



**“Providing A Fair, Efficient and  
Transparent Stock Market”**

# **ANNUAL REPORT 2018**

A silhouette of a city skyline with various skyscrapers, set against a bright yellow and orange sunset sky. The buildings are dark blue or black, and some have small yellow lights on their windows.

**“Expanding Our Borders:  
Securing Our Future”**

# **ANNUAL REPORT 2018**

**“Expanding Our Borders:  
Securing Our Future”**



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# MISSION STATEMENT

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

# OUR CORPORATE OBJECTIVES

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

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

Its principal objectives are:

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

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

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

To provide facilities for the transaction of stock market business, and

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

Maximizing Shareholders' value.

## NOTICE OF **42<sup>nd</sup> ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Forty Second (42nd) Annual General Meeting of the Jamaica Stock Exchange ("the Company") will be held at the Jamaica Stock Exchange, 40 Harbour Street, Kingston on **Thursday, June 20, 2019** commencing at 1:00 p.m. to consider and if thought fit, to pass the following resolutions:

### ORDINARY BUSINESS Ordinary Resolutions

- 1. Resolution No. 1 - 2018 Audited Financial Statements**  
**THAT** the Directors' Report, the Auditors' Report and the Audited Financial Statements for the Company and its subsidiaries (the Group) for the year ended December 31, 2018, circulated with the Notice convening the Meeting, be and are hereby adopted.
- 2. Resolution No. 2 - Re-election of Directors**  
**THAT** Mr. Ian McNaughton, a director retiring by rotation and being eligible, has offered himself for re-election, be and is hereby re-elected a Director of the Company.
- 3. Resolution No. 3 - Re-election of Directors**  
**THAT** Mr. Gary Peart, a director retiring by rotation and being eligible, has offered himself for re-election, be and is hereby re-elected a Director of the Company.
- 4. Resolution No. 4 - Re-election of Directors**  
**THAT** Mr. Steven Gooden, a director retiring by rotation and being eligible, has offered himself for re-election, be and is hereby re-elected a Director of the Company.
- 5. Resolution No. 5 – Re-election of Directors**  
**THAT** Mr. Devon Barrett, a director retiring by rotation and being eligible, has offered himself for re-election, be and is hereby re-elected a Director of the Company.
- 6. Resolution No. 6 - Re-election of Directors**  
**THAT** Mrs. Marlene Street Forrest, a director retiring by rotation and being eligible, has offered herself for re-election, be and is hereby re-elected a Director of the Company.
- 7. Resolution No. 7– Re-election of Directors Pursuant to Article 109**  
**THAT** Mr. Kevin Donaldson who was appointed to fill a casual vacancy and being eligible to be re-elected has offered himself for re-election, be and is hereby re-elected a Director of the Company.
- 8. Resolution No. 8 – To Ratify Dividends**  
**THAT** the interim dividend of \$0.164 per share paid on August 20, 2018 and the final dividend of \$0.25 per share paid on March 29, 2019 be and is hereby declared as final, and that no further dividend be paid in respect of the year ended December 31, 2018.
- 9. Resolution No. 9 - Appointment of and the Remuneration of the Auditors**  
**THAT** Ernst & Young, Chartered Accountants having agreed to continue in office as Auditors, be and are hereby appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.

*(Cont'd on next page)*

## NOTICE OF **42<sup>nd</sup> ANNUAL GENERAL MEETING**

**10. Resolution No. 10 - Remuneration of the Directors**

**THAT** the Directors be and are hereby authorized to fix their fee for the fiscal period 2019/2020.

**11. To Transact Any Other Ordinary Business of the Company.**

**BY ORDER OF THE BOARD**



.....  
Roxanne Hutchinson  
Company Secretary  
Dated: April 08, 2019

**IMPORTANT NOTE FOR MEMBERS WHO ARE NOT ABLE TO ATTEND:**

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

*From the Chairman's Desk*  
**CHAIRMAN'S REPORT**



**Mr. Ian McNaughton**  
Chairman  
Jamaica Stock Exchange

By a wide variety of measures, 2018 was a great year for the Jamaica Stock Exchange (JSE). Revenue grew 40% year-over-year from \$991.2 million to \$1.4 billion. Net Profit Margin grew 32.5% year-over-year from 22.3% to 29.5%, which translated into net profit growth of 87% year-over-year from \$220.7 million to a record \$413 million. Earnings per share grew 90% year-over-year from \$0.31 to \$0.59.

**2018 Global Performance**

According to the Financial Times, "Global stock markets closed out their worst year since the financial crisis"<sup>1</sup>. Despite that, for 2018 Bloomberg ranked the Jamaica Stock Exchange (JSE) as "the World's Best-Performing Stock Market"<sup>2</sup>. The top 3 performing equities markets were all from non-OECD countries. The JSE's Main Market led the pack with an increase of 31.7%, followed by the Qatar Exchange at 20.8% and the Tunisia Stock Exchange at 15.76%.

**The Jamaican Economy**

The Government of Jamaica (GOJ) has continued to meet all indicative and quantitative targets under the 3-year IMF Precautionary Stand-By Arrangement (PSBA). That has led to continued improvement in Jamaica's macroeconomic conditions. According to the Statistical Institute of Jamaica (STATIN), the preliminary estimate for Jamaica's GDP growth in 2018 is 1.9%, with the fourth quarter registering 2.0% growth quarter-over-quarter. In January 2019, Fitch upgraded the GOJ Issuer Default Rating (IDR) from 'B' to 'B+' and the country ceiling from 'B' to 'BB-'. This is Jamaica's highest rating in over ten years.

Tax Revenues of \$388.7 billion outperformed both the IMF PSBA's target of \$360 billion and GOJ's 1st Supplementary budget target of \$378.1 billion. Expenditure was also behind budget by \$11.6 billion during the same time period (April - December 2018). As a result, the primary balance produced a larger surplus than programmed at \$107.7 billion as opposed to the IMF's target of \$68 billion and GOJ's 1st Supplementary Budget Target of \$89 billion. 12-month point-to-point inflation as at December 2018 came in at 2.4%, below Bank of Jamaica's (BOJ) target rate of 4.0% to 6.0%.

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## CHAIRMAN'S REPORT *(Cont'd)*

As of December 20, 2018, Bank of Jamaica's Overnight CD Rate was reduced to 1.75%, coming down from 2.75% as of February 20, 2018. As a result of continued subdued inflation and lower interest rates throughout the economy, there is a 'search for yield' among investors resulting in a 'flock to equities'. The improved macroeconomic environment has also boosted business confidence which has led to both an increase in the number of listings and an increase in the amount of capital raised on the JSE.

The number of JSE accounts for retail investors grew 53.3%, over the period 2015 to the end of 2018, from 129,932 in 2015 to 199,145 in 2018 (representing growth of 69,213 new retail accounts during that 4 year period). The amount of capital raised in 2018 increased by 34.6% year-over-year from \$15.6 billion in 2017 to \$21 billion in 2018. As a result of lower than targeted inflation, BOJ's monetary policy is expected to remain accommodative with continued further easing expected in 2019. We expect this trend to continue.

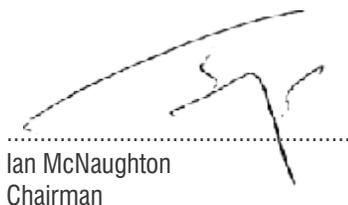
### 2019 Outlook

The Board and Management anticipate continued growth in 2019 as Jamaica's economic reform programme continues to calcify and bear fruit. GOJ is preparing the divestment of Wigton Windfarms via the JSE. They have indicated that they would like as many "ordinary Jamaicans"

to participate in the listing as possible and as such are expected to structure the offering accordingly. We expect this to generate a lot of new interest in local equities markets from first-time investors. If that listing is successful, we believe it has the potential to create a positive feedback loop where the retail investors that participate tell their friends and family which will encourage them to sign up and also participate in future listings which will continue this positive feedback loop. We also anticipate that as capital flows into the market and trading volumes and liquidity increase, it will encourage more retail investors to take a serious look at equities and more companies to list.

### Conclusion

We are proud of the achievements of the Group in 2018 and we look forward to an eventful year in 2019. As we celebrate our 50th anniversary in 2019 we are proud to be in a prime position to take advantage of the many opportunities being created by a low-inflation, and stable macroeconomic environment. We would like to thank all our long-standing and new investors, our partners, stakeholders and business leaders for trusting us with your capital and your assets. As we look to the next 50 years, we commit to doing our part to cultivate economic growth and generating wealth.



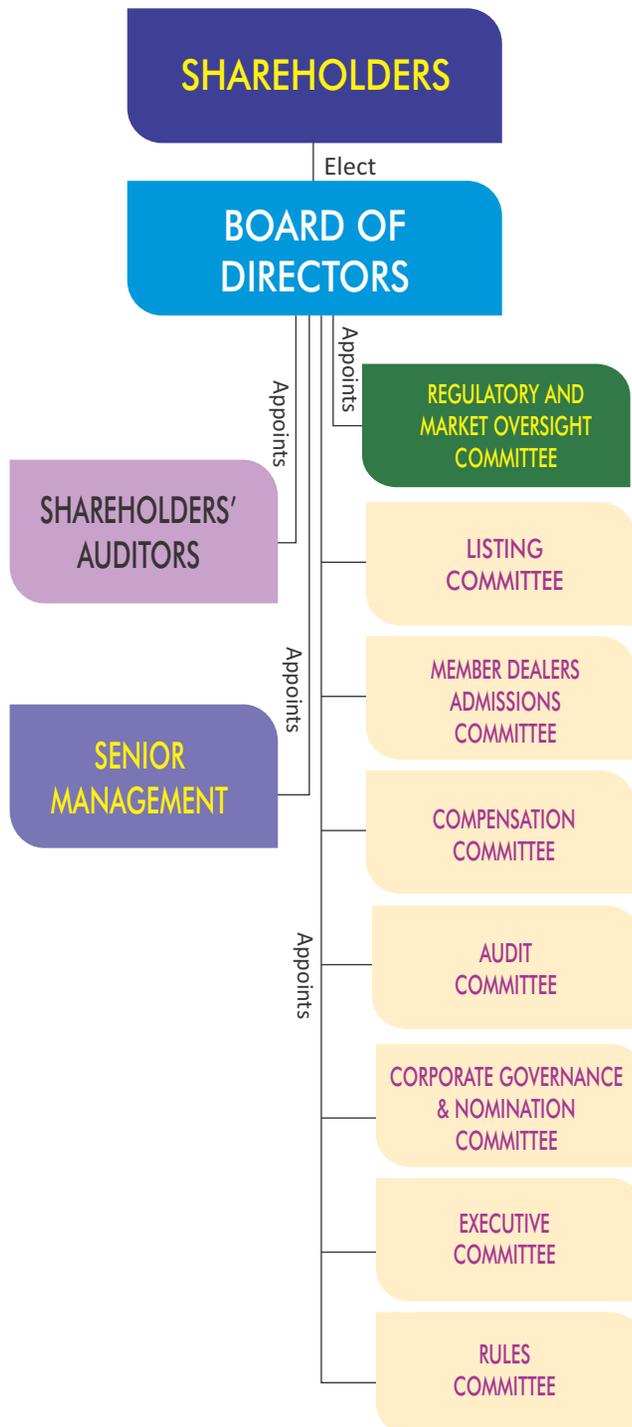
Ian McNaughton  
Chairman

<sup>1</sup> <https://www.ft.com/content/73d3dd26-0ce0-11e9-acdc-4d9976f1533b>

<sup>2</sup> <https://www.bloomberg.com/news/features/2019-01-18/the-jamaican-stock-exchange-is-the-world-s-best-performing-market>

# CORPORATE GOVERNANCE

## Principles & Practices



### PREAMBLE

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

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

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

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

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## CORPORATE GOVERNANCE

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

### BOARD ISSUES

#### Accountability to shareholders/stakeholders

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

#### Mission and Responsibility

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

#### Elections

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

#### Orientation and Training

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

#### Access to Information

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

#### Disclosure of Directors' Biographical Information

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

#### Composition

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

#### Multiple Board Seats

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

#### Chairman & CEO

The JSE will have a separate Chairman and CEO.

#### Independent Directors

Independent Directors must meet the criteria set out on page 12.

#### Committees

##### Composition

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

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

##### Review Process

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

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## CORPORATE GOVERNANCE

### Audit Committee

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

### Member Dealers Admissions Committee

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

### Regulatory and Market Oversight Committee (RMOC)

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

### Corporate Governance and Nomination Committee

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

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

### Compensation Committee

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

### Listing Committee

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

### Other Committees

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

### Board Meetings

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

### Procedure at Board Meetings

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

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

### General Meetings

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

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## CORPORATE GOVERNANCE

### Performance

#### Evaluation of Board Members and Senior Executives

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

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

### Term Limits

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

### Committees

#### Chairman/Deputy Chairman

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

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

#### Committee Members

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

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

### Age Limits

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

### Transparency

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

### Accounting Standards

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

### Ethics

The Jamaica Stock Exchange currently maintains ethics and confidentiality requirements for Directors and these are posted on the Website: [www.jamstockex.com](http://www.jamstockex.com).

**These Principles and Practices were reviewed in 2017 and are available on our website - [www.jamstockex.com](http://www.jamstockex.com)**

## GUIDELINES TO DETERMINING INDEPENDENCE OF BOARD DIRECTORS

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

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

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

# DIRECTORS' REPORT

The Directors submit herewith the Audited Statements for the Jamaica Stock Exchange and its wholly owned subsidiary, the Jamaica Central Securities Depository for the year ended December 31, 2018 along with the accompanying notes as follows:

Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss and Other Comprehensive Income/(Loss), Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows.

Operating Income for the year was \$1.4 billion compared to 2017 of \$991.2 million, an increase of 40.4% over 2017. Investment Income was \$19.1 million for 2018 compared to \$16.3 million for 2017.

Total Expenses for the year increased by 22.3% to \$817.4 million compared to \$668.2 million in 2017.

Total Consolidated Balance Sheet Assets of the Group as at December 31, 2018 were \$1.5 billion compared to \$1.3 billion in 2017, while Consolidated Shareholders equity increased from \$948.8 million in 2017 to \$1.1 billion, up 18.6%.



Ian McNaughton  
Chairman

# DIRECTORS' ATTENDANCE

Names	Designation	JSE Board	Compensation Committee	Corporate Gov. & Nomination Committee	Executive Committee	Member Dealers Admissions Committee	Listing Committee	Rules Committee	RMOC Committee	Audit Committee	Total Committee Attendance	Average Attendance at all Meetings
Ian McNaughton	Director	8/10	1/1		6/6		9/9	2/2			26/28	93%
Humphries-Jewin, Rita	Alternate Director	0/10										
Gary Peart	Director	6/10	1/1		3/6		6/9				16/26	62%
Christopher Berry	Alternate Director	0/10			0/6		0/6					
Devon Barrett	Director	10/10							11/13	21/23		91%
Black, Dian	Director	7/10	0/1	3/4			5/5		9/10	12/13	36/43	84%
**Crosbery, Mark	Director	0/4									3/4	75%
**Lamar Harris	Alternate Director	3/4										
Steven, Gooden	Director	7/10			2/6		7/9			2/6	18/31	58%
Hogarth, Matthew	Director	7/10	1/1				8/9	2/2	9/10		27/32	84%
Kobbie, Garth	Director	10/10		4/4			4/4	1/1	10/10	13/13	42/42	100%
Ma'r, Julian	Director	9/10		4/4	2/2						15/16	94%
McKoy, Derrick	Director	6/10					0/5	0/2			14/17	82%
Mokie, Ed	Alternate Director	3/10					4/5	1/2				
Morrison, Janet	Director	6/10		4/4	4/4			1/1	9/10		24/29	83%
Morrison, Livingstone	Director	7/10	0/1						9/10	10/13	26/34	76%
Mitchell, Lissant	Director	9/10			6/6		8/9				23/25	92%
Street Forrest, Marlene	Managing Director	10/10			6/6						16/16	100%
Whittingham, Steven	Director	5/10		2/4				1/2			15/16	94%
Jason Chambers	Alternate Director	4/10		2/4				1/2				
**Christopher Zacca	Director	1/9					1/4					
**Rohan Miller	Director	1/9								2/3	13/16	81%
**Kevin Donaldson	Director/Alternate	5/9					3/4					

\*\*Depending on the date of appointment or resignation, the total number of meetings might vary for persons within respective committees/board

## PROFILES OF DIRECTORS



### Mr. Ian McNaughton - Chairman

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

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

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



### Mr. Gary Peart - Deputy Chairman

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

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

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

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

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

### Mr. Lissant Mitchell

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

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



### Mr. Devon Barrett

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

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

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



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## PROFILES OF DIRECTORS

### Mr. Kevin Donaldson

Kevin's journey at Sagicor started at the acquired Manufacturers Sigma as an investment analyst in 2003, he rose steadily through the ranks with many achievements along the way including building the equities unit of Pan Caribbean Financial Services and leading innovation by creating the first venture and corporate debt funds for the local market.

In 2011, Kevin joined the senior management team at Grace Kennedy Group, where he worked on mergers/acquisitions and capital allocation. Kevin re-joined Sagicor Investments in 2016 and was responsible for the Fund Management and Capital Markets Division where he managed over US\$800 million in assets. He was appointed Acting General Manager in October 2017, with responsibility for the overall operations of Sagicor Investments Jamaica Limited. In January 2018, Kevin was then appointed CEO of Sagicor Investments and to the Leadership team of Sagicor Group Jamaica.

Kevin has over 17 years' experience in the financial industry, spanning several areas of the industry such as Insurance, Investment Banking, Treasury and Research at both the local and international levels.

Kevin has an MBA (distinction) in Banking and Finance from Mona School of Business, a BSc in Economics from the University of the West Indies. He is a Director of Elite Diagnostics, Treasurer of the Jamaica Security Dealers Association and the Treasurer for Wolmer's Old Boys Association.



### Dr. Derrick McKoy, C.D., J.P.

Dr. Derrick McKoy is an Attorney-at-Law in Kingston, Jamaica. He is a former Contractor General of Jamaica and a former Dean of the Faculty of Law, University of the West Indies, Mona Campus. He is a Member to the Chartered Institute of Arbitrators, and a Fellow of the Asian Institute of Alternative Dispute Resolution.

Derrick holds a doctorate in law from the University of Leicester, a doctorate in Business Administration from Nova Southeastern University, an LLM in International and Comparative Law from University College London, the MBA from Barry University, and the LLB from the University of the West Indies. He is also a graduate of the Norman Manley Law School. He was a Commonwealth Scholar, and in 1999 he participated in the US International Visitors Program on “The role of Ethics in Business and Government.” He has been nominated to Sigma Beta Delta International Honour Society.

He has participated in Penn State Management Development Courses, U.S. Coast Guard International Maritime Law Enforcement Training, and the Commonwealth Association of Corporate Governance's course for directors.

Derrick serves on several public and private boards. He chairs the Fair Trading Commission, the Jamaica Antidumping and Subsidies Commissioner, and the Duke of Edinburg Awards Scheme in Jamaica. He is a member of the Integrity Commission of Jamaica. In addition to the Jamaica Stock Exchange, he sits on the boards of M/VL Stockbrokers Ltd and the Jamaica Youth Business Trust. He was a founding member of the Jamaica Chapter of Transparency International, and from 2006 to 2015 he was a member of the All Island Electricity Appeals Tribunal, Jamaica.

In 2016, Derrick was awarded the Order of Distinction, in the rank of Command (CD), for Outstanding Contribution to the Legal Profession and for Public Service in Jamaica.

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## PROFILES OF DIRECTORS

### Mr. Julian Mair

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

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

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



### Mr. Steven Whittingham

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

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

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

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

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

He is married with three children.



## PROFILES OF DIRECTORS



### Mr. Steven Gooden

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

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

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

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

### Mrs. Marlene Street Forrest; C.D., J.P.

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

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

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

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

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



## PROFILES OF INDEPENDENT DIRECTORS

### Miss Dian Black

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

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



### Mr. Garth Kiddoe

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

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



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

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

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

Mr. Morrison chairs the Regulatory and Market Oversight Committee and is also a Director of the Jamaica Central Securities Depository. He studied at the University of the West Indies and University of Oxford and holds a master's degree in Accounting.



## PROFILES OF INDEPENDENT DIRECTORS



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

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

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

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

### Mrs. Janet E. Morrison

Mrs. Janet Morrison is called to the Jamaica Bar. Her practice is primarily in the areas of Corporate and Commercial Law. A graduate of the University of the West Indies and the Norman Manley Law School, Janet also holds a Masters Degree in Commercial and Corporate Law from the University of the West Indies.

Janet is a member of the board of the Jamaica Stock Exchange and is a member of the board's Executive Committee, the Regulatory & Market Oversight Committee and former chair of the Corporate Governance & Nomination Committee. She is listed in **International Financial Law Review 1000** (IFRL 1000) as one of the world's leading lawyers.

Janet is a member of the council of the General Legal Council of Jamaica, the regulatory body of the legal profession. She was one of the Jamaican Bar Association's members who appeared before the Joint Select Committee of Parliament in deliberations on the passage of the new Companies Act, 2004. She was a member of the Insolvency Law Reform Committee which deliberated on the reform of the insolvency laws of Jamaica which culminated in the enactment of the Insolvency Act, and, she is currently a member of a sub-committee of the Board of the Jamaica International Financial Services Authority reviewing a suite of draft legislation to form the legal framework for the establishment of an international financial services centre in Jamaica. She has presented at several conferences on Corporate Governance, the Pensions Act and the Companies Act and has contributed legal commentaries and articles in the Jamaican press. She is a former associate tutor at the Norman Manley Law School, Mona Campus, in company law and is a Fellow of the Chartered Institute of Arbitrators.



