i) Sensitivity analyses

1. Discount rate

	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	163,041

	2015			
	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	245,278	181,576	162,016	120,196

2. Salary Assumption

	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

7. **Employee benefits (Continued)**

(i) Sensitivity analyses (Continued)

2. Salary Assumption (Continued)

	2015			
	Group		Company	
	1% decrease in Salary Assumption $'000	1% increase in Salary Assumption $'000	1% decrease in Discount rate Assumption $'000	1% increase in Discount rate Assumption $'000
Defined benefit obligation	192,748	226,891	127,558	149,865

3. Actuarial gains/(losses) on defined benefit obligation arising from:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial assumptions	(2,247)	(20,115)	(1,734)	(13,232)
Experience adjustments	(24,165)	(950)	(21,577)	5,406
Total actuarial losses	(26,412)	(21,065)	(23,311)	(7,826)

The Group and the Company expect to make contributions of $11.4 million and $6.06 million, respectively, (2015: $10.20 million and $4.96 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.

8. Investment in securities

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

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Benchmark Investment Notes:				
Fixed rates notes – 2019 (8.5%) (2015: 2017 to 2019, 7.5%-8.57%)	9,775	66,294	9,775	52,293
Variable Rates Notes – 2018-2023, 6.11%-6.24% (2015: 2017 to 2023, 7.67% - 7.795%)	22,895	22,891	4,529	4,462
Foreign Currency Investments:				
GOJ 10.625 % US$ Global Bond, 2017 (nominal value US$401,800)	-	52,994	-	52,994
Government of Belize 5% guaranteed mortgage notes 2038 (nominal value US$53,600)	6,369	5,708	6,369	5,708
GOJ FR 5.25% US$ Benchmark investment notes 2020-2038 (2015: 2020 5.25% (nominal value US$109,000)	14,876	13,850	14,876	13,850
GOJ FR 5.25% and 7% US$ Benchmark investment notes 2020 (2015 5.25% (nominal rate US$150,000)	20,474	19,501	-	-
GOJ 8% Global Euro Bond 2019 (nominal value US$195,978)	-	25,529	-	25,529
GOJ US$ 8% Global Bond 2019 (nominal value US$195,988)	-	26,592	-	-
GOJ US$ 8% Global Bond 2039 (nominal value US$540,000)	90,920	-	90,920	-
GOJ US$ 8% Global Bond 2039 (nominal value US$190,000)	31,086	-	-	-
	196,395	233,359	126,469	154,836

Included in the investment balances above is interest receivable in the amount of $3.77 million for the Group and $2.5 million for the Company (2015: $6.67 million for the Group and $4.96 million for the Company).

(b) Current – classified as available for sale:

Available for sale:	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
NWC Variable Rate Note 6.4% 2016	-	405	-	405
BOJ FR 7.5% Benchmark Investments 2017	57,068	25,111	43,040	25,111
	57,068	25,516	43,040	25,516
Investment in Unit Trust	8,311	37,469	6,107	35,506
	65,379	62,985	49,147	61,022

Included in the investment balances above is interest receivable in the amount of $0.44 million for the Group and Company (2015: $0.06 million).

8. Investment in securities (Continued)

(c) Movement in investment in securities:

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
The movement for the year in available-for-sale financial assets is as follows:				
Balance at January 1	296,344	277,342	215,858	202,999
Additions	69,152	60,000	45,299	60,000
Foreign exchange gain	22,683	8,024	16,605	5,180
Movement in fair value of available-for-sale financial assets	7,408	(7,523)	6,798	(8,859)
Disposal of investments	(133,813)	(41,499)	(108,944)	(43,462)
Balance at December 31	261,774	296,344	175,616	215,858

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 $8.71 million (2015: $5.43 million) for the Group and $6.73 million (2015: $4.72 million) for the Company and 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 party in the normal course of business.