## ALTERNATE DIRECTORS

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

1. **Mrs. Rita Humphries-Lewin**  
alternate to **Mr. Ian McNaughton**
2. **Mr. Christopher Berry**  
alternate to **Mr. Gary Peart**
3. **Mr. Ed McKie**  
alternate to **Dr. Derrick McKoy**
4. **Mr. Andrew Leo-Rhynie**  
alternate to **Mr. Steven Whittingham**
5. **Mr. Eric Scott**  
alternate to **Mr. Garth Kiddoe**

## PROFILE OF COMPANY SECRETARY

### Roxanne R. Hutchinson - Company Secretary

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

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



## JSE BOARD COMMITTEES 2018/2019

### AUDIT COMMITTEE (Rule Based)

Chairman: Mr. Garth Kiddoe  
Mr. Devon Barrett  
Miss Dian Black  
Mr. Steven Gooden  
Mr. Livingstone Morrison

### COMPENSATION COMMITTEE

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

### CORPORATE GOVERNANCE & NOMINATION COMMITTEE

Chairman: Miss Dian Black  
Mr. Garth Kiddoe  
Mr. Julian Mair  
Mrs. Janet Morrison  
Mr. Steven Whittingham

### EXECUTIVE COMMITTEE

Chairman: Mr. Ian McNaughton (Alternate Mrs. Rita Humphries-Lewin)  
Mr. Gary Peart  
Mr. Steven Gooden  
Mr. Julian Mair  
Mrs. Marlene Street Forrest

### LISTING COMMITTEE (Rule Based)

Chairman: Mr. Ian McNaughton (Alternate Mrs. Rita Humphries-Lewin)  
Mr. Gary Peart  
Mr. Steven Gooden  
Mr. Matthew Hogarth  
Mr. Garth Kiddoe  
Mr. Kevin Donaldson

### MEMBER DEALER ADMISSION COMMITTEE

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

### REGULATORY & MARKET OVERSIGHT COMMITTEE (Rule Based)

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

### RULES COMMITTEE

Chairman: Mr. Ian McNaughton (Alternate Mrs. Rita Humphries-Lewin)  
Mr. Matthew Hogarth  
Dr. Derrick McKoy (Alternate Mr. Ed McKie)  
Mrs. Janet Morrison  
Mr. Steven Whittingham

Approved July 18, 2018  
Last Updated: March 18, 2019

**NB:** Committees subject to change due to resignations of Directors

# GROUP MANAGEMENT TEAM



**Marlene Street Forrest**  
Managing Director, JSE



**Andrea Kelly**  
General Manager, JCSD,  
JCSD Trustee Services Limited



**Michelle Sirdar**  
Manager, Registrar  
Services

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## GROUP MANAGEMENT TEAM



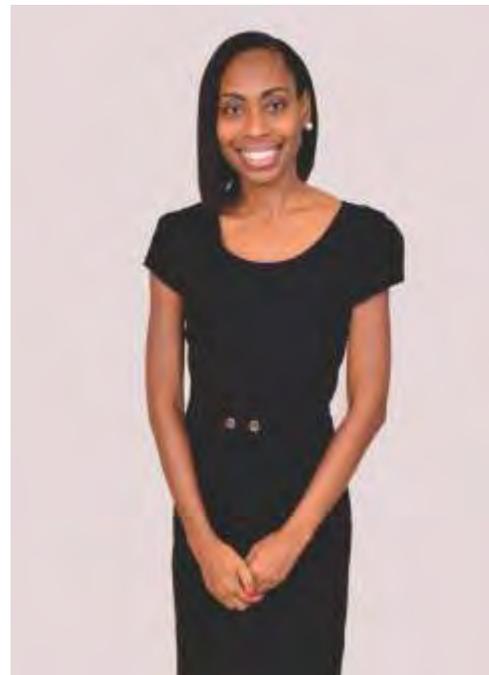
**Samuel Parkes**  
Principal JSE e- Campus



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



**Suzette Whyte**  
Financial Controller



**Roxanne R. Hutchinson**  
Company Secretary - JSE  
Legal Officer - Executive Office

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# GROUP MANAGEMENT TEAM



**Suzette McNaught**  
Manager, Information  
Technology & Systems



**Riccalya Robb**  
Manager, Market  
Operations & Trading



**Neville Ellis**  
Marketing &  
Communication  
Manager

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# GROUP MANAGEMENT TEAM



**Doreen Parsons Smith**  
Manager, Human Resources



**Suzette Pryce**  
Manager- Retail  
Repo Division



**Kadyll G. McNaught-Hermitt**  
Manager, Depository  
Service Unit



# COMMITTEES' REPORTS

## 2018 Regulatory & Market Oversight Committee (RMOC) CHAIRMAN'S REPORT



**Mr. Livingstone Morrison**  
Chairman

The Jamaica Stock Exchange's (JSE) 2018 Annual Report once again presents the perfect opportunity to engage our stakeholders on the activities pursued by the Regulatory and Market Oversight Committee (RMOC) during the year. The RMOC, which is comprised of independent directors of the JSE, is directly responsible for the oversight of the Exchange's Regulatory Programme. Oversight responsibility includes:

- Reviewing the Regulatory and Market Oversight Division's (RMOD) operational engagement as it pertains to the daily surveillance and compliance monitoring of the market,
- Consideration of rule addition and amendment proposals that are necessary to preserve market integrity, and
- Reviewing existing policies and procedures in an effort to strengthen the JSE's regulatory framework.

The RMOC met on ten (10) occasions during the year, to review the RMOD's performance including consideration of monthly reports from the Chief Regulatory Officer. The RMOD identified Four Hundred and Eighty Six (486) market surveillance and compliance issues during the year, representing an 18% increase in the number of issues handled when compared to the 412 cases that were handled in 2017. Notwithstanding the increase in the number of cases handled in 2018 the RMOD closed Four Hundred and Eighty (480) issues and had a slightly improved case closure rate of 99% when compared to 98% in 2017. The RMOD's performance indicators over the five (5) year period 2014-2018 are presented in Table 1 below.

**Table 1 – Performance Indicators**

Activity	2018	2017	2016	2015	2014
Compliance and Market Surveillance Issues handled	486	412	303	205	238
Percentage of Regulatory/compliance Issues Closed	99%	98%	95%	95%	98
Total Number of Enforcement Actions	49	62	60	60	31
Member-dealers timely filing of Monthly Statements	97%	97%	93%	95%	97%
Member-dealers timely filing of Quarterly Statements	98%	94%	94%	100%	98%
Member-dealers timely filing of Audited Statements	92%	92%	75%	58%	85%
Main Market Companies timely filing of Unaudited Statements	93%	91%	94%	95%	96%
Main Market Companies timely filing of Audited Statements	78%	80%	73%	78%	80%
Main Market Companies timely filing of Annual Report	78%	76%	56%	86%	79%
Junior Market Companies timely filing of Unaudited Statements	90%	95%	96%	95%	87%
Junior Market Companies timely filing of Audited Statements	78%	81%	69%	87%	77%
Junior Market Companies timely filing of Annual Report	66%	77%	74%	68%	48%
Main Market Companies timely filing of Trade Notices	96%	97%	89%	85%	N/A
Junior Market Companies timely filing of Trade Notices	86%	88%	84%	66%	N/A

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

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## 2018 Regulatory & Market Oversight Committee (RMOC)

# CHAIRMAN'S REPORT

The increase in surveillance issues handled in 2018 was due to the continued implementation of the RMOC strategy to strengthen and monitor the regulatory requirements of the JSE. Based on the more stringent requirements that were implemented in May 2017, an increase in the number of issues handled in 2018 relative to 2017 was expected.

The data provided in Table 1 above, confirms the success of the compliance programme for Member-Dealers and Main Market Companies of the JSE as it pertains to the timely filing of financial statements, with improvements noted for Member-Dealer Quarterly Financial Statements as well as Main Market Companies Unaudited Financial Statements and Annual Reports. Notwithstanding the use of reminder letters to foster compliance to market requirements, there has been deterioration in the compliance standards for Junior Market Companies. Consideration is currently being given to the establishment of additional enforcement tools for the Junior Market in order to promote improvement in compliance levels.

### **Rule Development**

In addition to the review of operational activities, consideration was given to fifteen (15) rule amendment proposals that were submitted for review and adoption. Of the fifteen (15) rules that were reviewed, seven (7) were considered suitable for adoption and were passed and incorporated in the rules of the Exchange in 2018. With the integration of the amendments to the rules of the JSE, the Exchange will be better able to:

1. Support compliance with improved Corporate Governance;
2. Ensure higher standards for qualification of member-dealer representatives and improve customer service delivery to retail investors,
3. Strengthen the Exchange's market surveillance and enforcement capabilities to monitor and impose sanctions for unauthorised access to its trading platform, and
4. Promote continued growth and development of the market.

The seven (7) rules that were passed during the year are as follows

1. JSE Main Market Rule 201 ( E) – Qualification of Member-Dealers;
2. JSE Main Market Rule Appendix 15 – JSE Mandatory Competency Programme for Obtaining Representative Status;
3. JSE Main Market Rule Appendix 14 – Additional Fines and Penalties;
4. JSE Main Market Rule 230 – List of Traders;
5. JSE Junior Market Rule 506 – Corporate Governance Guidelines;

6. JSE Main Market Rule Definitions – Approved Entities; and
7. JSE Junior Market Rule 505 (4) – Mentors.

Mention must be made of the work that commenced in 2018 to further bolster Corporate Governance standards across both the Main and Junior Market of the JSE, particularly as it relates to the market's expectation of the composition and functions of listed companies' Audit and Remuneration Committees. As part of the exercise the RMOC was charged with the task to engage listed companies on a proposed amendment to the rules pertaining to the Audit Committee for both the Main and Junior Market and on Junior Market Companies' Remuneration Committee. We use this opportunity to thank listed companies for their valuable input, which we will duly consider in finalizing an amendment that accords with international best practices. Other rule reviews that commenced in 2018, which will be finalized in 2019 relates to **JSE's Model Code for Securities Transactions by Directors and Senior Executives of Listed Companies** and **JSE Rule 410 – Communication of Amendment to Financial Statements**.

### **Improving the Efficiency of the JSE's Rule Amendment Process**

One of the key strategic outlooks of the RMOC is the continued strengthening of the rules of the JSE to support its operations and the efficiency of Jamaica's Capital markets. The programme continued during 2018 with the passing of new rules as mentioned above supported by keen examination of the overall process for Rule Amendments. The examination, which involved the Financial Services Commission (FSC), who is also a key stakeholder in the process, identified steps that could be taken to improve the efficiency of the process. Arising from the exercise the JSE and the FSC has implemented measures that are in keeping with the Securities Act of Jamaica that will see an improved turnaround rate for the review and processing of rules. Against this background the RMOC can assure its stakeholders that we now have in place a more agile process that will allow us to adequately address changes in the market.

### **Strengthening the RMOC's Risk Assessment Processes**

In ensuring the effectiveness of the JSE's Regulatory Programme, the RMOC has encouraged the adoption of a risk based approach across the spectrum of the RMOC's operation. During the year the RMOC undertook a review of the Division's processes for listed company compliance, which included the review of listed company's financial filings to the JSE. From the review, a qualitative risk based assessment policy was developed, which will support the Division's review of listed companies filings during high volume periods. The policy, which will be implemented in 2019, will see the JSE obtaining improved information on the compliance status of each listed company as it pertains to

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2018 Regulatory & Market Oversight Committee (RMOC)

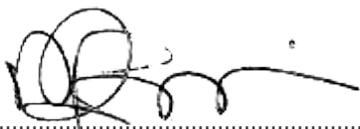
## CHAIRMAN'S REPORT

financial filing and will aid in the development of targeted measures to address concerns that are observed.

### **Conclusion**

In anticipation of the JSE's 50<sup>th</sup> anniversary, which will be celebrated in 2019, it is fitting to mention that since the RMOC's creation in 2007, the Committee has been in existence for over 10 years and celebrated the milestone of holding its 100<sup>th</sup> meeting on February 22, 2018. This is a testament to the JSE Board's unwavering commitment to the existing framework that allows for independence of regulatory decisions and the separation of the JSE's regulatory and commercial functions. It is also evidence to the commitment of present and past members of the Committee in working to preserve the integrity and reputation of the market in the interest of the Jamaican public.

Finally I would also like to thank the RMOC's team for the exemplary work done during the year. In being a member of the RMOC since its inception, I believe that I am qualified to judge that the unit has not relented from its drive and tenacity to strive for operational excellence in the performance of its duties. Thanks must also be extended to all stakeholders who have shown keen interest in the affairs of the market and who have assisted us in ensuring that the market operates to the highest principles of fairness and transparency. In the coming year we will continue to strive for operational excellence in the delivery of our services to you with the ultimate goal of preserving your confidence in the market.



.....  
Mr. Livingstone Morrison.  
Chairman

## CORPORATE GOVERNANCE & NOMINATION COMMITTEE REPORT

The JSE Corporate Governance and Nominations Committee (the Committee) in fulfilling its oversight responsibilities met six (6) times during the 2018 period and undertook and in some cases, completed the following tasks, some of which were started in the previous year:

### Board Charter

The crafting of a Board Charter aimed at ensuring that the Board has a frame of reference to guide its adherence to good corporate governance. This activity, which commenced in 2017 was completed in 2018 and was recommended to the Board for approval. The Board accepted the recommendation of the Committee and the Charter is now in effect.

### Communication with Subsidiary Boards and Sub Committee

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

### Corporate Governance Index (CGI)

The Committee discussed the CGI, which is a joint initiative between the PSOJ Corporate Governance Committee and the Jamaica Stock Exchange to assess, on the basis of a numerical code, the corporate governance performance of listed companies. The objective of the CGI is to identify areas of deficiencies (if any) in order to improve corporate governance standards. Assessments are on an ongoing basis by a committee established to monitor and evaluate the participating listed companies and comprise representatives from the Mona School of Business, the Jamaica Bar Association and the PSOJ Corporate Governance Committee. This is an ongoing measurement and is subject to review by the CGNS in 2019.

In keeping with the CGI Standards, we wish to disclose that \$12.6m was paid as fees to our directors in 2018.

### Directors' Evaluation Process

Both Directors' Self-Evaluations and Directors' Peer Evaluations were completed, the results of which were overall positive and were shared with the Board. The Directors' attendance report for 2018 to Board and subcommittee meetings was also completed which aided in the evaluation of the commitment and performance of Board Members at Board and Committee levels. The Subcommittee Evaluation Committee was developed and approved by the Board in 2018.

In order to make the evaluation process more robust, it was agreed that the evaluation questionnaires would include a question on independence. This tool which was recommended by the Committee and approved by the Board, is intended to be used to assess the director's independence and each director is now required to complete this questionnaire annually.

Included in the questionnaire are definitions for both "*material business relationship*" and "*material contractual relationship*".

### External Evaluation

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

### JSE Corporate Governance Principles

The Corporate Governance Principles and Practice of the Exchange were reviewed and certain changes were recommended by the Committee. Included in this review is the "Process to determine the independence of a Director who has served on the board for more than nine years". A document was developed which sets out the steps to be considered to determine the independence of such director. This was recommended to the Board who approved the procedure and it is now to be effected for the ensuing year.

### Resignation & Nominations of Directors

During the reporting year 2018/2019 Mr. Rohan Miller resigned and was replaced by Mr. Christopher Zacca, who subsequently resigned and was replaced by Mr. Kevin Donaldson. Alternate Directors also were recommended and approved by the Board. These are:

- Mr. Andrew Leo-Rhynie, alternate to Mr. Steven Whittingham
- Mr. Eric Scott, alternate to Mr. Garth Kiddoe.

Invitations have been sent out for nominations to fill the vacancy left by Mr. Mark Croskery of Stocks and Securities Limited. In order to strengthen governance by improving the ratio of independent to non-independent directors, the Committee recommended and the Board approved the decision to invite an independent director with skill-sets in the area of Information Technology and Marketing to fill this vacancy. Submissions are being reviewed.

I wish to take this opportunity to thank all the members of the Corporate Governance Committee and especially the previous Chairperson, Mrs. Janet Morrison who have done a tremendous job in elevating the Corporate Governance standard within the Group.

The Members of the Corporate Governance and Nominations Committee are:

Miss Dian Black (Chair)  
Mr. Garth Kiddoe  
Mr. Julian Mair  
Miss Janet Morrison  
Mr. Steven Whittingham (alternate Mr. Andrew Leo-Rhynie)



Dian Black (Chairman)

*The Jamaica Stock Exchange and Its Subsidiaries*  
**AUDIT COMMITTEE REPORT**

**The Mandate of the Audit Committee**

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

**Role and Responsibilities of the Audit Committee**

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

**Meetings and Attendance**

The Audit Committee is required to meet at least four (4) times per year. However, during the year under review, thirteen (13) meetings were held, with an average members' attendance of eighty (83%) percent.

**Internal Controls**

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

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

The internal audit function is sub-contracted to PriceWaterhouseCoopers (PWC), which provides periodic reports in accordance with the audit plan approved by the Audit Committee. For the period 2018, the JSE received an overall rating of Excellent for its audit review of the Group's policies and procedures. In keeping with the Group's strategic initiatives, in 2019 audit activities will focus on areas such as projects, general operations, financial operations, compliance and Information Technology.

**Compliance**

The Committee reviewed the effectiveness of the Company's system for ongoing compliance with relevant laws and regulations and monitored the results of management's investigation and follow-up where any instances of non-compliance were detected. Considerable effort was made including the contracting of professional services to ensure that the Group was compliant with IFRS 9 and 15.

**External Audit**

The Committee reviewed the audit plan and the performance of the external auditors in relation to applicable regulatory standards and related reporting to the Board.. The Committee sought to ensure that the Auditors received all the access, information and explanations that they required to complete their course of work.

The Company's external auditors are Ernst & Young and they have agreed to continue as auditors for the year 2019. In keeping with the Group's policy to put to tender the contract for the services of an external auditor every 7 years, this activity will commence in 2020.

**Financial Statements**

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

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

**Audit Committee Composition**
**AUDIT COMMITTEE (Rule Based)**

Chairman: Mr. Garth Kiddoe	Independent Non-Executive
Mr. Devon Barrett	Non-Executive
Miss Dian Black	Independent Non-Executive
Mr. Kevin Donaldson	Non-Executive
Mr. Steven Gooden	Non-Executive
Mr. Livingstone Morrison	Independent Non-Executive



L. Garth Kiddoe  
Chairman

## The Jamaica Stock Exchange and Its Subsidiaries

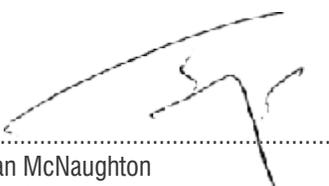
# COMPENSATION COMMITTEE REPORT

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

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

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

Directors' fees totaled \$12.6 Million in 2018 and represented a \$0.2 Million increase from 2017, which was \$12.4 Million.



.....

Ian McNaughton  
Chairman

# MANAGING DIRECTOR'S REPORT



**Mrs. Marlene Street Forrest**  
Managing Director  
Jamaica Stock Exchange

**2018** was an awesome year for the JSE Group. When many markets globally were going south, the JSE soared. According to Bloomberg, the Exchange was ranked as the World's Best Performing Exchange in 2018, when compared with ninety-one (91) other stock exchanges. We moved from sixth (6<sup>th</sup>) the previous year and our level of consistency is exceptional. The recognition as being globally best in performance could not have been better timed as we approach our 50<sup>th</sup> Anniversary in 2019.

This demonstrable success was reflected in all markets being active. The indices continued to advance, recording growth of approximately 30% in the Main Market and 18% in the Junior Market. Seventeen securities were listed across all markets in 2018.

2018 could be considered the year of active collaboration with the JSE Group actively engaging our brokers, product developers, software providers and other stakeholders in moving the group towards efficiency through the adaptation and use of more robust financial technology. This is in readiness for the introduction of more products and services to the market which is aimed at heightening customer satisfaction through product diversification and improved market confidence.

In 2018 we revisited many of our rules and systems and sharpened our process in order to respond to the market which has been more responsive to new offerings both in respect to investment and learning opportunities.

In keeping with our mandate to develop an ecosystem that lends itself to sustainability both social and financial, much effort was spent in our development of the JSE Social Stock Exchange aimed at collaborating with current players in the social sector to provide greater confidence in the process of harnessing and regulating social capital.

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

### **Review of 2018 Performance**

Our results as a Group were excellent. We saw heightened activities relating to business reorganization and takeovers, coupled with the usual market activities such as stock-splits, dividend declarations by many companies and rights issues. Companies also raised in excess of \$21.02 billion during the year outpacing our performance in 2017 by more than \$5 billion.

While Business and Consumer Index continue to be high and we are still experiencing a stable environment which have contributed to a positive performance of the Group, we also give credit to a deliberate and comprehensive approach the JSE has taken in growing the Group, through intensive and extensive market education programmes and the introduction of valued added services aimed at market diversification and enrichment of customer experience. We are continuing to explore other avenues for expansion.

*(Cont'd on next page)*

## MANAGING DIRECTOR'S REPORT

The Group has grown because we have embraced the philosophy that we must provide the best service to our members and partners even in the most challenging times. We have received a good report on our introduction of a compressed settlement cycle for transactions which is now T+2 and we continue to work with our listed companies on the Corporate Governance Index that was previously introduced. We have listened to our shareholders and other market operatives regarding the cost associated with multiple trades aimed at fulfilling one order and during the year changed our invoicing methodology moving from a fee associated with each transaction to a fee based on the value of the transaction. This move has significantly reduced the cost of trading for many investors and the elimination of the concerns relating to filling of an order through multiple trades. Despite this, the Exchange will still introduce 'All or None' when we move to the NASDAQ trading and surveillance platforms by late 2019.