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Subsidiary				
Jamaica Central Securities Depository Limited				
Rental income	-	-	1,837	1,837

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

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Jamaica Stock Exchange Compensation Fund	-	141	-	165
Jamaica Central Securities Depository Limited	-	-	5,409	9,954
	-	141	5,409	10,119
Amount owed to related party:				
JCSD Trustee Services Limited	-	-	(10,844)	(21,649)
JSE Compensation Fund	(79)	-	(79)	-
	(79)	-	(10,923)	(21,649)

10. Related party transactions/balances (Continued)

(c) Dividend received during the year

During the year, dividend of $90 million (2015: $26 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Short-term benefits	44,852	39,880	27,246	24,257
Post employment benefits	2,752	2,405	1,638	1,450
	47,604	42,285	28,884	25,707

(e) Loans to related parties

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Loans to key management personnel	3,878	4,329	3,285	3,806

11. Trade and other receivables

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cess receivable	21,432	23,173	18,761	20,461
Fees receivable	50,550	45,344	-	-
E-campus	6,336	5,940	6,336	5,940
Registrar service fee	14,298	14,935	-	-
Other	32,037	23,901	27,023	26,939
	124,653	113,293	52,120	53,340
Less: Allowance for doubtful debts	(9,687)	(13,575)	(4,451)	(5,296)
	114,966	99,718	47,669	48,044
Prepayments	11,007	19,456	6,235	6,645
	125,973	119,174	53,904	54,689

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 $8.66 million (2015: $7.27 million) for the Group and $6.43 million (2015: $7.23 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
180-365 days	1,877	2,956	1,158	2,916
Over 1 year	6,782	4,310	5,274	4,310
	8,659	7,266	6,432	7,226

Movement in allowance for doubtful debts on other receivables:

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Balance at beginning of year	13,575	6,737	5,296	2,216
Impairment losses recognised during year	-	7,506	-	3,080
Write-offs during the year	(1,517)	-	-	-
Recoveries during for the year	(2,371)	(668)	(845)	-
Balance at end of year	9,687	13,575	4,451	5,296

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 provision 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 $7.26 million (2015: $5.77 million), $3.52 million (2015: $5.31 million) and $2.54 million (2015: $4.72 million) for the Group and $6.35 million (2015: $5.1 million), $2.85 million (2015: $4.7 million) and $2.23 million (2015: $4.2 million) for the Company due from three brokers which represent 34% (2015: 24%), 15% (2015: 23%) and 12% (2015: 21%) for the Group and 34% (2015: 25%), 15% (2015: 23%) and 12% (2015: 21%) for the Company respectively for three brokers.

11. Trade and other receivables (Continued)

Ageing of impaired other receivables:

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
180+ days	9,687	13,575	4,451	5,296

12. Government securities purchased under resale agreement

The Group entered into reverse repurchase agreements collaterised 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$0.09 million for the Group and Company respectively (2015: US$0.06 million for the Group and US$0.08 million for the Company) and interest receivable of $0.02 million for the Group and $0.006 million for the Company (2015: $0.02 million for the Group and $0.006 million for the Company). The fair value of collateral held pursuant to reverse repurchase agreements is $133.72 million for the Group and $27.02 million for the Company (2015: $50.06 million for the Group and $16.66 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash on hand and in banks	146,310	64,009	35,509	15,125

14. Share capital

	2016 $'000	2015 $'000
Authorised:		
2,400,000,000 ordinary shares of no par value (2015: 2,400,000,000)		
1,000,000 preference shares of no par value (2015: 1,000,000)		
Issued capital:		
701,205,000 ordinary stocks of no par value (2015: 140,250,000)		
Nil preference shares of no par value		
Issued capital:		
At January 1 and December 31 - ordinary stocks	238,146	238,146

At December 31
Increase in stated capital
On October 25, 2016, at an extraordinary general meeting a resolution was passed that each issued share in the company be sub-divided into five ordinary shares. The passing of this resolution resulted in the number of issued ordinary shares in the company increasing by 560,955,000 to 701,205,000 ordinary shares.

15. Fair value reserve

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

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Balance at January 1	5,945	10,961	3,470	9,376
Net gain/(loss) arising on revaluation of available-for-sale financial assets	12,708	(2,090)	12,098	(3,426)
Net gain reclassified to profit on sale of investment	(5,300)	(5,433)	(5,300)	(5,433)
Deferred tax adjustments on available-for-sale financial assets (Note 18)	(2,470)	2,507	(2,266)	2,953
	4,938	(5,016)	4,532	(5,906)
Balance at December 31	10,883	5,945	8,002	3,470

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.