We continue to pursue global and local initiatives and we are pleased to announce that we are making inroads into listing Canadian companies on our Exchange. We believe our successful navigation leading to our obtaining participant status in the Canadian Depository for Securities (CDS) will lead to further listings and cross-listings in 2019 and beyond as we focus on global business development.

On the local market we have been encouraged by the government's policy to divest some of its assets/companies to Jamaicans and the announcement of Wigton Windfarms IPO have provided an extra-special fillip for the Exchange. This energy we believe will be a positive wind in our sail for 2019 when we look forward to the launch which we believe will convert the silent majority into active investors.

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

## ENVIRONMENTAL FACTORS

### Economic Overview

The Economic Programme Oversight Committee (EPOC), in its February 2019 release, stated that the GOJ has met all eight macro-fiscal structural benchmarks for the November 2016 to December 2018 period. The GOJ has also met the fourteen structural benchmarks for public sector transformation, public bodies and public service reform through end-November 2018.

For the period fiscal year April to December 2018, Revenues Grants amounted to \$448.8 billion exceeding the budgeted amount of \$437.3 billion (+2.6%). Tax Revenues year over year increased by \$35.6 billion (10.1%) from \$353.1 billion for the corresponding period in 2017. Expenditure for the April to December 2018 period was \$11.6 billion below budget and Capital Expenditure increased by \$14.4 billion to \$45.4 billion for the fiscal year.

The calendar year inflation rate for 2018 was 2.4% compared to the calendar year inflation rate of 5.2% for 2017

An unemployment rate of 8.7% was recorded for October 2018. This represents a decline of 1.8% in comparison to the 10.5% recorded for October 2017. The Employed Labour Force for October 2018 of 1,219,700 increased by 1.2% relative to October 2017. Notably, the rate at which female employment increased was more than doubled that of the increase in male employment.

On December 31, 2018, the Jamaican dollar closed at 127.72 to \$US1.00. This represents a decline of JA\$2.6264 or 2.10% since the start of the year. Treasury Bill yields for the month of December 2018 were 2.05% and 2.07% for the 90-day and 180-day instruments respectively.

At the end of December 2018 the Net International Reserves (NIR) stood at US\$3.01 billion. This reflects a 6.23% decline over the US\$3.21 billion recorded in 2017.

These statistics reflect what has been achieved in the economy and this has positively impacted the stock market.

### Global Review of Stock Markets for 2018

According to CNN, markets around the world were battered by the trade conflict between the United States and China, fears over rising interest rates and geopolitical snafus like Brexit, resulting in declines recorded by several exchanges.

The Dow was down 6.7%, the S&P 500 dropped by 7% and the Nasdaq shed 4.6% in 2018.

The market damage in 2018 was most pronounced in China, where the world's second largest economy felt the effects of a darkening trade outlook and government attempts to rein in risky lending after a rapid rise in debt levels. The Shanghai Composite entered a bear market in June and declined by almost 25% in 2018. The Shenzhen Composite, which includes many of the country's tech firms, dropped by more than 33% over the same period. In Hong Kong, the Hang Seng Index declined by 14% in 2018.

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## MANAGING DIRECTOR'S REPORT

The FTSE All-World index, which tracks thousands of stocks across a range of markets, plummeted 12% this year. It's the index's worst performance since the global financial crisis, and a sharp reversal from a gain of nearly 25% in 2017. Frankfurt's DAX declined more than 18% in 2018. The main stock market in Milan, Italy, slumped 16% amid worries over spending plans proposed by the country's populist government. Spain's IBEX dropped 15% and France's CAC 40 Index declined 11% in 2018. India's Sensex closed out the year with a gain of nearly 3% and Brazil's Bovespa increased by 15%

### JSE MARKET PERFORMANCE IN 2018

Overall the indices realized significant gains in comparison to 2017.

In general, the indices continued to perform robustly in 2018. All of the indices advanced with the exception of one.

On the heels of being deemed the *Best Performing Stock Exchange* in the world in 2015, the Main JSE Index was again recognized by Bloomberg as the *Best Performing Index* for 2018 from a pool of 94 national benchmarks.

Stock Market Statistics	Value 2018	Value 2017	Change	Change %
Main JSE Index	379,790.86	288,381.97	↑ 91,408.89	↑ 31.70
All Jamaican Composite Index	416,842.73	316,516.11	↑ 100,326.62	↑ 31.70
JSE Select Index	9,725.59	8,516.38	↑ 1,209.21	↑ 14.20
JSE Combined Index	384,556.48	294,986.53	↑ 89,569.95	↑ 30.36
Junior Market Index	3,246.84	2,732.06	↑ 514.78	↑ 18.84
JSE USD Equities Market Index	159.61	166.17	↓ 6.56	↓ 3.95
Market Capitalization (Combined Market)	1.52 Trillion	1.16 Trillion	↑ 360.08 Million	↑ 30.95

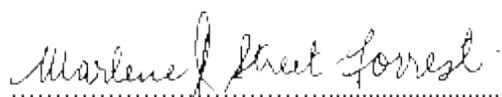
### WELCOMING 2019

Looking ahead into 2019, our immediate focus is that of continuing to develop the capital market through social and financial investments. We believe it is necessary to have a community of investors in new projects and programmes aimed at moving the needle from anemic growth to a robust economy in which all Jamaicans can enjoy prosperity. Our records speak volumes that the supply and demand side of the market is still very much under-tapped. Companies want to raise capital as well as investors who need homes in which to invest. The latter is numerically evident as all securities on the market continue to be over subscribed. The mission is therefore to continue a programme of assisting companies to prepare for listing. Brokers and other market support organizations are also encouraged to examine an approach to reduce the cost of an IPO.

The energy is palpable and our programme to deliver new products and services, using Blockchain technology and more efficient platforms for an integrated provider of back-office support remains on track for delivery into 2019 and beyond. The enhancement of our trading platform is a critical component in achieving our goal and we move with determination to have this effected. We will ensure a world-class, that we continue to be best in class through our pursuit of engagement and collaboration both at the local and international levels.

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

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



Marlene J. Street Forrest  
Managing Director, JSE

# JSE MANAGERS' ROLL CALL

## DEPARTMENTAL HIGHLIGHTS 2018

### Information Technology

In keeping with the dynamic profile of the Exchange, the Information Technology Unit continues to play a pivotal role in ensuring more proficient and deliberate use of technology to strengthen the products and service delivery of the organization. Through collaboration, this has increased the awareness and visibility and has enabled all business units to produce work of a higher standard and operate more effectively.

Strategically, the Exchange has leveraged more technology in an effort to secure its long-term goals and objectives. In support of this, Information Technology has been integral in extending the reach of the varying systems, giving rise to a more cohesive, secure and robust ecosystem, which in its simplest form, benefits all stakeholders. By extension, this facilitates the Exchange in its mandate towards implementing core business strategies and expansion of the service portfolios in 2018 and beyond.

In 2018, while there were challenges we continued to maintain a vibrant market. In order to ensure that the Exchange continues to maintain its consistent performance, we have sought to introduce a New Trading Platform, which will resolve the current issues and further strengthen the Market. We remain committed to ensuring that we continue to deliver consistent and reliable services while ensuring that the technology employed is in a state of continuous improvement. This will allow for the JSE to take advantage of emerging trends and technology and by extension, the delivery of new products in 2019 and beyond.

We have made significant progress in the following areas and have achieved several successes in 2018.

#### Successful initiatives during 2018:

1. Sourced a new Trading and Surveillance Platform
2. Started the development of the Jamaica Social Stock Exchange Platform
3. Started implementation of a new Fund Management System
4. Pilot on the Trading of Digital Currency
5. Mobile App for Apple devices
6. Online Trading Phase III
  - a. Addition of other member dealers
7. Upgrade of Financial System – Phase 2

#### Projects to be implemented in 2019

1. New Trading Platform
2. Jamaica Social Stock Exchange Platform
3. Digital Currency Platform

4. Fund Management System
5. Online Trading Phase IV
  - b. Addition of other member dealers
  - a. Integration with new trading platform
  - b. New features

#### Ongoing Initiatives in 2019

1. Business Solutions geared towards achieving the group's strategy
2. Business Continuity – continuous improvements including data management solutions
3. IT Governance, Security, and Service Delivery – continuous improvements
4. Customer Service and Support – continuous improvements
5. Cyber Crime Security

The JSE Group prides ourselves in having an IT infrastructure that is managed according to industry standards and best practices. Consequently, the Group's technology unit will continue to leverage successful standards and practices and to adopt new frameworks where applicable. For the year 2019/20 we will continue to build out in areas such as network and infrastructure, information security, risk management, quality assurance and management information systems.

### Cyber Crime

Great emphasis will be placed on Cyber Crime Security.

Technology, information and cyber security risks continue to impact financial institutions and other businesses in Jamaica as the threats continue to increase in numbers and levels of sophistication. The technology environment of the JSE is no exception and may be subject to attacks, breaches or other compromises. Consequently, the JSE continues to proactively monitor and manage these potential risks and constantly updates and refine policies, procedures and programs as threats emerge, in an effort to minimize disruptions and protect systems. The JSE has also purchased insurance coverage to help mitigate against certain potential losses associated with cyber incidents.

We have taken steps to sensitize our employees through security awareness sessions held twice per year and security tips on an ongoing basis. As security is an ongoing activity, the JSE will further enhance the security of the Company by embarking on a program in 2019 to further strengthen our IT Risk Management practices. Cybersecurity is a sub-discipline of IT Risk Management and as we seek to reduce cyber security risk and through this program, we will be leveraging successful standards, best practices and new frameworks where applicable.

## JSE MANAGERS' ROLL CALL

Our team stands ready and remains committed to the initiatives to be achieved in 2019 and will continue to expand its capacity to ensure that the Group takes advantage of market opportunities through the utilization of efficient and effective use of technology.

### **Marketing Activities**

The Stock Exchange continued its strong focus on market education and assisting companies on how to list on the markets, especially the Junior Market in 2018. In order to make inroads into having more Jamaicans investing in the markets, we continue our drive with our "How to Buy and Sell Shares Series" which was quite successful in 2017 allowing us to leverage on that success. We were rewarded with a 5% increase in Investors in the market, moving from 7% in 2017 to 12% in 2018. We also had 17 securities listed on the market for 2018. In order to expand our reach, we intensified our social media presence and our e-Campus arm has been active in spreading the message about the market.

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

### **Regional Investments & Capital Markets Conference**

The 2018 Regional Investments & Capital Markets Conference was a spectacular one from the overall feedback received. The satisfied participants used expressions such as: well organized, smooth flow, well attended and very informative. There were 547 persons in attendance on the Opening Night, up from 515 in 2017, a 6.0% increase. There were 595 participants in attendance over the other two full days of the Conference. The opening ceremony was broadcast live for the first time by Jamaica Public Broadcasting Service. In total there were eight different media houses represented throughout the three days. Therefore, the message of the JSE was felt all around the world.

### **Stock Market Game for High Schools**

DeCarteret College and William Knibb Memorial High School were declared the champions of the 2017-2018 Stock Market Game for High Schools and the Stock Market Game for Teachers, respectively. Kimani Francis of DeCarteret College was awarded the 1<sup>st</sup> Place Winner among the 52 participating high schools and Mr. Dwight Thompson 1<sup>st</sup> Place Winner in the teachers' game, both having gained the highest returns in their virtual stocks portfolios. The winners were at the Jamaica Pegasus Hotel, on Wednesday, June 27, 2018.

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

Most importantly, the Stock Market Game instills an understanding of the need to save and invest at an early age.

### **High School Education Programme**

The school programme gives students an understanding of:

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

Eighty-Six (86) high schools visited the Exchange in 2018, this number has not changed from 2017. This is due to time and space constraints which will be rectified in 2019.

### **JSE's Public Investor Outreach**

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

In 2018, the JSE partnered with the Financial Services Commission (FSC) to host three Public Investor Outreaches in the parishes of St. Ann, Westmoreland, Hanover, St. James, St. Elizabeth and Clarendon. We also partnered with the Jamaica police Corporative Credit Union to spread the news across the island. The JSE on this initiative went to, St. Catherine, St. Mary, Manchester and Kingston to spread the information on the market. There were over 3,000 potential investors in attendance at these outreaches. The Broker that accompanied us continued the trend of opening broker accounts for persons at the Public Outreaches. This initiative is bearing much fruit as persons appreciate the convenience.

### **Corporate Outreach**

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

Throughout the year, the JSE team went on 30 corporate outreaches, where over 1,500 persons were in attendance. This is a 50% increase over 2017 and shows that many more persons are interested in investing in the markets.

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## JSE MANAGERS' ROLL CALL

### National Investor Education Week-(NIEW)

The Jamaica Stock Exchange (JSE) hosted its 11th National Investor Education Week (NIEW) from September 29 – October 4, 2018. The week of activities are designed to strengthen public awareness about the products and services of the Stock Market and its stakeholders. The opportunities and benefits that are available for different participants, companies, investors and the economic sectors of the country are also highlighted during the presentations.

The JSE launched NIEW in 2007 with a mandate to educate the population on the importance of savings and investments as the means to wealth creation. The Stock Exchange recognizes that investment in financial knowledge pays the best dividend and that persons who are financially literate generally make better savings and investments decisions. Economists worldwide agree that savings and investments by individuals are important both for personal wealth creation and economic growth.

The JSE through the NIEW is playing its part to encourage these very important principles in the decision-making of all possible market participants.

On September 29, 2018, a Thanksgiving Service was held at the Portmore Seventh-Day Adventist Church to kick off the week of activities. The other activities that followed were:

- Outside Broadcast on Mello FM, with host Barry G at the JSE
- Tuesday October 2 – Youth Forum and Public Outreach at the Jamaica Conference Centre
- Wednesday October 3 – Business Conference to engage companies on how to list on the Junior Market. This activity took place at the Jamaica Conference Centre,
- Thursday October 4 – Forum at Vista Print in Montego Bay to engage the staff on how to buy and sell shares on the market.

There were over 2000 participants in these events and the message about the JSE is being spread far and wide.

### Best Practices Awards

The Jamaica Stock Exchange (JSE) Best Practices Awards was established in 2004 by the Jamaica Stock Exchange. There are six (6) categories of awards. An award is presented to the winners and 1st and 2nd runners-up for each category.

The objectives of the Awards are to:

1. Provide an avenue to recognize Listed Companies and Member Dealer in the securities industry, who uphold best practices standards.
2. Enhance the relationship between the JSE and its stakeholders.

3. Create an awareness of the standards for best practices in the areas to be adjudged. A nineteen-member Committee was established to act as a Judging Panel for the Awards and this panel has been increased to twenty-four.

NCB Financial Group Limited (NCBFG) topped the listed companies as the Overall Winner of the 14<sup>th</sup> staging Jamaica Stock Exchange's (JSE) Best Practices Awards and was awarded the Governor-General's Award for Excellence. In the Junior Market category, Honey Bun (1982) Limited captured the Governor-General's Award for Excellence, and in doing so, has won the top trophy for the Junior Market, two consecutive years; 2017 and 2016.

NCB Financial Group Limited was the winner of the coveted JSE/PSOJ Best Practices Award for Corporate Governance. This Award recognizes companies that demonstrate and practice outstanding corporate governance. GraceKennedy Limited was 1<sup>st</sup> Runner Up and JMMB Group Limited and Scotia Group Jamaica Limited 2<sup>nd</sup> Runners up for their Corporate Governance practices. The JSE's 14<sup>th</sup> Best Practices Awards was held at The Jamaica Pegasus Hotel on December 5, 2018.

### Expos

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

- I. JBDC Small Business Expo
- II. Math Expo
- III. Young Investor Expo – Utech
- IV. JMAE Expo
- V. MSMB Round Table Conference

### Publications

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

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

### Bell Ringing Ceremony

The JSE established its "Bell Ringing Ceremony" that offers companies an opportunity to launch products, do name changes, launch books and celebrate anniversaries in an effort to increase brand awareness. In 2018 there were seven Bell Ringing Ceremonies:

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## JSE MANAGERS' ROLL CALL

1. UN Women Belling Ringing Ceremony for Gender Equality
2. Sir Henry Morgan Anglin Tournament
3. Unveiling of Jamaica Social Stock Exchange(JSSE) Website/Platform
4. 50<sup>th</sup> Anniversary Logo Launch

### **Market Research Competition**

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

#### Objectives of the Market Research Competition

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

Sagicor and VM Wealth Management representatives reached the finals of the 2016/17 Market Research Competition with VM Wealth Management's Leovaughni Dillon emerging the winner and Sagicor's Sharif Small – 1st Runner Up.

### **THE JSE e-CAMPUS**

Since its inception in 2010 the JSE e-Campus offers key training via our e-learning platform which allows students the flexibility of attending courses online. However, through our blended learning programme, students also get the opportunity to interact with lecturers and tutors during lively face-to-face sessions. Streaming access is also granted to participants who are unable to physically attend the face-to-face

sessions. Sessions are also recorded to allow participants the opportunity to review lecture sessions as needed.

As the Campus continues to grow, so does the range of services provided. The year 2018 proved to be very positive for the e-Campus with quite a few noteworthy accomplishments.

The University Council of Jamaica granted accreditation to the e-Campus' Post-Graduate Diploma in Financial Services Management and we welcomed our 12<sup>th</sup> cohort of students to the e-Campus fraternity.

The e-Campus began offering its newest Professional Certification Program which is a series of courses providing in-depth study, enabling participants to obtain the most up-to-date skills and information needed to excel in their chosen field, or transition to a new career. The certification programme includes an analysis of the type of work being performed and the knowledge, skills and abilities (KSAs) required to perform that work, as well as a 'needs-analysis' to assess gaps between the required KSAs and current workforce capabilities.

There was increased demand for one of the JSE e-Campus flagship program, "JSE Online Securities Course" which provides participants with the necessary level of exposure to the relevant products and services that the Securities Market has to offer. This course helps participants to develop the knowledge skills and competencies needed to make informed decisions and to increase their level of financial literacy. This course has been accepted by the Financial Services Commission (FSC) as an approved course of study for meeting academic qualification requirements for registration under the Securities Act as a dealer/investment advisor representative.

The e-Campus is now an official tuition provider of the ICSA qualifying program of the Institute of Chartered Secretaries and Administrators' (ICSA). The ICSA qualifying program is specifically designed to qualify participants for work in governance and compliance, and with the required experience leads to the chartered status. Through the e-Campus, exam preparation classes will be available in 2019.

The e-Campus continues to offer workshops on key topics such as 'Mergers and Acquisitions', 'Financial Regulations and Laws', 'Fundamentals of Analyzing Financial Statements', 'Operational Risk Management and Sales Management for Financial Institutions'. These informative workshops were well-received based on the feedback received at the end of each workshop. The e-Campus programs are accredited by the CPD Certification Services out of London, England and local certifications are also obtained from the Jamaican Bar Association, the ICAJ and GLC.

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## JSE MANAGERS' ROLL CALL



The e-Campus has also begun to offer customized training workshops for executive corporate clients to assist in meeting their employees' training needs. The core Leadership Executive training program offered is "The Director's Strategic Guide to Corporate Governance and Leadership" in collaboration with The Private Sector Organization of Jamaica (PSOJ). The e-Campus has received a significant increase in the demand for this service. As such, we continue to work with our existing and new clients to provide the best quality training as we fulfil the JSE e-Campus' mission of, "Providing High Quality Continuing Professional Education, training and information in the area of financial services in Jamaica and the Caribbean, mainly through e-Learning Facilities and other appropriate technology."

The e-Campus' newest program **DEAL-Disrupt. Engage. Accelerate. Learn** will be offered in second quarter 2019. **D.E.A.L.** is a deeply collaborative, academically rigorous learning model that gives leaders a new way to experience JSE e-Campus—while working. Participants will gain the flexibility to both advance their career and maintain job and family commitments. This series of one day workshops, focuses on leadership and innovation: enabling participants to gain the skills, confidence, and support to enact true change to impact real-world business challenges.

The JSE e-Campus looks forward to a productive and rewarding year in 2019.

### **INTERNAL AUDIT**

Our internal audit functions are outsourced to PricewaterhouseCoopers (PwC). The JSE Group proactively responds to the recommendations of the internal auditor for improvement to our operations. This has enabled us to deliver much better services to our internal and external customers and enhanced our risk mitigation programmes. In 2019 our audit takes on an added dimension as PwC looks at the audit of the Group's strategic initiatives.

## HUMAN RESOURCES

### TEAM JSE

#### OUR MISSION – OUR TEAM

In our mission to align our people, structure, processes, culture and leadership to our strategic objectives our main goal is to position the HR functions as a strategic tool to ensure talent acquisition, workforce planning and retention. One area of focus was the implementation of Policies and Procedures in Sexual Harassment, Employees Code of Conduct and Ethics, Grievance Procedure, Whistleblowing, Clean Desk, and HIV Workplace Policy. Additionally, we continue to provide the requisite avenues to promote staff development and creativity through training via JSE's e-Campus, workshops and other advanced professional development programmes. In 2018 the Group concentrated on Project Management training which is a key component of our growth and diversification strategy, and eleven team members received certification in Project Management and Certified Associate in Project Management.