16. Revenue reserve – non distributable

In order to provide custody serves to its clients, JCSD Trustee 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:

	2016 $'000	2015 $'000
Parent company	228,772	212,316
Subsidiaries	163,425	117,153
	392,197	329,469

18. Deferred tax

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Deferred tax assets	2,501	9,658	1,818	9,234
Deferred tax liabilities	(79,376)	(53,430)	(60,033)	(35,005)
Net position at the end of the year	(76,875)	(43,772)	(58,215)	(25,771)

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

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
At January 1	(43,772)	(2,613)	(25,771)	-
Charged to income for the year (Note 24)	(6,714)	(28,058)	(5,083)	(19,008)
Charged to equity	(23,919)	(15,608)	(25,095)	(9,716)
(Charged)/(Credited) to fair value reserve for the year (Note 15)	(2,470)	2,507	(2,266)	2,953
At December 31	(76,875)	(43,772)	(58,215)	(25,771)

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, 2015	1,325	19,803	21,128
Credited/(Charged) to income for the year	131	(11,601)	(11,470)
At December 31, 2015	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

	The Company		
	Accrued Vacation $'000	**Tax Loss $'000**	**Total $'000**
At January 1, 2015	1,082	15,407	16,489
Charged to income for the year	(49)	(7,206)	(7,255)
At December 31, 2015	1,033	8,201	9,234
(Charged) to income for the year	785	(8,201)	(7,416)
At December 31, 2016	1,818	-`	1,818

Deferred tax liabilities

	The Group					
	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**	**Total $'000**
January 1, 2015	5,794	(1,665)	(5,550)	(22,320)	-	(23,741)
Charged to income for for the year	(14,245)	(675)	-	(1,668)	-	(16,588)
Charged to equity for the year	-	-	-	(15,608)	-	(15,608)
Credited to fair value reserve (Note 15)	-	-	2,507	-	-	2,507
At December 31, 2015	(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)
December 31, 2016	(5,272)	(1,831)	(6,380)	(44,151)	(21,742)	(79,376)

18. Deferred tax (Continued)

	The Company					
	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	Total $'000
January 1, 2015	5,159	(1,388)	(4,757)	(15,503)	-	(16,489)
Charged to income for the year	(10,490)	(293)	-	(970)	-	(11,753)
Charged to equity for the year	-	-	-	(9,716)	-	(9,716)
Credited to fair value reserve (Note 15)	-	-	2,953	-	-	2,953
At December 31, 2015	(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)
Charged to fair value reserve (Note 15)	-	-	(2,266)	-	-	(2,266)
December 31, 2016	(1,491)	(1,006)	(4,937)	(30,857)	(21,742)	(60,033)

Subject to agreement with the Taxpayer Audit and Assessment Department, losses available for indefinite carry forward and offset against future profits amount to $nil (2015: $20,136,000) for the Group and: $nil (2015: $20,136,000) for the Company. For the year ended December 31, 2015 a deferred tax asset was recognized in respect of the losses to the extent of available taxable temporary differences.

19. Payables and accruals

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Payables and accruals	212,338	106,585	78,603	69,349

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Regional conference	14,532	11,376	14,532	11,376
Administrative fee	28,270	26,587	28,270	26,587
Other	21,016	28,382	108,425	49,764
	63,818	66,345	151,227	87,727

Included in other income of the Company is an amount of $90 million (2015: $26 million) representing dividend income received from its subsidiary during the year.

21. Staff costs

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Salaries and other employee benefits	251,224	195,699	142,338	111,298
Statutory contributions	20,591	16,881	12,319	9,433
Charge on pension plan (Note 7(c))	1,622	2,559	1,362	1,854
	273,437	215,139	156,019	122,585

22. Investment income

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
(a) Investment income includes:				
Interest income	27,282	26,067	17,506	20,122
Foreign exchange gain	13,148	10,737	9,979	8,395
Gain on sale of available-for-sale investments	11,378	5,620	8,204	5,620
	51,808	42,424	35,689	34,137
(b) Investment income earned, analysed by category of financial asset is as follows:				
Loans and receivables	11,763	7,128	7,047	6,155
Available-for-sale	40,045	35,296	28,642	27,982
	51,808	42,424	35,689	34,137