We encourage employee engagement through the organization's climate surveys, interactive team meetings and social activities and 2018 saw the emergence of JSE's Staff Social Committee. This Committee was entrusted with the responsibility to align our culture with our strategic objectives through staff engagement and social activities. This Committee has positively contributed to team building and has been instrumental in our quest to have a motivated and prepared workforce in achieving our strategic objectives.

The JSE is cognizant of the importance of Gender Equality in the Workplace and by extension, the Society, and as such we are now a member of the Women's Empowerment Principles (WEPs) and part of the global list of signatories for WEPs. Our vision in respect to Gender Equality is resonated in our Managing Director's message to WEPs which states "*We are looking forward to embracing the day when we will achieve gender balance in all spheres of society - businesses, the workplace, the boardroom, government and of course, gender balance in wealth*".

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# CORPORATE SOCIAL RESPONSIBILITY

The Jamaica Stock Exchange (JSE) in its business approach ensures that it contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders. With this in mind the JSE shows its true commitment by putting in place the necessary programmes to ensure that our community is a part of our development. The Exchange's focus is on the elderly, young adults and the children in the immediate communities of downtown Kingston and its environs.

## The Jamaica Social Stock Exchange (JSSE)

In the national and international sphere, the JSE will be launching its Social Stock Exchange to ensure that it impacts the development of the country in particular, and the region as a whole. The JSSE will be launched in January 2019 at our Regional and Investments Conference to be held at the Jamaica Pegasus Hotel.

The JSSE, is a social program driven by the JSE's own practice of Corporate Social Responsibility (CSR), in partnership with companies listed on the JSE, international development partners, local donors and donors in the Jamaican Diaspora. The JSSE, through this initiative, will demonstrate a practical application of the five (5) P's of the United Nations Sustainable Development Goals (SDGs) with a People-Centered approach of People, Planet, Prosperity, Partnerships and Peace.

Believing in the Value proposition - "Sustainable Growth in the Social Sector is good for business", the JSSE will be implementing this socially-oriented initiative in Phases.

The Jamaica Social Stock Exchange, JSSE, seeks to engage the entire Jamaican economy in promoting the **Social Capital Market**, believing that true development of any country happens in all areas of life and facets of society.

The JSSE is a state-of-the-art virtual environment and a venue for the process where the "socially responsible investor(s)", people interested in contributing and improving the quality of life in Jamaica, are enabled to invest in wholesome projects that require public funding, and by extension promote the socio-cultural economy and the protection of the physical environment.

## YOUTH OUTREACH

### JSE's Youth Development Programme - Focused on Education

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

The JSE has been instrumental in the development education and one of our focus is that of contributing to early childhood education. Through this initiative, we have been sponsoring the breakfast programme for St. Michael's Primary School since 2010. In quoting the Principal Mrs. Juliet Campbell McPherson, "The JSE's efforts has led to the gradual growth of St. Michaels and through the JSE's Breakfast Programme, the literacy rate has improved tremendously coming from a 31% to approximately 72%. We constantly remind our students of the importance of working hard to make our sponsors proud. To this end most students have shown significant improvement in academics and overall behavior"

## Scholarships

The JSE places great emphasis on education and of such there are two scholarship programmes that have been established by the JSE. The Utech Scholarship named after the first General Manager of the Exchange Mr. Vernon Mendez and the UWI scholarship.

### The UWI Scholarship

The JSE continues its quest to assist University students with scholarships. The Jamaica Stock Exchange Scholarship given to UWI students was established in 1994 by the Jamaica Stock Exchange to mark its 25th anniversary. This scholarship is in its twenty-fourth year in 2018. Also, in 2018 the JSE agreed to offer a Bursary to a student with very good academic achievement, who needs financial support. The scholarship and the bursary are awarded to students pursuing studies in Business. Below are some of the recipients who have benefitted since the 2004/2005 academic year:

*(Cont'd on next page)*

# CORPORATE SOCIAL RESPONSIBILITY

Recipients	Year Awarded	Graduated
Sanchia Henry	2004-2006	First Class Honours:
Andre Williams	2006-2008	Upper Second Class Honours:
Oma Coke	2008-2010	First Class Honours:
Latoya Williams	2008-2010	Upper Second Class Honours:
Kadine Blake	2010-2012	First Class Honours:
Jerahmeel James	2013-2015	Upper Second Class Honours
Jahnoy Lieth	2015-2017	Upper Second Class Honours
Samoya Smith	2016-2018	Current recipient
Meisha -Marie Webster	2016-2018	Current recipient
Shana-Kay Chisolm	2018-2019	Current recipient JSE Bursary
Tishawn Hibbert	2018-2019	Current recipient Scholarship



**Shana-Kay Chencise Chisolm – Recipient of the JSE's 2018/19 Bursary**



**Tishawn Leonardo Hibbert – Recipient of the JSE 2018/19 Scholarship**

## ELDERLY OUTREACH

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

We continue to offer assistance to the Golden Age home, remembering those who have contributed to the development of Jamaica, however, have fallen upon hard times. We should never forget those that serve in whatever capacity in this country and the JSE is very mindful of this and continue to contribute to this noble institution.

## JSE GROUP

# 2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

### Introduction

The Jamaica Stock Exchange Group comprises the Jamaica Stock Exchange Limited (JSE), Jamaica Central Securities Depository Limited (JCSD) and JCSD Trustee Services Limited (JCSCTS). This Management Discussion and Analysis (MD&A) of the JSE Group's financial condition and results of its operations are provided to enable stakeholders to assess the financial health, material changes and results of its operations for the year ended December 31, 2018. It provides information on liquidity and capital resources and gives a comparative examination of the current year under review against the previous year's performance. The MD&A should be read in conjunction with the Audited Financial Statements and must be considered as complementary information to that which is provided in the audited statements and the accompanying notes. The information presented is based on the best judgment of management, taking into consideration all internal systems and controls, plans and current programmes and policies being pursued.

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

The JSE has 701,250,000 shares now in issue. During the year 2018, the price of the JSE shares advanced from \$7.00 to close at \$10.26, reflecting a 46.6% appreciation in the stock price. The volume and value traded amounted to 49.9M units and \$382.4M respectively, compared with the previous year of 209.4M units and \$1.45B.

Our policy is that shareholders who have invested in the JSE should participate in the earnings of the Company through dividend distribution. Consequently, for the calendar year 2018, the Company distributed \$210M representing 2017 final and 2018 interim dividend payment. Compared to previous year \$102.1M representing 2016 final and 2017 interim payment.

Business and Consumer Confidence remained very high in 2018 and the overall economic environment remained optimistic, which translated into continued vibrant market performance. This positively impacted our profitability. We are pleased that external improved market conditions have also assisted our outstanding performance. However, our internal market activities such as new products and services have also contributed to the growth in the Group's core revenue streams. We expect that the Group will see continued growth from its diversification efforts and continued improvement in the macro-economic conditions.

### UPDATE ON THE IMPLEMENTATION OF THE GROUP STRATEGIC PLAN

As the Exchange engaged in ensuring that the 2015-2018 strategic plan was realized, there was an imperative to review our targets and key objectives. We are pleased with the progress made but are convinced that we must continue to push for sustainable growth and development and take advantage of the changing needs of our marketplace. We are also of the view that we must seek to develop products and services which will create demand. Many of these initiatives have begun but we must critically prove our concepts and designs, therefore stakeholders should expect to see gradual and paced rollout of services in the ensuing years.

Most of our targets were achieved in 2018 and we again through another strategic planning session, embarked with the approval of the Board, the strategic plan for the period 2018-2020, which is shown on the next page:

*(Cont'd on next page)*

**JSE GROUP**
**2018 MANAGEMENT'S DISCUSSION AND ANALYSIS**
**STRATEGIC PLAN 2018 – 2020  
PURPOSE-DRIVEN INDICATORS AND TARGETS**
**(A) Jamaica Stock Exchange**

PERFORMANCE INDICATORS	2018 TARGET	2018 ACTUAL	2019	2020
1. Value of Transactions /year	\$56M	\$71.1B	\$67.2 B	\$78.6B
2. Net Profit	\$63M	\$316M	\$75.6M	\$90.3M
3. Net # New Listings /year	25	10	30	28
4. Amount of Capital Mobilized	\$23B	\$21.0 B	\$27.6 B	\$31.3
5. Return of Equity relative to T-bill	T+ 13%	T+15%	T+15 %	T+15%

**(B) Jamaica Central Securities Depository Group**

PERFORMANCE INDICATORS	2018 TARGET	2018 ACTUAL	2019	2020
1. Net Profit \$M	\$125M	\$138.6M	\$150 M	\$200M
2. Return on equity (relative to T-Bill)	T+25%	T+48%	T+25%	T+25%
3. Trustee Market Share - Non Govt. bonds & Unit Trusts)	70%	85%	75.0%	82.5%
4. Market Capital \$B	\$900B	\$1.1T	\$900B	\$1.2T
5. Registry market share, %	70%	69%	70%	80%
6. Value of securities in custody \$T	\$1.6T	\$2.5T	\$2.3T	\$2.65T
7. # of Trustee Clients	82	138	150	200

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## JSE GROUP

# 2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Over the last fifteen (15) years, the Company has pursued a path of revenue diversification, through new products and services offered by the Group. The results of this effort are seen in the Group's reaping the benefits, notably the profitability of the JCSD Trustee Services and Registrar Services and from other initiatives that are making a significant contribution to the operating revenue of the Company. In 2018 Fee Income increased by \$196.6m or 32.1% over 2017. Over the two-year period 2017 and 2018, Fee Income increased by \$350.6m or 76.6%.

Cess revenue and Investment Income, which were at one time considered usually the two major sources of revenue of the Group has shifted with diversification and have been supplanted by Fee Income. During the year 2018 Cess income was \$494.7m representing an increase of \$208.9m or 73% increase over 2017. Investment Income marginally increased to \$19.1m from \$16.3m. The JSE experienced a few large block transactions in 2018.

The Group's Financial Statements reflect an improvement in revenue (not including interest income) of \$399.7m or 40.3%, driven mainly by our cess revenue and diversification efforts.

With the exception of advertising and promotion which marginally decreased all other areas of expenditure increased over the prior year with the total moving from \$668.2m in 2017 to \$817.4m in 2018, which represents \$149.2m or 22.3% increase in expenditure. Detailed explanation is provided further in this analysis.

The profitability of the Group increased significantly when compared to the prior year. Profit after taxation moved from \$220.7m in 2017 to \$413.1m in 2018; an increase of 87.2%.

## Vision, Strategies and Priorities

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

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

### Our Priorities:

- **Grow Core Business through Innovation**

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

Through market education, the Group aims to retain current investors and attract new ones, as we recognize that expansion will not be successful in the long-term without an expanding pool of financially educated investors. Recognizing that attracting new products that are driven by customer demand, the JSE is treating this as an imperative. Through industry collaboration with organizations such as the PSOJ, the Securities Dealers Association and the Small Business Association, we expect to effectively bring about positive

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## JSE GROUP

# 2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

changes to the securities market. While we believe that the Group's initiatives will result in more vibrant trading of securities on the stock market as well as more diversified revenue streams that will augur well for the long-term growth and profitability of the Group, we understand that these initiatives cannot be pursued unless they are driven by external demand, and so we aim to listen to our customers.

### Continued Diversification in Related Business Lines

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

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

- Offering regionally and globally diversified capital market products
- Commitment to high standards of transparency and governance
- Continuously improving shareholders' value
- Setting a strong foundation in all critical divisions and subsidiaries to allow for long-term growth and development
- Enhanced attractiveness of the equities market to investors and businesses

- Participation in the development of the Fixed Income Market
- Strong internal competences
- Being among the top employers of choice in Jamaica
- To be considered a partner that is essential to nation building
- To forge key regional and global partnerships in furtherance of these goals
- Consistent operational and overall profitability

### Summary of Our Performance Measurements

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

### Overview of the Business

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

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## JSE GROUP

# 2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

### Memberships and Accreditations

- Subscribe to the World Federation of Exchanges (WFE)
- Member of the Americas Central Securities Depositories Association (ACSDA)
- Partners of Sustainable Stock Exchanges (Global Initiative)
- ANNA Partner (Securities Numbering Agency)
- Designated Exchange in Canada
- Participant in the Canadian Depository for Securities (CDS)
- e-Campus has been:
  - CPD Certified, UK; approved by the Financial Services Commission;
  - Registered by the University Council of Jamaica (as a Tertiary Institution) and Diploma in Securities Management accredited in 2018.
  - Approved by the Ministry of Education and also accredited by the General Legal Counsel of Jamaica)
- Signatory to the UN Global Compact (Endorsing Women Empowerment Principles)

### Market Depth

- 76 listed companies offering seventy-eight (78) Ordinary Securities (36 listed on the JSE Main Market, 36 listed on the JSE Junior Market and 6 listed on the US Dollar Equities Market) and twenty-five (25) Preference Securities (17 listed on the JSE Main Market, 2 listed on the JSE Junior Market and 6 listed on the US Dollar Equities Market). Four corporate bonds are listed on the Bond Market. Trading activities are concentrated mainly around the Ordinary Shares.
- The JSE is the primary venue for the raising of equity capital in Jamaica. The total market capitalization (main and junior markets) as at December 2018 was J\$1.52 trillion. The top five stocks represented 57.29% of overall market capitalization.
- The JSE maintained six indices during 2018:
  - (i) The JSE Market Index
  - (ii) The JSE All Jamaican Composite Index
  - (iii) The JSE Select Index
  - (iv) The JSE Cross-Listed Index
  - (v) The JSE Junior Market Index
  - (vi) The JSE US Dollar Equities Index

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

JA\$21.02 billion was raised from the companies that listed securities in 2018 and a total of JA\$10.2 billion has been raised by the companies listed on the Junior Market since inception in 2009.

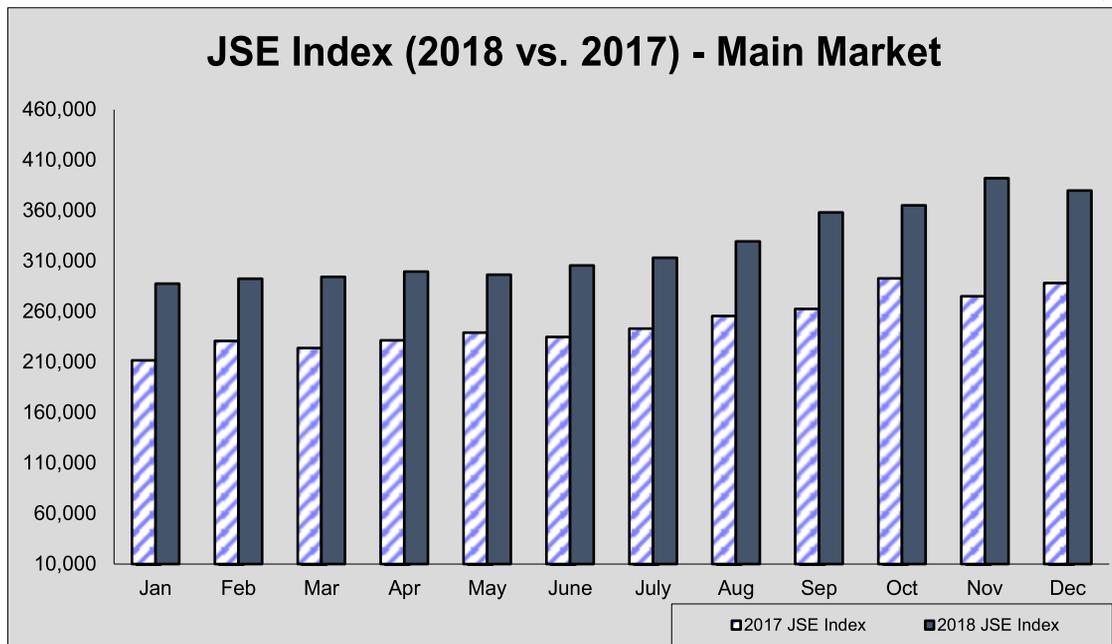
### Market Operations and Trading

Considerable improvement was recorded in the market activity in 2018 in comparison to 2017. All markets, with the exception of the US Dollar Equities Market, recorded marked improvement in their market statistics in 2018.

### Main Market

As at the end of 2018: the JSE Index advanced by 91,408.89 points or 31.70% to close at 379,790.86 points, per Chart 1 below. The All Jamaican Composite Index increased by 100,326.62 points or 31.70% to close at 416,842.73 points and the JSE Select Index increased by 1,209.21 points or 14.20% to close at 9,725.59 points in comparison to the 2017-year end closing indices.

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**JSE GROUP**
**2018 MANAGEMENT'S DISCUSSION AND ANALYSIS**
**Chart 1**


Market capitalization of the Main Market amounted to \$1.38 trillion at the end of 2018. This was an increase of \$335.09 billion or 31.95% from the start of the year. Please view the chart below for more detail.

**Chart 2**

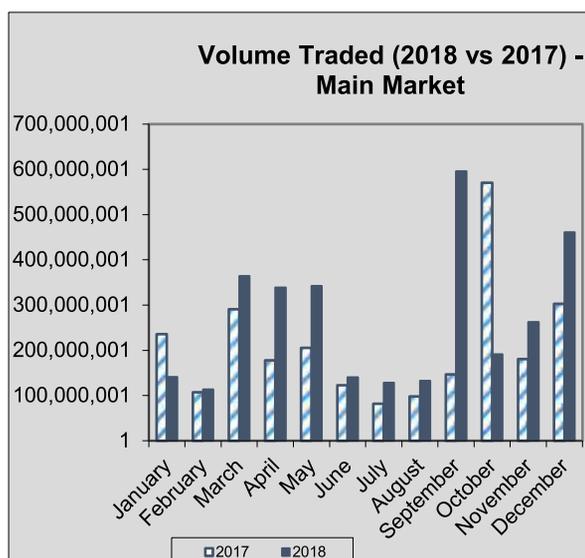
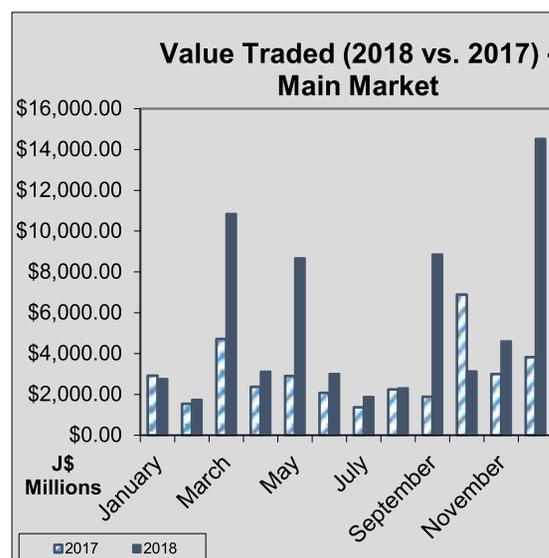
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**JSE GROUP**

## 2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

The Main Market (inclusive of block trades) recorded a total of 60,896 transactions with volume traded of 5.45 billion units valued at \$75.47 billion. This represented an increase of 40.21% in the number of transactions, an increase of 110.40% in the volume traded and an increase of 105.70% in the value traded in comparison to prior year. For the year under review, the following was recorded in the market statistics (excluding the block market): the number of transactions, volume traded and value traded increased by 40.09%, 27.51% and 83.40% respectively when compared to the market activity of 2017.

The charts below reflect the trading activity on the main market (excluding blocks) for 2018 compared to 2017. On the block market in 2018, block trades amounted to 84, an increase of 265.22%, volume traded amounted to 2.24 billion units, an increase of 3037.49% and valued traded amounted to \$9.95 billion, an increase of 929.57%.

**Chart 3**

**Chart 4**


The performance of the market for 2018 was also captured in the advance/decline ratio, which indicated that twenty-one stocks advanced while eleven declined. The average price appreciation was 47.94% for the ordinary stocks in the Main Market partially as a result of nine companies reflecting significant price increase of more than 50% for the year; one company increased in price by over 600%. Presented in table 1 are the top ten advancers and decliners of the Main Market for 2018, while the succeeding charts indicate the recent five years of JSE trading history of the main market.