23. Profit before taxation

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

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income:				
Interest	27,282	26,067	17,506	20,122
Expenses:				
Directors' fees	9,694	8,616	7,212	6,236
Audit fees	4,257	3,942	2,566	2,376
Depreciation of property, plant and equipment	19,095	13,045	13,888	9,680
Amortisation of intangible assets	6,681	5,788	2,209	2,661

24. Taxation

Recognised in profit or loss

(i) The charge for the year represents

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current tax	104,433	51,774	35,433	16,389
Deferred tax (Note 18)	6,714	28,058	5,083	19,008
	111,147	79,832	40,516	35,397

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

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Profit before tax	334,736	254,785	215,480	148,701
Tax at the domestic income tax rate of 33⅓%	111,579	84,928	71,827	49,567
Tax effect of items that are not deductible in determining taxable profits	943	1,155	651	982
Effect of income not taxable	-	(7,878)	(30,000)	(15,914)
Other	(1,375)	1,627	(1,962)	762
	111,147	79,832	40,516	35,397

25. Profit of the group for the year

Reflected in the financial statements of the:

	The Group	
	2016	**2015**
	$'000	**$'000**
Parent company	174,964	113,304
Subsidiary	138,625	87,649
Less Dividend paid to parent company	(90,000)	(26,000)
	223,589	174,953

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	
	2016	**2015**
Profit ($'000)	223,589	174,953
Weighted average number of ordinary stock units	701,250,000	701,250,000
Basic earnings per stock unit	$0.32	$0.25

27. Segment reporting

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

(a) Exchange operations – The operation and regulation of the Stock Exchange.
(b) Depository – Services in connection with transferring and holding of securities, shares, stocks, bonds and debentures.
(c) Investments – Income derived from investing activities of the Group.
(d) Trustee, custodianship, company management and other activities.

The Group's operations are located solely in Jamaica.

	2016					
	Exchange operations $'000	**JCSD Services $'000**	**Investment other $'000**	**Trustees Services $'000**	**Interest 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						223,589
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

27. Segment reporting (Continued)

	2015					
	Exchange Operations $'000	JCSD Services $'000	Investment other $'000	Trustees Services $'000	Interest Eliminations $'000	Group $'000
Revenue - external	419,476	186,085	42,424	133,730	(31,000)	750,715
Segment result/ Profit before taxation	114,564	64,404	42,424	64,393	(31,000)	254,785
Taxation						(79,832)
Profit for the year						174,953
Other information						
Depreciation and amortisation	12,341	5,795	-	697	-	18,833
Assets						
Segment assets	570,701	204,516	-	125,881	(109,754)	791,344
Liabilities						
Segment liabilities	116,769	59,878	-	39,894	(47,124)	169,417
Capital expenditure	9,339	5,038	-	2,417	-	16,794

28. Commitments

Capital commitments:

Capital commitments which were authorized and contracted for as at December 31, 2016, amounted to $32.48 million for the Group and $31.03 million for the Company in relation to a website development project (2015: $4.56 million for the Group and $2.36 million for the Company – in relation to a website development project and new trading platform).

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 2015.

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.

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	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Investment in securities	162,848	144,174	112,164	98,081
Government securities purchased under resale agreement	14,004	6,978	11,092	4,255
Cash and cash equivalents	99,243	19,693	890	9,850
	276,095	170,845	124,146	112,186

Sensitivity analysis

The Group's investment portfolio is exposed to the United States dollar. The Group's sensitivity to a 1% increase or 6% 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 1% (2015: 1%) increase or 6% (2015: 8%) decrease in the Jamaican dollar against the United States dollar exposure would be a decrease in profit of the Group by J$2.76 million (2015: $1.71 million) million or J$16.57 million (2015: J$13.67 million) increase; Company J$1.24 million (2015: J$1.12 million) decrease or J$7.45 million (2015: J$8.97 million) increase. The Group's sensitivity to foreign currency has increased during the current year mainly due to the increased holdings of investments, government securities purchased under resale agreements and cash and cash equivalents denominated in foreign currencies.