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**JSE GROUP**
**2018 MANAGEMENT'S DISCUSSION AND ANALYSIS**
**Table 1 - Top Advancers and Decliners for 2018**

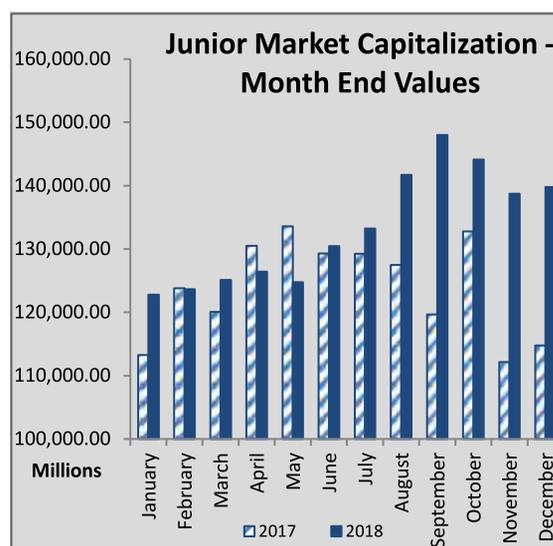
WINNERS	
Company	% Change
Barita Investments Limited	611.78%
Salada Foods Jamaica Limited	211.11%
Palace Amusement (1921) Co.	158.93%
Kingston Wharves Limited	137.51%
Pulse Investments Limited	66.11%
Jamaica Broilers Group Limited	63.32%
PanJam Investment Limited	61.49%
Mayberry Investments Limited	54.31%
NCB Financial Group Limited	50.15%
Supreme Ventures Limited	49.87%

LOSERS	
Company	% Change
Ciboney Group Limited	(70.73%)
138 Student Living Jamaica Limited	(42.43%)
Portland JSX Limited	(25.00%)
Eppley Limited	(23.75%)
Kingston Properties Limited	(22.08%)
Carreras Limited	(16.93%)
Radio Jamaica Limited	(15.24%)
Wisynco Group Limited	(10.62%)
1834 Investments Limited	(7.20%)
Sagikor Real Estate X Fund Limited	(6.20%)

**Junior Market**

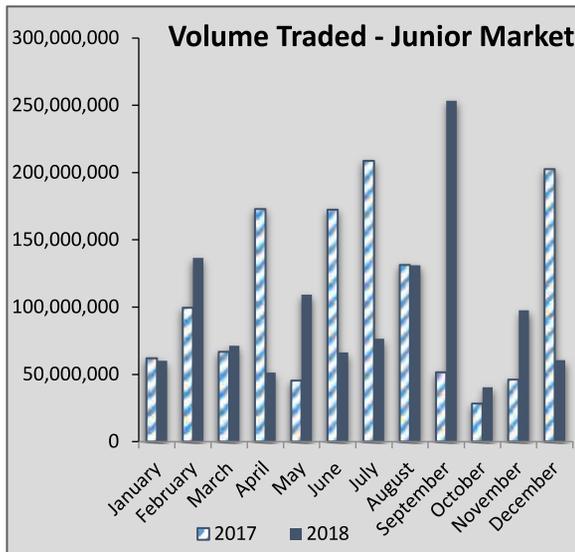
The JSE Junior Market Index increased by 514.71 points or 18.84% to close the year at 3,246.84 points.

The Junior Market welcomed the listing of seven new securities during the year, bringing the total listings to thirty-eight securities. Market activity on the Junior Market recorded an increase of 20.76% in the number of transactions, an increase of 5.04% in the volume traded and a decrease of 14.79% in the value traded. The number of transactions amounted to 26,845 trades, the volume traded amounted to 1.41 billion units and the value traded amounted to \$5.85 billion in 2018. As at December 31, 2018, market capitalization of the Junior Market amounted to \$139.77 billion. This was an increase of \$24.97 billion or 21.76% from the start of the year. There were 251 days of trading in 2018 and 250 days of trading in 2017. The charts below reflect the trading activity in the Junior Market for the year under review compared to the previous year.

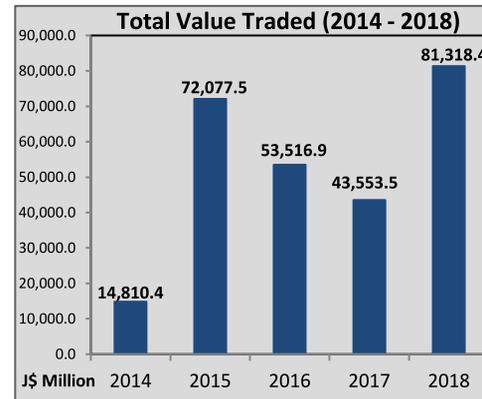
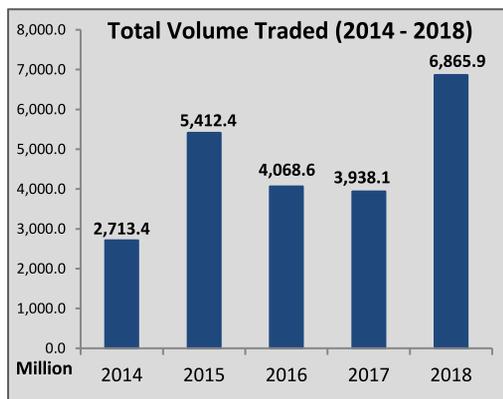
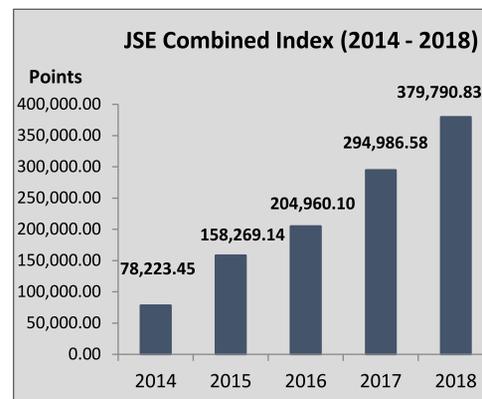
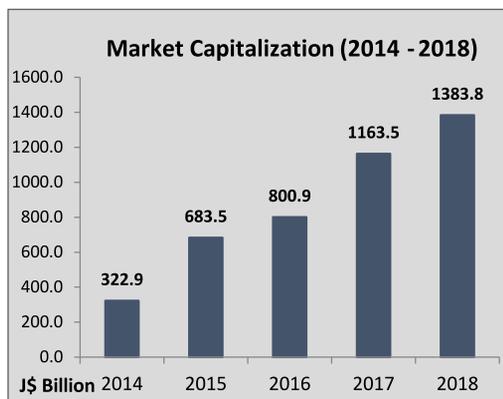

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**JSE GROUP**

**2018 MANAGEMENT'S DISCUSSION AND ANALYSIS**



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



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**JSE GROUP**
**2018 MANAGEMENT'S DISCUSSION AND ANALYSIS**
**US Dollar Equities Market**

In the US Dollar Equities Market, the total volume amounted to 43.58 million units valued at US\$8.76 million in 2018. This was a decrease of 0.23% in the volume traded and a decrease of 29.86% in the value traded when compared to the market activity in 2017. The number of transactions stood at 1,187, representing a 15.52% decrease on the 1,405 trades in 2017. The JSE USD Equities Index decreased by 6.56 points or 3.95% to close at 159.61 points. Market capitalization ended the year at US\$252.02 million, an increase of 13.23% for the year. There were three new listings on the US Dollar Equities Market in 2018.

**Bond Market**

There was one new listing on the Bond Market in 2018. The trading activity on the Bond Market for the year resulted in four trades with a total value of \$65.06 million.

**The JSE Group Financial Performance**

(i) (Comparison for Years Ended December 31, 2018 & December 31, 2017)

**Revenue**

(ii) Operating Revenue of \$1.4 billion in 2018 reflects an improvement of \$399.7m or 40% increase over 2017. There was positive growth registered in all major revenue areas with the most positive change in Cess, trustee services and annual listing.

The diversification of the group revenue streams is successful as we continue to pursue other growth opportunities.

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

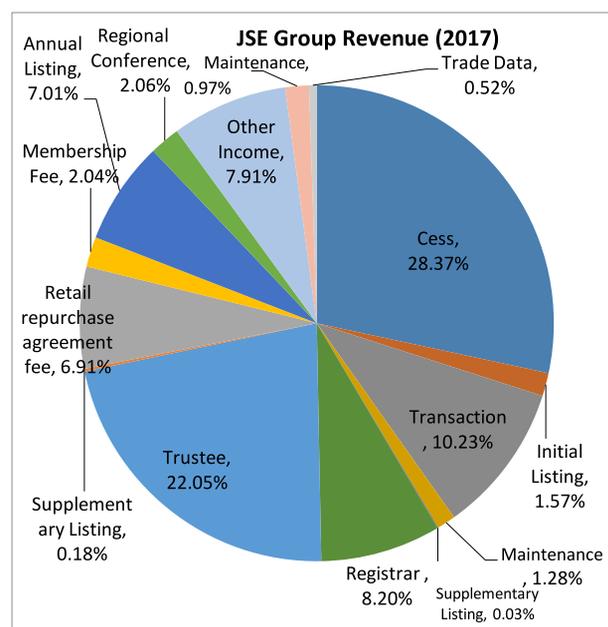
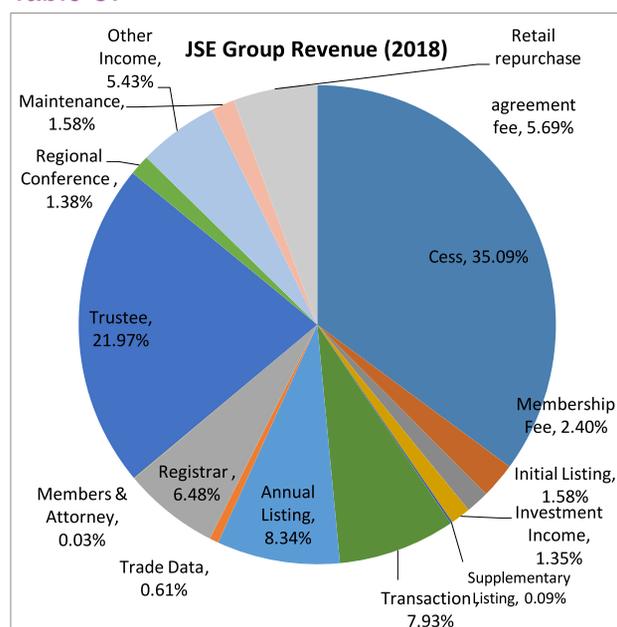
**TABLE 4: JSE GROUP REVENUE (INCLUSIVE OF INVESTMENT INCOME)  
PERIOD 2014 - 2018**

GROUP REVENUE	2018 \$	2017 \$	2016 \$	2015 \$	2014 \$
Cess	494,711,000	285,776,000	330,229,000	301,882,000	68,632,000
<b>Fee Income</b>					
<i>Annual Listing</i>	117,633,333	70,648,048	63,296,524	49,612,390	49,344,448
<i>Initial Listing</i>	22,305,000	15,842,690	6,915,162	4,549,360	3,423,808
<i>Supplementary Listing</i>	1,879,787	1,785,032	2,016,254	497,144	337,682
<i>Members &amp; Attorney</i>	380,000	490,000	430,000	375,000	1,624,175
<i>Transaction</i>	111,808,378	103,061,148	31,766,185	45,009,747	13,902,102
<i>Maintenance</i>	22,245,820	12,850,003	12,238,260	8,972,863	3,733,047
<i>Trade Data</i>	8,586,351	5,233,206	5,479,766	4,945,769	4,027,054

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**JSE GROUP**
**2018 MANAGEMENT'S DISCUSSION AND ANALYSIS**

GROUP REVENUE	2018 \$	2017 \$	2016 \$	2015 \$	2014 \$
Registrar	91,402,266	82,645,017	76,469,482	73,975,546	51,679,401
Trustee	309,816,569	222,192,071	158,316,544	104,519,850	67,850,000
Retail repurchase agreement fee	80,281,726	69,596,687	79,781,069	29,209,867	-
Membership Fee	33,808,250	20,556,322	18,533,064	8,155,697	2,716,833
<b>Other Income</b>					
Regional Conference	19,406,000	20,792,000	14,532,000	11,376,000	13,800,060
Other Income	76,583,520	79,681,776	65,778,048	65,209,697	56,178,940
<b>Sub-Total</b>	<b>1,390,848,000</b>	<b>991,150,000</b>	<b>865,781,358</b>	<b>708,290,930</b>	<b>337,249,550</b>
Investment Income	19,093,000	16,319,000	51,808,000	42,424,000	42,362,000
Other Gains	-	-	-	-	147,000
<b>TOTAL</b>	<b>1,409,941,000</b>	<b>1,007,469,000</b>	<b>917,589,358</b>	<b>750,714,930</b>	<b>379,758,550</b>

**Table 5:**


(Cont'd on next page)

**JSE GROUP**
**2018 MANAGEMENT'S DISCUSSION AND ANALYSIS**
**(i) Expenditure**

Expenses of \$817.4m in 2018 represent an increase of \$149m or 22% over the \$668.2m in 2017. The Group continues to monitor expenditure by applying tight procurement guidelines and seeking alternative and more effective means of achieving the same objectives. However, we have experienced some increases in expenditure due to our expansion. Our operating efficiency however has improved over the previous year. Some areas, which showed significant increase over 2017, are highlighted below:

- **Staff Costs**

Staff Cost was \$289.5m in 2017 compared to \$353.1m in 2018, which represents an increase of \$63.6m or 22%. This net movement was because of an increase in staff complement driven by the introduction of new business lines and salary increase for 2018. Also the Group's Incentive for 2018 was higher than 2017 and in keeping with the Group Incentive Policy.

- **Property Expenses**

Property Expenses increased from \$119.34m in 2017 to \$136.3m in 2018. The increase of \$16.9m or 14.2% is largely associated with increases in maintenance cost and licences expense that were required based on the upgrades to JSE IT infrastructure along with increase in maintenance cost attributed to our new property acquisition during 2018..

- **Depreciation and Amortization**

An increase from \$37.4m in 2017 to \$50.4m in 2018 representing \$13m or 34.8% is due primarily to the increase in assets purchased and revaluation of land and building during the year.

**Securities Commission fees**

Securities Commission Fees increased from \$40.4m to \$74.4m in 2018. This increase of \$34m or 84.1% is primarily associated with increased trading activities.

- **Net Impairment losses on financial assets**

Impairment losses increased from \$6.3m to \$15.6m in 2018. This increase of \$9.3m or 148.6% is due to additional provisions of outstanding receivables. Which is primarily attributed to the Group's adoption of IFRS 9 and implementation of a new expected credit loss model.

**(iii) Net Profit**

The parent company's profit for 2018 was \$316.2m inclusive of \$159m dividend income from subsidiary and the profit from its subsidiary was \$255.9m. Upon consolidation, the Group recorded a Net Profit for 2018 of \$413.1m. This performance surpassed the profit of \$220.7m or by 87.2% recorded in 2017 due primarily to increase in Cess and fee revenue. Expenditure increased by 22.3%.

**(iv) Earnings Per Share**

Basic earnings per stock unit is calculated by dividing the profit by the weighted average number of ordinary stock units. The weighted average number of stock units in 2018 is 701,250,000 and represents the total ordinary stocks on issue at no par value. The basic earnings per stock unit increased from \$0.31 in 2017 to \$0.59 in 2018.

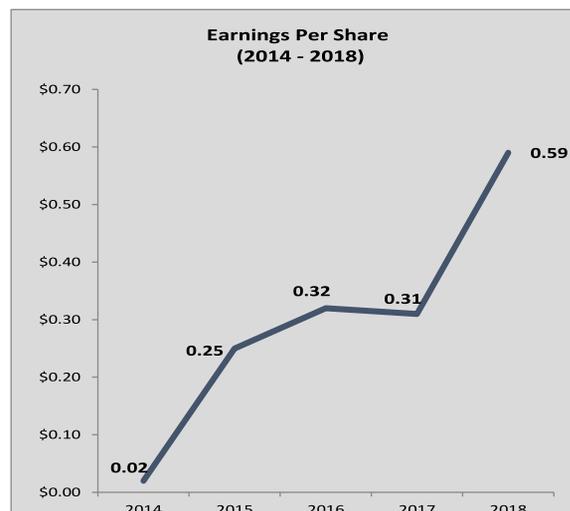
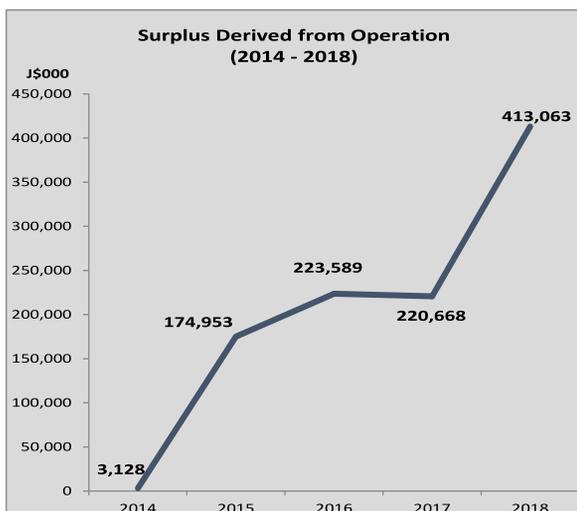
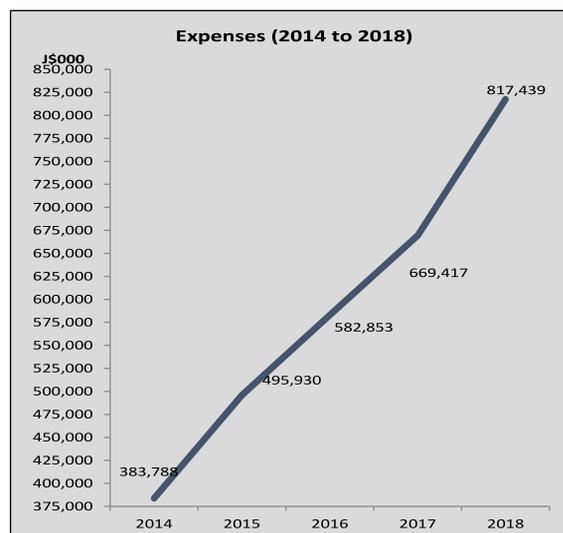
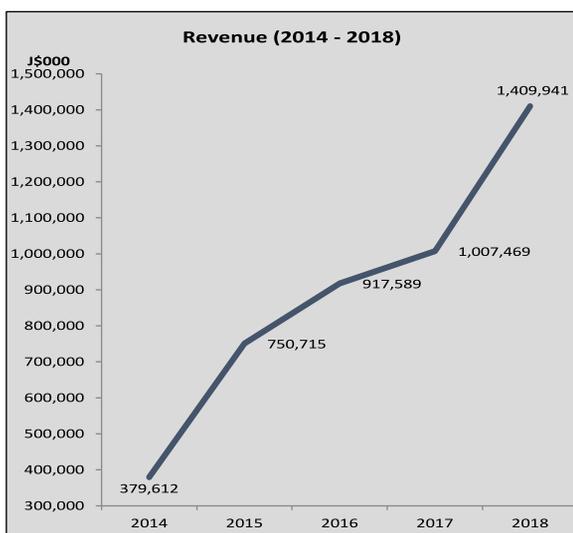
**(v) Revenue Reserves**

The Group's Revenue Reserves increased in 2018 to \$651.4m from \$501.1m in 2017.

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**JSE GROUP**
**2018 MANAGEMENT'S DISCUSSION AND ANALYSIS**
**Table 5: Five Year Key Financial Highlights and Graphical Presentations**

(\$'000)	2018	2017	2,016	2,015	2014
Revenue	1,409,941	1,007,469	917,589	750,715	379,612
Expenses	817,439	668,222	582,853	495,930	383,788
Surplus derived from Operations	413,063	220,668	223,589	174,953	3,128
Efficiency Ratio	58%	66%	64%	66%	101%
Return on Equity	36.7%	23.3%	27.7%	28.1%	0.6%
Earnings per share \$	0.59	0.31	0.32	0.25	0.02



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**JSE GROUP****2018 MANAGEMENT'S DISCUSSION AND ANALYSIS****Market Conditions and Outlook**

The International Monetary Fund (IMF) cut its estimate for global growth in 2019 to 3.5 per cent, from the 3.7 per cent it had predicted in October and down from 2018's 3.7 per cent. The IMF cited heightened trade tensions and rising interest rates. The World Bank, the Organization for Economic Cooperation and Development, and other forecasters have also downgraded their world growth estimates. Among the key concerns is the Chinese economy. The country is slowing just as its leadership tries to turn it into a more modern economy by reducing its reliance on manufacturing and exports and increasing consumer spending. The IMF trimmed the outlook for the 19 countries that use the euro as their currency to 1.6 per cent from 1.8 per cent. Emerging-market countries are forecast to slow to 4.5 per cent from 4.6 per cent in 2018.

The latest report released on the consumer and business confidence in Jamaica remain positive, with both indices recording increases for the first quarter of 2019. The consumer confidence index was 177.5 points compared to the 175.5 points in the fourth quarter of 2018, while the business confidence index increased to 151 points. Also, preliminary estimates show that the Jamaican economy grew by 1.9 per cent in 2018. Against this background, the JSE will continue to implement the infrastructure necessary to attract new business and retain the market we currently have.

**Partnership/collaborations**

We are collaborating with the DBJ to assist SMEs to list on the Junior Market, through the DBJ Voucher System. Under the Voucher for Technical Assistance (VTA), micro, small and medium-sized businesses which operate in the productive sectors may receive vouchers in various denominations to be used to access business support services provided by accredited Business Development Organizations (BDOs). The support includes assistance to:

1. Write Business Plans
2. Set up proper corporate governance framework and
3. Set up proper accounting system

The JSE is also partnering with Small Business Association of Jamaica (SBAJ) and Caribbean Enterprise Network to prepare and list companies on the Junior Market.

Through these initiatives the JSE is expecting to broaden the listing on the Junior Market and to ensure that companies maximize their full potential.

## The Chief Regulatory Officer's 2018 YEAR IN REVIEW

The year 2018 was another productive year for the Regulatory and Market Oversight Division (RMOD) of the Jamaica Stock Exchange (JSE) as we continued the discharge of operational functions relating to Listed Company Compliance, Member-Dealer Regulation, Market Surveillance, Enforcement, Dispute Resolution and Risk Assessment.

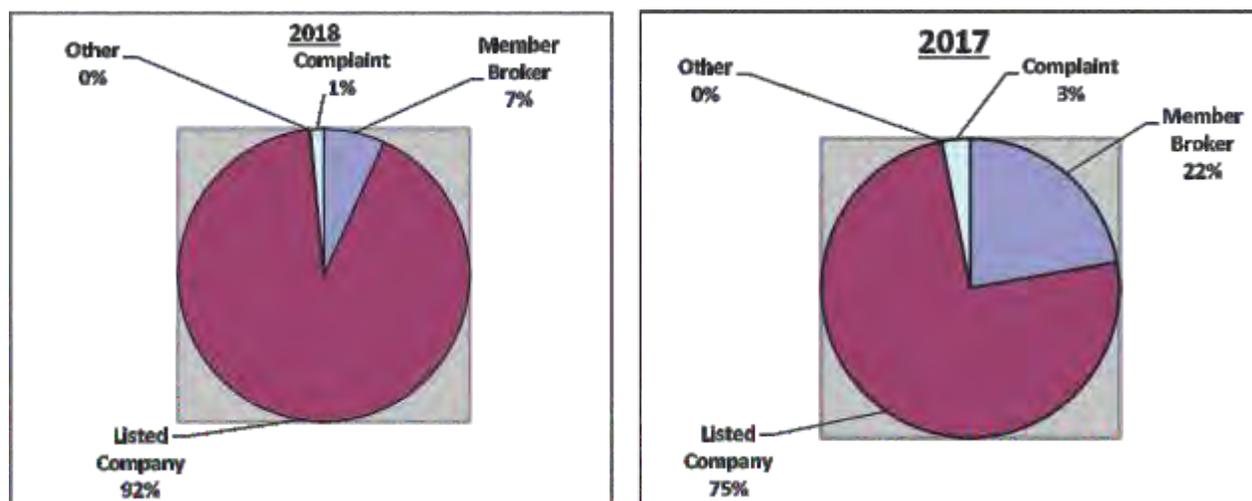
### Activity Summary

In 2018 the RMOD identified and processed Four Hundred and Eighty Six (486) compliance and market surveillance issues, which represented an increase of 18% in the number of issues handled when compared with 2017. Of the 486 issues handled, the RMOD closed Four Hundred and Eighty (480) cases, which signified a case closure rate of 99%. Of the 486 cases handled in 2018, 290 or 60% of the issues related to the continuation of our strategy in 2018 to heighten surveillance of dealings by insiders of listed companies. Against this background the Division saw a 57 % increase in the detection of dealings by insiders as the strategy was implemented over the full year in 2018 versus a shorter period in 2017 when it was first introduced. Table 1 provides a summary of the regulatory issues handled by the Division in 2018 versus 2017 by type and group.

**Table 1 - Regulatory Issues by Type & Group (2018/2017)**

Year	2018	2017
<b>Nature of Issues</b>	<b>Total</b>	
Complaints on Member-dealers	3	-
Complaints on Listed Companies	4	7
Compliance & Mkt. Surveillance- Member-dealers	33	70
Compliance & Mkt. Surveillance -Listed Company	445	326
Other Compliance & Mkt. Surveillance Issues.	1	9
<b>Total</b>	<b>486</b>	<b>412</b>

### Pie Chart – (2018/2017)



**Compliance and Market Surveillance for listed company and member dealers**

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## The Chief Regulatory Officer's 2018 YEAR IN REVIEW

### Operational Activities

Further details on the Division's activities during the year across the six (6) core operational areas are provided below:

#### **1. Listed Company Compliance**

Listed Company Compliance involves the review of filings by listed companies concerning financial statements, trade notices and corporate actions as well as the monitoring of dealings by insiders of listed companies. During the year, the RMOD reviewed a total of 1,520 submissions (2017; 1,286) from Listed Companies. Based on the review the RMOD identified Four Hundred and Forty Five (445) issues concerning Listed Companies, which represented 92% of the total number of issues identified and handled by the Division during the year **(See Table 1 and 2018 Pie Chart)**. Of the four hundred and forty-five (445) issues, two hundred and thirty (230) related to Main Market Listed Companies, while two hundred and fifteen (215) related to Junior Market Listed Companies. The primary regulatory issues handled for both Main and Junior Market Companies during the year related to JSE's Model Code for Securities Transactions by Directors and Senior Executives of Listed Companies and financial filing requirements, which are treated with under JSE Rule 407 – Quarterly Financial Statements, JSE Rule 408 – Audited Financial Statements, JSE Rule 409 – Annual Report and JSE Junior Market Rule Appendix 2, Part 4.

In keeping with our effort to foster compliance to the rules of the JSE, the RMOD continued in 2018 with the strategy to circulate reminder letters to Listed Companies on various conditions of the rules of the Exchange. During 2018 the RMOD circulated 876 (2017; 537) reminder notices concerning the filing of financial statements, material disclosures, adoption of accounting standards, share registers, dividend notices, corporate governance guideline reviews and trade notices concerning dealings by insiders. In 2018 the RMOD also convened 16 orientation sessions with newly appointed Company Secretaries and Mentors of Listed Companies to sensitize them on their role and the JSE's requirements. As a consequence of the abovementioned activities, Listed Companies registered a 100% compliance rate for the filing of share registers with the Exchange as well as a compliance rate of 99% for the timely filing of dividend notices and declarations.

#### **1. Member-Dealer Regulation**

During the year the RMOD identified thirty-three (33) compliance and surveillance issues for Member-Dealers. These issues were identified through the review of 204 financial returns from Member-Dealers as well as the monitoring of their trading activities and compliance to the rules of the JSE.

The RMOD also continued its strategy to engage member-dealers on their Business Continuity and Contingency Plan (BCCP) Review and Insurance Renewals through the circulation of reminder letters. Arising from the exercise Member-Dealers as at the end of the year had a compliance rate for BCCP review and insurance renewal of 84% and 100% respectively.

#### **3. Market Surveillance**

The RMOD's market surveillance activities for 2018 involved the continuation of heightened monitoring of dealings by insiders as well as identifying possible breaches of market rules relating to trading as dictated by the Securities Act of Jamaica. In this regard the RMOD generates exception report to further investigate possible breaches. For the period of review the RMOD generated 38 Exception Reports versus 46 in 2017.

#### **4. Enforcement**

The Division's enforcement activities involve levying fines, delisting and suspension of market constituents. In 2018 the Division administered Forty-Nine (49) enforcement actions and levied fines amounting to \$3.9 million.

#### **5. Dispute Resolution**

The Dispute Resolution function of the RMOD involves the receipt and review of complaints that are filed. In 2018 the RMOD handled and closed 7 complaints, which was a similar number for 2017.

#### **6. Risk Assessment**

The RMOD's Risk Assessment applies to all areas of its operations and is supported by examinations from the JSE's Internal Auditors. For the year under review, JSE's Internal Auditors conducted one (1) assessment of the RMOD's operations.

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## The Chief Regulatory Officer's 2018 YEAR IN REVIEW

### 7. Other Operational Activities

During the year the RMOD continued its standard procedures for educating the public and promoting awareness to the JSE's regulatory programme by releasing via the JSE's website twelve (12) Monthly Regulatory Reports and two (2) Newsletters. The Division also participated in five (5) outreach sessions of the JSE. The RMOD was also directly involved in the review of twenty-seven (27) Initial Public Offering prospectuses.

Other significant undertakings by the RMOD in 2018 included the development of a Risk Based Assessment Policy for the review of Quarterly Financial Statements, which will be implemented in 2019 and the processing of fifteen (15) rule amendments of which seven (7) were approved and incorporated in the rules of the JSE.

### Closing Remarks

In closing, I wish to use this opportunity to commend the team members of the RMOD for the tremendous work done during the year and to thank the Regulatory and Market Oversight Committee (RMOC) of the JSE for its unrelenting guidance and support. Recognition must also be given to all stakeholders, who have contributed greatly to the growth and development of the JSE through active participation in the market and interaction with the RMOD on regulatory matters. We invite your sustained support as we work in a collaborative way to ensure that the market continues to be recognized as one that is fair, transparent and efficient.



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

# SHAREHOLDINGS

Top 11 for Jamaica Stock Exchange  
As at December 31, 2018

Name	Joint Holders	Volume	Percentage
JGSD TRUSTEE SERVICES LTD - SIGMA EQUITY		68,849,200	9.81
		19,817,917	2.82
		31,000,000	4.42
	<i>Client total ownership</i>	<b>119,667,117</b>	<b>17.06</b>
SAGICOR POOLED EQUITY FUND		73,109,006	10.42
	<i>Client total ownership</i>	<b>73,109,006</b>	<b>10.42</b>
M/VL INVESTMENT ACCOUNT		25,175,000	3.59
		26,325,000	3.75
	<i>Client total ownership</i>	763,360	0.10
		<b>52,263,360</b>	<b>7.45</b>
VMWM (PRINCIPAL TRADING A/C)		51,000,000	7.27
	<i>Client total ownership</i>	<b>51,000,000</b>	<b>7.27</b>
GK CAPITAL MANAGEMENT LIMITED		51,000,000	7.27
	<i>Client total ownership</i>	<b>51,000,000</b>	<b>7.27</b>
MAYBERRY CO A/C 120008		48,182,838	6.87
	<i>Client total ownership</i>	<b>48,182,838</b>	<b>6.87</b>
BARITA INVESTMENTS LIMITED		48,000,000	6.84
	<i>Client total ownership</i>	537	0.0001
		<b>48,000,537</b>	<b>6.84</b>
JMMB LONG TERM EQUITY PORTFOLIO		44,200,000	6.30
	<i>Client total ownership</i>	<b>44,200,000</b>	<b>6.30</b>
SJIML A/C 3119		35,235,572	5.02
	<i>Client total ownership</i>	<b>35,235,572</b>	<b>5.02</b>
VMWEALTH EQUITY FUND		16,936,470	2.41
	<i>Client total ownership</i>	<b>16,936,470</b>	<b>2.41</b>
NCB CAPITAL MARKETS LTD. A/C 2231		15,641,204	2.23
	<i>Client total ownership</i>	<b>15,641,204</b>	<b>2.23</b>

# SHAREHOLDINGS

## Executives' Holdings for Jamaica Stock Exchange As at December 31, 2018

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

## Directors' Holdings for Jamaica Stock Exchange As at December 31, 2018

Name	Joint Holders	Volume	Percentage
DIAN BLACK	Key Members Holdings	2,000.00	0.0003
	Connected Party Holdings	0.00	0.0000
	Combined Holdings	<b>2,000.00</b>	<b>0.0003</b>
DERRICK MCKOY	WIFE	706,170.00	0.1007
Grace McKoy	Key Members Holdings	5,000.00	0.0007
	Connected Party Holdings	<u>706,170.00</u>	<u>0.1007</u>
	Combined Holdings	<b>711,170.00</b>	<b>0.1014</b>
<b>ALTERNATE DIRECTORS</b>			
EDWIN MCKIE	Key Members Holdings	1,189,004.00	0.1696
	Connected Party Holding	<u>706,170.00</u>	<u>0.1007</u>
	Combined Holdings	<b>1,895,174.00</b>	<b>0.2703</b>

# SUBSIDIARIES' REPORT FOR 2018

## OVERVIEW

In 2018 the Jamaica Central Securities Depository Limited (JCSD) a subsidiary of the Jamaica Stock Exchange ("JSE") celebrated its twentieth year of operations and its subsidiary the JCSD Trustee Services (JCSCTS) celebrated its tenth year. Both entities have contributed to the diversification of the JSE income stream over the years. The entities outperformed their annual targets for 2018 and are well positioned to meet their 2020 strategic objectives.

## FINANCIAL ANALYSIS

There was an increase in all revenue areas year-over-year. The year's total revenue of \$715M represented a 29% improvement over 2017. The largest revenue increase was in Trustee Fees, which amounted to 39% over prior year and resulted mainly from an increase in trustee clients. Trustee Fees amounted to 43% of the total income for JCSD for 2018. The combined JCSCTS income lines now comprise approximately 54% of total JCSD Group revenue for the year. Membership and user fees increased by 18%.

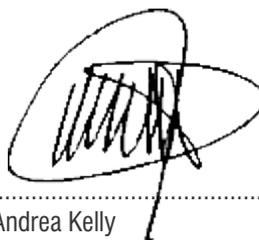
The JCSD Group's (JCSD & JCSCTS Trustee Services Ltd.) total expenses of \$332M for the year represented a 22% increase over 2017, largely due to increased personnel costs and increased Net Impairment on Financial Assets due to the new IFRS 9. Group After-tax Profit of \$256M for 2018 represented a 31% increase over the previous year. The consolidated year-end balance sheet reflected a strengthened capital position, with equity increasing by 20%, while Total Assets increased by 22% to end 2018 at \$665M. During the year, an interim dividend of \$159M was also paid to the parent company, the Jamaica Stock Exchange.

## OPERATIONS

The Group's technical and human resources was a major contributor to the excellent performance of 2018 exemplified through efficiency and high customer service standards. In response to the call of our shareholders and investors, the Depository Services Unit changed its settlement fee structure from tiered to 3bps across the board. This resulted in savings for the small investors who were mostly affected with the tiered structure. There were new hires, targeted training and some cross-training during the year. Internal audits conducted by PricewaterhouseCoopers supported the process reviews that were done throughout the year, to facilitate the management of the risks associated with the increasing size and variety of new business being undertaken.

## CONCLUSION AND VISION

The Group was very instrumental throughout the year in facilitating the development of the market and participated in several debt structure. The JCSCTS will be offering a new service to the market in 2019 in the form of back Office support to the market for the CIS and trustee businesses. We are also in discussion with the market on several initiatives that will further develop the market and provide more investment options to investors and liquidity to the market in 2019.



.....  
Andrea Kelly  
General Manager  
JCSD and JCSCTS



## **JAMAICA STOCK EXCHANGE**

AND ITS SUBSIDIARIES

### **CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

DECEMBER 31, 2018

(Expressed in Jamaican Dollars)



Chartered Accountants

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## **INDEPENDENT AUDITORS' REPORT**

**To the Members of The Jamaica Stock Exchange Limited**

**Report on the Audit of the Consolidated and Separate Financial Statements**

### **Opinion**

We have audited the separate financial statements of The Jamaica Stock Exchange Limited (the Company) and the consolidated financial statements of the Company and its subsidiaries (the Group), which comprise the separate and consolidated statements of financial position as at December 31, 2018, 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, 2018 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 AUDITORS' REPORT (CONTINUED)**

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

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

*Key Audit Matters (Continued)*

Key audit matter	How our audit addressed the key audit matter
<b>Allowance for expected credit losses</b>	
<p>IFRS 9 changes the evaluation of credit losses from an incurred loss approach to an expected credit loss ("ECL") model which requires management's judgment and incorporation of forward-looking information (Notes 2(e), 29(d) and 32(b)). IFRS 9 requires the Group to record an allowance for ECLs for trade receivables, corporate and sovereign bonds and other financial assets at amortized cost and at fair value through other comprehensive income.</p> <p>This is a key audit matter as the estimation of ECLs is inherently uncertain and requires the application of judgment and use of subjective assumptions by management. Further models used to determine credit impairment for corporate and sovereign bonds are new and could be complex. The general approach was used to determine ECL on these financial instruments.</p>	<p>We evaluated the modelling techniques and methodologies developed by the Group in order to estimate ECLs, and assessed their compliance with the requirements of IFRS 9.</p> <p>We tested the completeness and accuracy of input data to the models used to determine the ECLs. We assessed the reasonableness of the methodologies and assumptions applied in determining: the simplified approach and the general approach - 12 month and lifetime probabilities of default (PD), loss given default (LGD), exposure at default (EAD) and staging. We assessed external source data and assumptions, particularly with respect to forward looking information (FLI) by testing to independent sources.</p> <p>We involved our internal transaction advisory service specialists to evaluate the methodology for validating models and analysing modelling accuracy and consistency of impairment parameters.</p> <p>We assessed the adequacy of disclosures in the consolidated financial statements.</p>

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**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<b>Allowance for credit losses (continued)</b>	
<p>Under the general approach, judgment was used in determining the criteria for significant increase in credit risk, techniques for the probability of default (PD) and loss given default (LGD).</p> <p>The Group utilised the simplified approach for trade receivables. Under the simplified approach the historical loss rate and forward-looking factors were considered.</p>	
<b>Valuation of financial instruments and fair value hierarchy</b>	
<p>As detailed in Note 8 <i>Investment in Securities</i>, the Group's investments are classified as fair value through profit and loss (FVPL), fair value through other comprehensive income (FVOCI) and at amortised cost and comprises a portfolio of debt investments.</p> <p>Valuation techniques may be subjective and involve assumptions about pricing factors. Changes in these assumptions could result in significantly different values.</p>	<p>Our audit procedures comprised, amongst others, an assessment of the methodology and the appropriateness of the valuation models and inputs used to value investments classified as FVPL and FVOCI.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>▶ 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.</li> </ul>


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

Key audit matter	How our audit addressed the key audit matter
<b>Valuation of financial instruments and fair value hierarchy (continued)</b>	
<p>All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole: - Level 1 categorized investment valuations are based on quoted prices (unadjusted) in active markets. - Level 2 categorized investment valuations are based on other than quoted prices included within Level 1, that are observable either directly or indirectly. - Level 3 categorized investment valuations are based on unobservable inputs for the asset.</p> <p>Given the inherent subjectivity in the valuation of Level 2 and Level 3 debt investments, we determined this to be a significant item for our audit. The Level 2 investments at FVOCI and FVTPL as at December 31, 2018 amounted to \$160.28 million. The Group has no Level 3 fair value investments.</p>	<ul style="list-style-type: none"> <li>▶ Testing, for a selection of pricing inputs used, that they were externally sourced and were correctly inputted into pricing models</li> <li>▶ Valuing 100% of the Group's securities independently. We assessed whether the valuations performed by the Group were within a pre-defined threshold.</li> <li>▶ Further, we assessed the completeness and accuracy of the disclosures relating to investments to assess compliance with the disclosure requirements of IFRS.</li> </ul>



## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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

**Report on the Audit of the Consolidated and Separate Financial Statements (Continued)**

### ***Other information included in the Group's Annual Report***

Other information consists of the information included in the Group's 2018 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2018 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.



## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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

**Report on the Audit of the Consolidated and Separate Financial Statements (Continued)**

### ***Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements***

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

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

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

*(Cont'd on next page)*



## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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

**Report on the Audit of the Consolidated and Separate Financial Statements (Continued)**

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

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

We communicate with the 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.

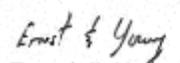
We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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  
Kingston, Jamaica

February 26, 2019

A member firm of Ernst & Young Global Limited

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**

	Notes	2018 \$'000	2017 \$'000
<b>Non-current assets</b>			
Property and equipment	4	491,222	342,820
Intangible assets	5	49,162	60,252
Employee benefits	7(b)	89,812	126,561
Investment in securities	8(a)	141,856	205,049
Long-term receivables	9	15,564	11,155
<b>Total non-current assets</b>		<b>787,616</b>	<b>745,837</b>
<b>Current assets</b>			
Income tax recoverable		-	15,159
Due from related parties	10(b)	2,684	-
Trade and other receivables	11	247,773	170,433
Investment in securities	8(b)	18,422	13,496
Government securities purchased under resale agreements	12	214,390	166,889
Cash and cash equivalents	13	240,943	143,164
<b>Total current assets</b>		<b>724,212</b>	<b>509,141</b>
<b>Total assets</b>		<b>1,511,828</b>	<b>1,254,978</b>
<b>Equity</b>			
Share capital	14	238,146	238,146
Fair value reserve	15	11,065	17,487
Property revaluation reserve	4	176,422	143,637
Revenue reserve non-distributable	16	48,367	48,367
Revenue reserve	17	651,367	501,143
<b>Total equity</b>		<b>1,125,367</b>	<b>948,780</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	18	54,158	80,507
<b>Total non-current liabilities</b>		<b>54,158</b>	<b>80,507</b>
<b>Current liabilities</b>			
Due to related party	10 (b)	-	755
Income tax payable		52,315	-
Contract liabilities	32(a)	20,448	-
Payables and accruals	19	259,540	224,936
<b>Total current liabilities</b>		<b>332,303</b>	<b>225,691</b>
<b>Total equity and liabilities</b>		<b>1,511,828</b>	<b>1,254,978</b>

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 26, 2019 and signed on its behalf by:



Ian McNaughton

Chairman



Marlene Street Forrest

Managing Director

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME/(LOSS)  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**