The analysis is done on the same basis as 2015 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 (2015: 100) basis points increase or 100 (2015: 150) basis points decrease for local currency and 100 (2015: 100) basis points increase or 50 (2015: 50) basis points decrease for United States currency represents management's assessment of the reasonable possible change in interest rates.

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	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Effect on profit increase 100 (2015: 100) basis points (J$)	904	229	723	48
Effect on profit decrease 100 (2015: 150) basis points (J$)	(904)	(343)	(723)	(72)
Effect on profit increase 100 (2015: 100) basis points (US$)	1,622	1,313	1,176	899
Effect on profit decrease 50 (2015: 50) basis points (US$)	(811)	(657)	(588)	(449)

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.

29. Financial instruments (Continued)

(d) Credit risk management (Continued)

The carrying amount of financial assets recorded in the financial statements, represents the Company's maximum exposure to credit risk.

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial assets				
Available-for-sale financial assets	261,774	296,344	175,616	215,858
Long-term receivables	8,850	11,082	6,885	9,721
Trade and other receivables	114,966	99,718	47,669	48,044
Due from related parties	-	141	5,409	10,119
Government securities purchased under resale agreements	135,004	50,404	27,107	16,731
Cash and bank balances	146,310	64,009	35,509	15,125
	666,904	521,698	298,195	315,598

(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
2016							
Financial assets							
Non-interest bearing	3.18	47,068	193,334	-	-	-	240,402
Interest bearing		110,964	22,793	12,802	12,378	-	158,937
Variable interest rate Instruments	4.84	33	35,561	90,263	22,735	4,260	152,852
Fixed interest rate Instruments	6.59	25	-	54,819	105,416	238,381	398,641
		158,090	251,688	157,884	140,529	242,641	950,832
Financial liabilities							
Non-interest bearing		111,966	79	-	-	-	112,045

29. Financial instruments (Continued)

(e) 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
2015							
Financial assets							
Non-interest bearing		44,317	165,860	-	-	-	210,177
Interest bearing	5.1	20,698	1,396	4,186	13,908	-	40,188
Variable interest rate Instruments	5.28	28,438	30,477	1,852	23,475	4,274	88,516
Fixed interest rate Instruments	7.2	12,530	4,388	15,775	215,636	9,583	257,912
		105,983	202,121	21,813	253,019	13,857	596,793
Financial liabilities							
Non-interest bearing		73,852	21,649	-	-	-	95,501

	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	45,848	-	-	-	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
		42,245	68,150	63,367	67,679	210,761	452,202
Financial liabilities							
Non-interest bearing		68,424	10,923	-	-	-	79,347

29. Financial instruments (Continued)

(e) 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
2015							
Financial assets							
Non-interest bearing		5,275	78,874	-	-	-	84,149
Interest bearing	5.10	10,353	1,026	3,077	12,199	-	26,655
Variable interest rate instruments	6.44	5	25,400	699	5,395	-	31,499
Fixed interest rate instruments	6.39	12,530	4,388	11,920	152,440	9,583	190,861
		28,163	109,688	15,696	170,034	9,583	333,164
Financial liabilities							
Non-interest bearing		49,517	21,649	-	-	-	71,166

(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.

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			
	2016			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available-for-sale financial instruments				
Debt securities	-	261,774	-	261,774

	The Group			
	2015			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available-for-sale financial instruments				
Debt securities	-	296,344	-	296,344

	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

	The Company			
	2015			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available-for-sale financial instruments				
Debt securities	-	215,858		215,858

30. Dividends

During the year ended December 31, 2016, two dividend payments were declared by the Board of Directors.

- On May 5, 2016 a dividend of $0.53 per ordinary share was paid to shareholders. The total dividend paid was $74.30 million. (2015: On June 8, 2015 a dividend of $0.53 per ordinary share was paid to shareholders on July 10, 2015. The total dividend paid was $74.30 million.)

- 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. (2015: On December 9, 2015 a dividend of $0.47 per ordinary share was paid to shareholders on December 30, 2015. The total dividend paid was $65.90 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.

31. **Compensation fund (Continued)**

(a) Compensation fund financial position (Continued)

(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, 2016, the fund had total assets of $765.31 million (2015: $719.99 million) and net equity of $752.29 million (2015: $706.40 million).