	<b>Notes</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>Revenue</b>			
Cess		494,711	285,776
Fee income		808,148	611,563
E-campus		15,063	15,921
Other operating income	20	72,926	77,890
		<u>1,390,848</u>	<u>991,150</u>
<b>Expenses</b>			
Staff costs	21	353,065	289,485
Property expenses		136,285	119,339
Depreciation and amortization	4,5	50,384	37,387
Advertising and promotion		59,332	61,193
Professional fees		55,483	52,471
Securities commission fees		74,362	40,386
Net impairment losses on financial assets		15,599	6,274
E-campus		19,407	13,373
Other operating expenses		53,522	48,314
		<u>817,439</u>	<u>668,222</u>
Investment income	22(a)	19,093	16,319
Finance costs		-	(1,195)
Profit before taxation	23	592,502	338,052
Taxation	24	(179,439)	(117,384)
Profit for the year	25	<u>413,063</u>	<u>220,668</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that will never be reclassified to profit or loss:			
Remeasurement of employee benefits asset	7(c)	(44,402)	(14,430)
Deferred income tax on item that will never be reclassified to profit or loss	18	14,801	4,810
Revaluation surplus on land	4	2,800	15,000
Revaluation surplus on property, plant & equipment	4	44,978	15,224
Deferred income tax on revaluation surplus	18	(14,993)	(5,075)
		<u>3,184</u>	<u>15,529</u>
Items that may be reclassified to profit or loss:			
Changes in the fair value of debt investments at fair value through other comprehensive income	15	(7,962)	-
Net impairment loss	15	(305)	-
Realised gains on sales of available-for-sale investments	15	(642)	(1,165)
Unrealised gains on available-for-sale investments	15	-	11,070
Deferred income tax on items that may be reclassified to profit or loss	18	2,765	(3,301)
		<u>(6,144)</u>	<u>6,604</u>
Other comprehensive (loss)/income for the year, net of taxes		<u>(2,960)</u>	<u>22,133</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>410,103</u>	<u>242,801</u>
Earnings per stock unit	26	<u>\$0.59</u>	<u>\$0.31</u>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
YEAR ENDED DECEMBER 31, 2018  
(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, 2017	238,146	10,883	118,488	48,367	392,197	808,081
Profit for the year	-	-	-	-	220,668	220,668
Appreciation in fair value of investments, net of taxes	-	6,604	-	-	-	6,604
Re-measurement of employees benefit assets, net of taxes	-	-	-	-	(9,620)	(9,620)
Revaluation surplus of property, plant and equipment, net of taxes	-	-	25,149	-	-	25,149
Total comprehensive income for the year	-	6,604	25,149	-	211,048	242,801
Dividend (Note 30)	-	-	-	-	(102,102)	(102,102)
Balance at December 31, 2017	238,146	17,487	143,637	48,367	501,143	948,780
Change in accounting policy (Note 32)						
Net impairment of financial assets	-	-	-	-	(25,285)	(25,285)
Change in reclassification of investment impact	-	(278)	-	-	2,071	1,793
	-	(278)	-	-	(23,214)	(23,492)
Balance at January 1, 2018	238,146	17,209	143,637	48,367	477,929	925,288
Profit for the year	-	-	-	-	413,063	413,063
Other comprehensive income:						
Appreciation in fair value of investments, net of taxes	-	(6,144)	-	-	-	(6,144)
Re-measurement of employees benefit assets, net of taxes	-	-	-	-	(29,601)	(29,601)
Revaluation surplus of property, plant and equipment, net of taxes	-	-	32,785	-	-	32,785
Total comprehensive income for the year	-	(6,144)	32,785	-	383,462	410,103
Dividend (Note 30)	-	-	-	-	(210,024)	(210,024)
Balance at December 31, 2018	238,146	11,065	176,422	48,367	651,367	1,125,367

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**

	Notes	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Profit for the year		413,063	220,668
Adjustments for:			
Depreciation of property and equipment	4	28,950	20,607
Amortisation of intangible assets	5	21,434	16,780
Gain on sale of debt investments/(available-for-sale)	15	(642)	(1,377)
Net impairment on investment	15	(32)	-
Loss on disposal of property and equipment		145	80
Loss on investment through profit and loss	22	899	-
Write-off of intangible assets	5	-	4,329
Foreign exchange (gains)/losses on investments		(3,859)	6,830
Employee benefits expense	7(c)	4,814	2,271
Net impairment on financial assets	29(d)	15,599	6,274
Income tax charge	24	179,439	117,384
Interest income	22(a)	(16,174)	(21,119)
Operating cash flows before movements in working capital		643,636	372,727
Increase in trade and other receivables		(92,939)	(50,734)
Increase contract liabilities		20,448	-
Increase in payables and accruals		34,604	12,598
Post employment benefit contributions	7(d)	(12,467)	(10,807)
Cash provided by operations		593,282	323,784
Income tax paid		(135,047)	(154,255)
Cash provided by operating activities		458,235	169,529
<b>Cash flows from investing activities</b>			
Investment securities, net		(18,053)	(43,047)
Proceeds from disposal of property and equipment		208	-
Government securities purchased under resale agreements		(47,501)	(31,885)
(Payments)/Receipts from related parties		(3,439)	676
Proceeds from sale of debt investment (2017: available-for-sale investments)		44,200	91,231
Acquisition of property and equipment	4	(129,221)	(76,214)
Acquisition of intangible assets	5	(11,050)	(29,645)
Long-term receivables		(4,409)	(2,305)
Interest received		17,796	22,047
Cash used in investing activities		(151,469)	(69,142)
<b>Cash flows from financing activity</b>			
Dividends paid		(210,024)	(102,102)
Cash used in financing activity		(210,024)	(102,102)
Net increase/(decrease) in cash and cash equivalents		96,742	(1,715)
Cash and cash equivalents at the beginning of the year		143,164	146,310
Effect of foreign exchange rate changes		1,037	(1,431)
Cash and cash equivalents at the end of the year	13	240,943	143,164

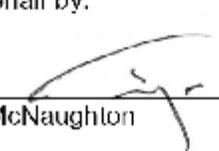
The accompanying notes form an integral part of these financial statements

**SEPARATE STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**

	Notes	2018 \$'000	2017 \$'000
<b>Non-current assets</b>			
Property and equipment	4	460,250	309,513
Intangible assets	5	27,490	43,233
Investment in subsidiary	6	61,000	61,000
Employee benefits	7(b)	63,570	91,057
Investment in securities	8(a)	96,437	136,559
Long-term receivables	9	10,374	6,926
<b>Total non-current assets</b>		<b>719,121</b>	<b>648,288</b>
<b>Current assets</b>			
Income tax recoverable		-	34,874
Due from related party	10(b)	2,684	19,475
Trade and other receivables	11	128,817	60,690
Investment in securities	8(b)	16,202	7,082
Government securities purchased under resale agreements	12	38,916	38,042
Cash and cash equivalents	13	81,678	10,293
<b>Total current assets</b>		<b>268,297</b>	<b>170,456</b>
<b>Total assets</b>		<b>987,418</b>	<b>818,744</b>
<b>Equity</b>			
Share capital	14	238,146	238,146
Fair value reserve	15	8,261	12,554
Property revaluation reserve	4	176,422	143,637
Revenue reserve	17	322,852	249,562
<b>Total equity</b>		<b>745,681</b>	<b>643,899</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	18	43,160	67,947
<b>Total non-current liabilities</b>		<b>43,160</b>	<b>67,947</b>
<b>Current liabilities</b>			
Due to related parties	10(b)	79,584	11,599
Income tax payable		25,890	-
Contract liabilities	32(a)	12,406	-
Payables and accruals	19	80,697	95,299
<b>Total current liabilities</b>		<b>198,577</b>	<b>106,898</b>
<b>Total equity and liabilities</b>		<b>987,418</b>	<b>818,744</b>

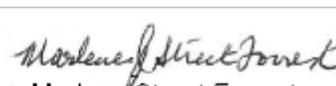
The accompanying notes form an integral part of these financial statements.

The financial statements were approved for issue by the Board of Directors on February 26, 2019 and signed on its behalf by:



Ian McNaughton

Chairman



Marlene Street Forrest

Managing Director

**SEPARATE STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME/(LOSS)  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**

	Note	2018 \$'000	2017 \$'000
<b>Revenue</b>			
Gross		432,870	250,052
Fee income		158,598	99,309
E-campus		15,063	15,921
Other operating income	20	231,254	177,346
		<u>837,785</u>	<u>542,628</u>
<b>Expenses</b>			
Staff costs	21	196,136	161,805
Property expenses		75,345	57,617
Depreciation and amortization	4,5	34,447	25,919
Advertising and promotion		55,054	56,709
Professional fees		30,857	29,891
Securities commission fees		68,772	35,233
Net impairment (loss) gains on financial assets		(3,482)	4,324
E-campus expenses		19,407	13,373
Other operating expenses		11,968	12,928
		<u>488,504</u>	<u>397,599</u>
Investment income	22(a)	9,879	8,014
Finance costs		-	(1,195)
Profit before taxation	23	359,160	151,848
Taxation	24	(43,003)	(24,184)
Profit for the year	25	<u>316,157</u>	<u>127,664</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that will never be reclassified to profit or loss:			
Remeasurement of employee benefits asset	7(c)	(31,082)	(7,158)
Deferred income tax on item that will never be reclassified to profit or loss	18	10,361	2,386
Revaluation surplus on land	4	2,800	15,000
Revaluation surplus on property, plant & equipment	4	44,978	15,224
Deferred income tax on revaluation surplus	18	(14,993)	(5,075)
		<u>12,064</u>	<u>20,377</u>
Items that may be reclassified to profit or loss:			
Changes in the fair value of debt investments of fair value through other comprehensive income	15	(4,485)	-
Net impairment loss	15	(253)	-
Realised gains on sale of available-for-sale financial assets	15	(642)	(1,165)
Unrealised loss on available-for-sale financial assets	15	-	7,993
Deferred income tax on items that may be reclassified to profit or loss	15,18	1,709	(2,276)
		<u>(3,671)</u>	<u>4,552</u>
Other comprehensive income for the year, net of taxes		<u>8,393</u>	<u>24,929</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>324,550</u></u>	<u><u>152,593</u></u>

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

**SEPARATE STATEMENT OF CHANGES IN EQUITY  
YEAR ENDED DECEMBER 31, 2018  
(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, 2017	238,146	8,002	118,488	228,772	593,408
Profit for the year	-	-	-	127,664	127,664
Other comprehensive income:					
Appreciation in fair value of investments, net of taxes	-	4,552	-	-	4,552
Remeasurement of employee benefits assets, net of taxes	-	-	-	(4,772)	(4,772)
Revaluation of land & building, net of taxes	-	-	25,149	-	25,149
Total comprehensive income for the year	-	4,552	25,149	122,892	152,593
Dividend (Note 3D)	-	-	-	(102,102)	(102,102)
Balance at December 31, 2017	238,146	12,554	143,637	249,562	643,899
Changes in accounting policy (Note 32)					
Net impairment of financial assets	-	-	-	(13,936)	(13,936)
Change in reclassification of investment impact	-	(622)	-	1,814	1,192
	-	(622)	-	(12,122)	(12,744)
Balances at January 1, 2018	238,146	11,932	143,637	237,440	631,155
Profit for the year	-	-	-	316,157	316,157
Other comprehensive income:					
Appreciation in fair value of investments, net of taxes	-	(3,671)	-	-	(3,671)
Remeasurement of employee benefits assets, net of taxes	-	-	-	(20,721)	(20,721)
Revaluation of land & building, net of taxes	-	-	32,785	-	32,785
Total comprehensive income for the year	-	(3,671)	32,785	295,436	324,550
Dividend (Note 3D)	-	-	-	(210,024)	(210,024)
Balance at December 31, 2018	238,146	8,261	176,422	322,852	745,681

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

**SEPARATE STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**

	Notes	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Profit for the year		316,157	127,664
Adjustments for:			
Depreciation of property and equipment	4	19,478	14,728
Amortisation of intangible assets	5	14,969	11,191
Loss on disposal of property and equipment		15	80
Net impairment on investments		298	-
Write-off of intangible asset	5	-	1,945
Net loss on investment through profit and loss	22(a)	999	-
Foreign exchange (gain)/loss		(2,315)	4,584
Post employment benefit expense	7(c)	4,093	1,047
Impairment loss on financial assets (reversed)/recognised	29(d)	(3,482)	4,324
Gain on sale of debt investments/(available-for-sale)			
financial assets	15	(642)	(1,165)
Income tax charge	24	43,003	24,184
Interest income	22(a)	(8,973)	(10,732)
Dividend income	20	(159,000)	(102,138)
Operating cash flows before movements in working capital		224,600	75,712
Increase in trade and other receivables		(64,645)	(11,110)
Increase in contract liabilities		12,406	-
Increase in trade and other payables		14,602	16,696
Post employment benefit contributions	7(c)	(7,688)	(6,692)
Cash provided by operations		179,275	74,606
Income tax paid		(9,344)	(51,780)
Cash provided by operating activities		169,931	22,826
<b>Cash flows from investing activities</b>			
Net acquisition of investments in securities		(31,874)	(21,540)
Proceeds from sale of investments in debts (2017: available-for-sale) financial assets		20,000	57,725
Government securities purchased under resale agreements		(874)	(10,935)
Receipts from/(Advances to) related parties		84,776	(1,523)
Acquisition of property and equipment	4	(121,746)	(54,047)
Acquisition of intangible assets	5	(4,486)	(27,648)
Long-term receivable		(3,448)	(41)
Dividend received		159,000	102,138
Interest received		10,022	10,632
Cash provided by investing activities		111,370	54,761
<b>Cash flows from financing activities</b>			
Dividend paid		(210,024)	(102,102)
Cash used in financing activities		(210,024)	(102,102)
Net increase/(decrease) in cash and cash equivalents		71,277	(24,515)
Cash and cash equivalents at the beginning of the year		10,293	35,509
Effect of foreign exchange rate changes		108	(701)
Cash and cash equivalents at the end of the year	13	81,678	10,293

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**

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**1. Identification and principal activities**

The Jamaica Stock Exchange Limited (the Company) is incorporated in Jamaica as a public limited liability company. The main activities of the Company are the regulation and operation of a stock exchange and the development of the stock market in Jamaica. The Company performs the twin role of regulating participants in the stock market, and operating an efficient platform on which that market trades. The Company is domiciled in Jamaica with registered office at 40 Harbour Street, Kingston, Jamaica and is listed on the Main Market of the Jamaica Stock Exchange.

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

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

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

**2. Statement of compliance and basis of preparation**

(a) Statement of compliance:

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

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

**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, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2018, the nature and the impact of each new standard or amendment is described below:

**IFRS 9 Financial Instruments**

IFRS 9, Financial Instruments, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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**2. Statement of compliance and basis of preparation**

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

**Standards and interpretations adopted during the year (continued)**

**IFRS 9 *Financial Instruments (continued)***

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement categories are significantly different. IFRS 9 replaces the 'incurred loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

At the date of transition, the Group is permitted to make a one-time irrevocable reassessment of its fair value through profit or loss designations for its financial assets and liabilities.

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

The Group has adopted the changes in accounting policies using the modified retrospective approach as at January 1, 2018, but with no restatement of comparative information for prior years. Consequently, the Group has recognized adjustments to the carrying amounts of financial assets between IAS 39 and IFRS 9 in the opening retained earnings or other components of equity. Refer to Note 3(h) and 32(b) for details.

**IFRS 15 *Revenue from Contracts with Customers***

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

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

An implementation team was established to assess the impact of the new standard on the Group. IFRS 15 has been implemented on January 1, 2018 and the modified retrospective transition method has been adopted. The Group performed an assessment of IFRS 15 and no material impact has been noted based on the five step model to be applied to all contracts with customers.

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**2. Statement of compliance and basis of preparation**

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

**IFRS 15 Revenue from Contracts with Customers (continued)**

Instances of variable consideration have been noted for some revenue streams. However, it is not expected that there will be any significant revenue reversal associated with these instances of variable consideration. Within the Group, there are instance of contract liabilities and unsatisfied performance obligations (Notes 32(a)). These unsatisfied performance obligations and other required disclosures have been reported in Note 32 (a).

**Amendment to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board has developed to replace IFRS 4 (see IFRS 17 below). The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments had no impact on the financial statements of 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 transactions therefore the amendments did not have an impact on its financial statements.

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

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments had no impact on the financial statements of the Group.

**IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognise the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This interpretation does not have any impact on the Group's financial statements.

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**2. Statement of compliance and basis of preparation**

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

**Standards and interpretations adopted during the year (continued)**

***Annual Improvements 2012-2014 Cycle (issued December 2016)***

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

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

**IAS 1 and IAS 8 - Definition of Material - Amendments to IAS 1 and IAS 8**

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2020 and are not expected to have any impact on the consolidated financial statements of the Group.

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

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

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

***Amendments to IAS 19: Plan Amendment, Curtailment or Settlement***

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments are not expected to have an impact on the financial statements. The directors and management have not yet assessed the impact of the application of this standard on the Group's financial statements.

***Amendments to IAS 28: Long-term interests in associates and joint ventures***

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on the Group's financial statements.

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

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

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

**Amendments to IFRS 9 - *Prepayment Features with Negative Compensation***

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

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

The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the remainder of IFRS 9. The amendments are effective for annual periods beginning on or after January 1, 2019. The directors and management have not yet assessed the impact of the application of this standard on the Group's financial statements.

**IFRS 3 Business Combination - Definition of a Business - Amendments to IFRS 3**

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 with earlier application permitted. The amendments are not expected to have any impact on the consolidated financial statements of the Group.

**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 but will not have an impact on the Group's financial statements.

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**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.

The directors and management of the Group expect that a right of use asset and lease obligation will be recognised on the statement of financial position for each operating lease. In addition, depreciation and interest expense will be recognised in the statement of comprehensive income. There will also be increased disclosures as required by IFRS 16. The directors and management have not yet completed the assessment of the impact of the application of the standard on the Group's financial statements.

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

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

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

***IFRS 17 Insurance Contracts***

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after January 1, 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group does not have insurance contracts therefore the amendments are not expected to have an impact on its financial statements.

***IFRIC Interpretation 23 Uncertainty over Income Tax Treatments***

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

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

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available. The directors and management have not yet assessed the impact of the application of this standard on the Group's financial statements.

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**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)**

***The Conceptual Framework for Financial Reporting***

Effective immediately for the IASB and the IFRS Interpretations Committee. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after January 1, 2020.

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 - The objective of financial reporting
- Chapter 2 - Qualitative characteristics of useful financial information
- Chapter 3 - Financial statements and the reporting entity
- Chapter 4 - The elements of financial statements
- Chapter 5 - Recognition and derecognition
- Chapter 6 - Measurement
- Chapter 7 - Presentation and disclosure
- Chapter 8 - Concepts of capital and capital maintenance

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**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)**

***Annual Improvements 2015-2017 Cycle (Issued in December 2017)***

These improvements include:

- **IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are not expected to have an impact on the Group's financial statements.

- **IFRS 11 Joint Arrangements**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are not expected to have an impact on the Group's financial statements.

- **IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The directors and management have not yet assessed the impact of the application of this amendment on the Group's financial statements.

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**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)**

***Annual Improvements 2015-2017 Cycle (issued in December 2017) (continued)***

• IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. The directors and management have not yet assessed the impact of the application of this amendment on the Group's financial statements.

(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 fair value through profit and loss and fair value through other comprehensive income 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.

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

(d) Basis of consolidation (Continued)

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.

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 IFRS 9 measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IFRS 9, it is measured at fair value at each reporting date and changes in fair value shall be recognised in the profit and loss. 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:

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

(e) Accounting estimates and judgements (Continued)

- Allowance for credit losses

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held, if any, or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the general approach for calculating the ECL considers changes to the borrower and credit risk related variables such as changes in the probability of default (PD) and loss given default (GD), exposure amounts, collateral values, migration of default probabilities and internal credit risk ratings and supportable forward, looking information, including macroeconomic factors. It is the Group's policy to measure ECLs on such financial instruments at FVOCI and amortised cost on a 12-month basis.

At year end the loss allowance provision recognised in respect of trade receivables of the Group amounted to \$37.84 million (2017: \$15.96 million) and for the Company \$7.75 million (2017: \$8.78 million) (Note 11).

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**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 \$160.28 million (2017: \$218.54 million) and the Company \$112.64 million (2017: \$143.64 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 \$3.21 million (2017: \$4.37 million), Company \$2.53 million (2017: \$2.87 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 \$89.81 million (2017: \$126.56 million) and Company \$63.57 million (2017: \$91.06 million). The defined benefits plan, is subject to estimates in respect of periodic costs which costs are dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan.

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

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

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

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

(e) Accounting estimates and judgements (Continued)

• Fair value of land and buildings

Included in the statement of financial position are land and buildings with a carrying value of \$388 million at fair value as determined by an external valuator less accumulated depreciation (Note 4).

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

• 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 on monetary items, are recognised in profit or loss in the period in which they arise. The gain or loss on the change in fair value is treated in line with the recognition of the gain or loss on change in fair value of the item; i.e. translation differences on items whose fair value gain or loss is recognized in OCI or profit and loss are also recognized in OCI or profit or loss respectively.

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**3. Significant accounting policies**

(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.

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).

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**3. Significant accounting policies (Continued)**

(c) Fair value measurement (Continued)

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.

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.

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**3. Significant accounting policies (Continued)**

(d) Property and equipment

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

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

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

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**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.

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**3. Significant accounting policies (Continued)**

(f) Impairment of tangible and intangible assets (Continued)

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

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

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

(g) Employee benefit costs

*Pension obligations*

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

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

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

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

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

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

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**3. Significant accounting policies (Continued)**

**(h) Financial assets and liabilities**

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

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

***Debt instruments***

From January 1, 2018 the initial recognition and subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost** - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

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**3. Significant accounting policies (Continued)**

(h) Financial assets and liabilities (continued)

(iii) **Measurement (Continued)**

*Debt instruments (Continued)*

- Fair Value through other comprehensive Income (FVOCI) - Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- Fair value through profit and loss (FVPL) - Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Prior to January 1, 2018, on initial recognition, financial assets and liabilities are measured at fair value plus or minus as applicable, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

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

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**3. Significant accounting policies (Continued)**

(h) Financial assets and liabilities (Continued)

(iv) **Classification**

From January 1, 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when its business model for managing those assets changes.

Prior to January 1, 2018, the Group classified its financial assets into the following categories: loans and receivables; and available-for-sale. Management determined the classification of its investments at initial recognition.

(1) **Loans and receivables**

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

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

(2) **Available-for-sale**

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

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**3. Significant accounting policies (Continued)**

(h) **Financial assets and liabilities (Continued)**

(v) **Identification and measurement of impairment**

From January 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 29(d) for further details.

Prior to January 1, 2018, at each financial year end, the Group assessed whether there was 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 are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**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 separate financial statements of the Company.

(k) Taxation

Income tax expense represents the sum of tax current and deferred tax.

(i) Current tax:

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

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

(k) Taxation (Continued)

(ii) Deferred tax

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

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

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

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

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

(iii) Current and deferred tax for the year

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

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

(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).

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

(l) Related party transactions and balances (Continued)

(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 and is recognized at a point in time. There are no expected significant revenue reversals associated with this revenue stream.

(ii) Fee income

Fee income derived from annual listing fees charged to listed companies is accounted for on the accruals basis and is recognized over time. 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. The annual listing fee is paid by entity listed on the stock exchange which gives them the privilege of their shares being traded on the exchange to provide them with capital.

Fee income of the subsidiaries include:

**Membership fees**

These are annual fees charged to the brokers and institutional investors who participate in the Jamaica Central Securities Depository (JCSD), and are accounted for on the accrual basis and is recognized over time.

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**3. Significant accounting policies (Continued)**

(m) Revenue recognition (Continued)

(ii) Fee income (continued)

**Account maintenance fees**

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

**User fees**

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

**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. Trustee services and company management are recognised over time. Retail repurchase fees are at a point in time. There are no expected significant revenue reversals associated with this revenue stream.

(iii) E-campus income

This represents revenue generated from JSE offering of post graduate certificate and diploma courses, to professionals and is accounted for on the accrual basis. The recognition pattern for E campus income includes income recognised at a point in time and also over time.

(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. The recognition pattern for this income stream is over time.

(v) Other operating income:

This includes income related to other services and events of the group such as website charges and 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.

(n) Contract liabilities:

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**YEAR ENDED DECEMBER 31, 2018**
**(Expressed in Jamaican Dollars)**
**4. Property 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
<b>Cost</b>								
January 1, 2017	80,000	115,898	13,363	60,108	49,762	3,678	12,707	335,514
Transfers	-	12,707	-	-	-	-	(12,707)	-
Additions	-	20,705	4,478	12,481	37,500	-	1,070	76,214
Disposals	-	-	(271)	(6,361)	(2,125)	-	-	(8,757)
Revaluation	15,000	10,692	-	-	-	-	-	25,692
December 31, 2017	95,000	160,000	17,570	66,208	85,137	3,678	1,070	428,663
Transfers	-	1,070	268	438	-	-	(1,070)	706
Additions	31,000	57,555	2,502	9,134	3,576	-	25,454	129,221
Disposals	-	-	(386)	(1,281)	(455)	-	-	(2,122)
Revaluation	2,800	40,975	-	-	-	-	-	43,775
December 31, 2018	128,800	259,600	19,954	74,499	88,258	3,678	25,454	600,243
<b>Depreciation</b>								
January 1, 2017	-	1,407	9,783	33,708	30,912	2,636	-	78,446
Charge for the year	-	3,125	733	8,882	7,151	736	-	20,607
Eliminated on disposals	-	-	(271)	(6,361)	(2,045)	-	-	(8,677)
Revaluation adjustment	-	(4,532)	-	-	-	-	-	(4,532)
December 31, 2017	-	-	10,245	36,209	36,018	3,371	-	85,843
Charge for year (Note 23)	-	4,003	1,124	11,040	12,476	307	-	28,950
Eliminated on disposals	-	-	(353)	(1,276)	(140)	-	-	(1,769)
Revaluation	-	(4,003)	-	-	-	-	-	(4,003)
December 31, 2018	-	-	11,016	45,973	48,354	3,678	-	109,021
<b>Carrying amounts</b>								
December 31, 2018	128,800	259,600	8,938	28,526	39,904	-	25,454	491,222
December 31, 2017	95,000	160,000	7,325	29,999	49,119	307	1,070	342,820

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**4. Property 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
<b>Cost</b>								
January 1, 2017	80,000	115,896	9,487	44,111	29,060	3,678	12,707	294,939
Transfers	-	12,707	-	-	-	-	(12,707)	-
Additions	-	20,705	3,152	10,043	19,077	-	1,070	54,047
Disposal	-	-	(271)	(6,361)	(2,125)	-	-	(8,757)
Revaluation	15,000	10,692	-	-	-	-	-	25,692
December 31, 2017	95,000	160,000	12,368	47,793	46,012	3,678	1,070	365,921
Transfers	-	1,070	288	438	-	-	(1,070)	706
Additions	31,000	57,565	2,230	3,108	2,399	-	25,454	121,746
Disposal	-	-	(365)	(649)	6	-	-	(1,008)
Revaluation	2,800	40,975	-	-	-	-	-	43,775
December 31, 2018	128,800	259,600	14,501	50,690	48,417	3,678	25,454	531,140
<b>Depreciation</b>								
January 1, 2017	-	1,407	7,160	25,141	18,545	2,636	-	54,889
Charge for year	-	3,125	475	6,451	3,941	736	-	14,728
Eliminated on disposals	-	-	(271)	(6,361)	(2,045)	-	-	(8,677)
Revaluation adjustment	-	(4,532)	-	-	-	-	-	(4,532)
December 31, 2017	-	-	7,364	25,231	20,441	3,372	-	56,408
Charge for year	-	4,003	811	7,755	6,603	306	-	19,478
Eliminated on disposals	-	-	(351)	(644)	2	-	-	(993)
Revaluation adjustment	-	(4,003)	-	-	-	-	-	(4,003)
December 31, 2018	-	-	7,824	32,342	27,046	3,678	-	70,890
<b>Carrying amounts</b>								
December 31, 2018	128,800	259,600	6,677	18,348	21,371	-	25,454	460,250
December 31, 2017	95,000	160,000	5,004	22,562	25,571	306	1,070	309,513

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**4. Property and equipment (Continued)**

The Group's policy is to record its land and building at fair value. Consequently freehold land and buildings are included at valuation based on fair market value (See Note 3(d)) as expressed by external professional valuers, Easton Douglas Consultants Limited on December 2018.

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

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

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Freehold land	35,997	4,997
Freehold buildings	137,362	78,738

The following useful lives are used in the calculation of depreciation of property 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.

	<b>The Group and the Company</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at January 1	143,637	118,488
Net gain arising on revaluation of land and buildings	47,778	30,224
Deferred tax adjustments on buildings	(14,993)	(5,075)
<b>Balance at December 31</b>	<b>176,422</b>	<b>143,637</b>

The Company made a deposit for a new property during 2018 totaling \$24.95 million and is recorded in work-in-progress in property and equipment. The title was transferred in January 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**5. Intangible assets**

	<b>The Group</b>			<b>The Company</b>		
	<b>Computer Software \$'000</b>	<b>Computer Software Development Project \$'000</b>	<b>Total \$'000</b>	<b>Computer Software \$'000</b>	<b>Computer Software Development Projects \$'000</b>	<b>Total \$'000</b>
<b>Cost</b>						
January 1, 2017	51,949	37,369	89,318	28,818	34,986	63,804
Transfers	25,502	(25,502)	-	23,119	(23,119)	-
Additions	19,793	9,852	29,645	17,796	9,852	27,648
Transfer to subsidiary	-	-	-	-	(11,867)	(11,867)
Disposals	(15,199)	-	(15,199)	(15,199)	-	(15,199)
Write-off	(6,088)	-	(6,088)	(3,044)	-	(3,044)
December 31, 2017	75,957	21,719	97,676	51,490	9,852	61,342
Transfers	4,592	(5,298)	(706)	4,592	(5,298)	(706)
Additions	3,751	7,299	11,050	2,996	1,490	4,486
Transfer to subsidiary	-	-	-	-	(4,554)	(4,554)
December 31, 2018	84,300	23,720	108,020	59,078	1,490	60,568
<b>Amortisation</b>						
January 1, 2017	37,602	-	37,602	23,216	-	23,216
Charge for the year	16,780	-	16,780	11,191	-	11,191
Disposals	(15,199)	-	(15,199)	(15,199)	-	(15,199)
Write-off	(1,759)	-	(1,759)	(1,099)	-	(1,099)
December 31, 2017	37,424	-	37,424	18,109	-	18,109
Charge for the year	21,434	-	21,434	14,969	-	14,969
December 31, 2018	58,858	-	58,858	33,078	-	33,078
<b>Carrying amounts</b>						
December 31, 2018	25,442	23,720	49,162	26,000	1,490	27,490
December 31, 2017	38,533	21,719	60,252	33,381	9,852	43,233

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

During 2017, the Group and the Company wrote off amounts, totaling \$4.33 million and \$1.95 million, respectively, carried as computer software no longer being used. During 2018, computer software amounting to \$4.55 million and (2017: \$11.87 million) was also transferred at cost to a subsidiary.

**6. Investment in subsidiary**

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Shares at cost in Jamaica Central Securities Depository Limited	61,000	61,000

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**

**7. Employee benefits**

The Group operates a defined benefit pension plan for its employees. The plan is open to all permanent employees and is administered by Victoria Mutual Pensions 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, 2018, 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**

	<b>2018</b>	<b>2017</b>
Discount rate	7.0%	8.0%
Expected rate of future salary increases	4.0%	6.0%
Future pension increases	0.0%	0.0%
Administrative expenses	1.5%	1.5%

The weighted average duration of the defined benefit obligation as at December 31, 2018 is 18.2 years (2017: 18.1 years)

**Mortality**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**7. Employee benefits (Continued)**

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Fair value of plan assets	525,156	465,035	371,707	334,577
Present value of defined benefit obligations	(435,344)	(338,474)	(308,137)	(243,520)
Net asset in the statement of financial position	<u>89,812</u>	<u>126,561</u>	<u>63,570</u>	<u>91,057</u>

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Items in profit or loss				
Current service costs	13,995	13,129	10,635	8,671
Interest costs	29,220	25,477	20,490	17,633
Return on plan assets	(38,401)	(36,335)	(27,032)	(25,257)
Net expense for year recognised in profit or loss	<u>4,814</u>	<u>2,271</u>	<u>4,093</u>	<u>1,047</u>
Items in Other Comprehensive Income (OCI):				
Re-measurements loss on obligation for OCI	36,162	31,151	34,528	31,586
Re-measurements loss (gain) on assets for OCI	8,240	(16,721)	(3,446)	(24,428)
Total re-measurements for OCI	<u>44,402</u>	<u>14,430</u>	<u>31,082</u>	<u>7,158</u>
	<u>49,216</u>	<u>16,701</u>	<u>35,175</u>	<u>8,205</u>

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net asset at start of year	126,561	132,455	91,057	92,570
Net (loss)/income from profit or loss and OCI	(49,216)	(16,701)	(35,175)	(8,205)
Contributions by Company	<u>12,467</u>	<u>10,807</u>	<u>7,688</u>	<u>6,692</u>
Net asset at end of year	<u>89,812</u>	<u>126,561</u>	<u>63,570</u>	<u>91,057</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**7. Employee benefits (Continued)**

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening defined benefit obligations	338,474	262,999	243,520	183,804
Service cost	23,439	21,314	16,459	13,741
Interest cost	29,220	25,477	20,490	17,633
Members' contributions	7,856	6,962	5,006	4,298
Benefits paid/Deferred benefits (net)	193	(9,429)	(11,866)	(7,542)
Re-measurement loss	36,162	31,151	34,528	31,586
Closing defined benefit obligations	<u>435,344</u>	<u>338,474</u>	<u>308,137</u>	<u>243,520</u>

(f) Changes in fair value of plan assets:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening fair value of plan assets	465,035	395,454	334,577	276,374
Members' contributions	17,300	15,147	10,830	9,368
Employer's contributions	12,467	10,807	7,688	6,692
Interest income on plan assets	38,401	36,335	27,032	25,257
Benefits paid/Deferred benefits (net)	193	(9,429)	(11,866)	(7,542)
Re-measurement gain on asset for OCI	(8,240)	16,721	3,446	24,428
Closing fair value of plan assets	<u>525,156</u>	<u>465,035</u>	<u>371,707</u>	<u>334,577</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**7. Employee benefits (Continued)**

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

	The Group		The Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Corporate bonds	158,398	49,608	112,114	35,691
Equity investments	230,994	170,466	163,498	122,644
Foreign currency bonds	-	75,371	-	54,227
Government of Jamaica securities	48,859	70,913	34,582	51,019
Real estate	-	27,000	-	19,426
Repurchase agreements	3,216	14,221	2,276	10,232
Unit trust	7,415	5,688	5,248	4,092
Certificate of deposit	33,526	-	23,730	-
VMWM Deferred Shares	18,450	-	11,843	-
Others	26,298	51,768	18,616	37,246
<b>Fair value of plan assets</b>	<b>525,156</b>	<b>465,035</b>	<b>371,707</b>	<b>334,577</b>

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

	The Group Defined Benefit Pension Plan	
	2018 \$'000	2017 \$'000
Present value of defined benefit obligation	(435,344)	(338,474)
Fair value of plan assets	525,156	465,035
<b>Surplus in the plan</b>	<b>89,812</b>	<b>126,561</b>
Experience adjustments on plan liabilities	36,162	31,151
Experience adjustments on plan assets	8,240	(16,721)

	The Company Defined Benefit Pension Plan	
	2018 \$'000	2017 \$'000
Present value of defined benefit obligation	(308,137)	(243,520)
Fair value of plan assets	371,707	334,577
<b>Surplus in the plan</b>	<b>63,570</b>	<b>91,057</b>
Re-measurement loss on obligation for OCI	34,528	31,586
Re-measurement gain/(loss) on obligation for OCI	(3,446)	(24,428)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
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**7. Employee benefits (Continued)**

## (i) Sensitivity analyses

## 1. Discount rate

	2018			
	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	470,045	(404,907)	331,326	(287,697)

	2017			
	Group		Company	
	1% decrease in Discount rate Assumption \$'000	1% Increase in Discount rate Assumption \$'000	1% decrease in Discount rate Assumption \$'000	1% Increase in Discount rate Assumption \$'000
Defined benefit obligation	391,937	(300,519)	279,673	(217,982)

## 2. Salary Assumption

	2018			
	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	(422,483)	449,203	(299,780)	317,068

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

## (i) Sensitivity analyses (Continued)

## 2. Salary Assumption (Continued)

	2017			
	Group		Company	
	1% decrease in Salary Assumption \$'000	1% increase in Salary Assumption \$'000	1% decrease in Salary Assumption \$'000	1% increase in Salary Assumption \$'000
Defined benefit obligation	(318,956)	360,479	(230,125)	258,390

## 3. Actuarial losses on defined benefit obligation arising from:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Financial assumptions	(8,267)	(20,166)	(6,802)	(13,366)
Experience adjustments	(27,895)	(10,985)	(27,726)	(18,220)
Total actuarial losses	(36,162)	(31,151)	(34,528)	(31,586)

The Group and the Company expect to make contributions of \$18.70 million and \$9.30 million, respectively, (2017: \$15.70 million and \$7.35 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**8. Investment in securities**

## (a) Non-current:

	The Group		The Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Investment in securities at FVOCI (2017: available-for-sale):				
National Commercial Bank: Fixed Rate (FR) 8.5% Note 2020	-	42,216	-	21,108
Fixed rates notes 2019 8.5% (2016: 2019, 8.5%)	-	9,797	-	9,797
Variable Rates Notes 2.0% (2020 – 2023) 5.23% (2017: 2020-2023 6.11%-6.24%)	18,359	18,496	4,415	4,447
Government of Belize 5% guaranteed mortgage notes 2038 (nominal value US\$53,600)	-	3,632	-	3,632
GOJ US\$ 8% Global Bond 2039 (nominal value US\$540,000)	92,022	97,575	92,022	97,575
GOJ US\$ 8% Global Bond 2039 (nominal value US\$190,000)	31,475	33,333	-	-
	<u>141,856</u>	<u>205,049</u>	<u>96,437</u>	<u>136,559</u>

Included in the investment balances above is interest receivable in the amount of \$2.23 million for the Group and \$1.64 million for the Company (2017: \$3.51 million for the Group and \$2.60 million for the Company).

## (b) Current:

	The Group		The Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Investment in securities at FVOCI (2017: available-for-sale):				
GOJ FR 8.5% Benchmark Investments 2018	-	4,245	-	-
GOJ FR 8.5% Benchmark Investments 2019	9,767	-	9,767	-
	9,767	4,245	9,767	-
Investment in securities at FVPI (2017: available-for-sale):				
Investment in Unit Trust	8,655	9,251	6,435	7,082
	<u>18,422</u>	<u>13,496</u>	<u>16,202</u>	<u>7,082</u>

Included in the investment balances above is interest receivable in the amount of \$0.37 million for the Group and Company (2017: \$0.05 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**8. Investment in securities (Continued)**

(c) Movement in investment in securities:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
The movement for the year in debt instrument/(2017: available-for-sale financial assets) is as follows:				
Balance at January 1	218,545	261,774	143,641	175,616
Additions	-	40,000	-	20,000
Foreign exchange loss	(5,846)	(3,399)	(1,643)	(2,243)
Movement in financial assets at FVOCI	(892)	-	(875)	-
Fair value gains/losses through profit & loss	(1,443)	-	(1,543)	-
Movement in fair value of debt instrument/(2017: available for sale) financial assets	(5,886)	9,905	(6,941)	6,828
Disposal of investments	(44,200)	(89,735)	(20,000)	(56,560)
<b>Balance at December 31</b>	<b>160,278</b>	<b>218,545</b>	<b>112,639</b>	<b>143,641</b>

**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 \$7.24 million (2017: \$8.49 million) for the Group and \$4.34 million (2017: \$6.90 million) for the Company included in other receivables (Note 11).

**10. Related party transactions/balances**

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Subsidiary				
Jamaica Central Securities Depository Limited				
Rental income			2,163	1,966
Professional fees	-	-	1,058	789
Related party				
JSE Compensation Fund				
Administrative fee	30,915	28,389	30,915	28,270

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**10. Related party transactions/balances (Continued)**
**(b) Amount due from/(to) related parties**

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Jamaica Central Securities Depository Limited	-	-	(79,584)	19,475
	<u>-</u>	<u>-</u>	<u>(79,584)</u>	<u>19,475</u>
Amount owed to related party:				
JCSD Trustee Services Limited	-	-	-	(10,844)
JSE Compensation Fund	2,684	(755)	2,684	(755)
	<u>2,684</u>	<u>(755)</u>	<u>2,684</u>	<u>(11,599)</u>

**(c) Dividend received during the year**

During the year, dividend of \$159 million (2017: \$102 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:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Short-term benefits	66,502	46,329	33,324	27,128
Post employment benefits	3,393	2,784	1,630	1,635
	<u>69,895</u>	<u>49,113</u>	<u>34,954</u>	<u>28,763</u>

**(e) Loans to related parties**

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Loans to key management personnel	2,707	2,248	2,160	2,033
	<u>2,707</u>	<u>2,248</u>	<u>2,160</u>	<u>2,033</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**11. Trade and other receivables**

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cess receivable	99,651	30,227	86,690	26,448
Fees receivable	93,336	68,814	-	-
E-campus	5,765	7,720	5,765	7,720
Registrar service fee	25,093	18,085	-	-
Other	31,606	35,631	26,791	29,504
	<u>255,451</u>	<u>160,477</u>	<u>119,246</u>	<u>63,672</u>
Less: Loss allowance (Note 29(d))	(37,836)	(15,961)	(7,749)	(8,775)
	<u>217,615</u>	<u>144,516</u>	<u>111,497</u>	<u>54,897</u>
Prepayments	30,158	25,917	17,320	5,793
	<u>247,773</u>	<u>170,433</u>	<u>128,817</u>	<u>60,690</u>

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.

**12. Government securities purchased under resale agreement**

The Group entered into repurchase agreements collateralised by the Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparties of these transactions are unable to fulfill their contractual obligations. Included in this balance is foreign currency denominated amount of US\$0.283 million for the Group and US\$0.09 million for the Company respectively (2017: US\$0.17 million for the Group and US\$0.09 million for the Company respectively) and interest receivable of \$0.034 million for the Group and \$0.014 million for the Company (2017: \$0.001 million for the Group and \$0.001 million for the Company). The fair value of collateral pursuant to repurchase agreements is \$214.39 million for the Group and \$38.92 million for the Company (2017: \$166.90 million for the Group and \$38.04 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:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash on hand and in banks	240,943	143,164	81,678	10,293

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**14. Share capital**

	2018 \$'000	2017 \$'000
Authorised:		
2,400,000,000 ordinary shares of no par value (2017: 2,400,000,000)		
100,000,000 preference shares of no par value (2017: 100,000,000)		
Issued capital:		
701,250,000 ordinary stocks of no par value (2017: 701,250,000)		
Nil preference shares of no par value		
Issued capital:		
At January 1 and December 31 - ordinary stocks	<u>238,146</u>	<u>238,146</u>

**15. Fair value reserve**

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

	<b>The Group</b>		<b>The Company</b>	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at January 1	17,487	10,883	12,554	8,002
Adoption adjustment re IFRS 9 (Note 32)	(278)	-	(622)	-
Net gain/(loss) arising on revaluation of FVOCI (2017: available-for-sale financial assets)	(7,962)	11,070	(4,485)	7,993
Net gain reclassified to profit on sale of investment	(642)	(1,165)	(642)	(1,165)
Deferred tax adjustments on FVOCI (2017: available-for-sale) financial assets (Note 18)	2,765	(3,301)	1,709	(2,276)
Net impairment investments	(305)	-	(253)	-
	<u>(6,144)</u>	<u>6,604</u>	<u>(3,671)</u>	<u>4,552</u>
Balance at December 31	11,065	17,487	8,261	12,554

The fair value reserve represents the cumulative gains and losses arising on the revaluation of FVOCI (2017: available-for-sale) financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**16. Revenue reserve – Non Distributable**

In order to provide custody services 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:

	2018 \$'000	2017 \$'000
Parent company	322,852	249,562
Subsidiaries	328,515	251,581
	<u>651,367</u>	<u>501,143</u>

**18. Deferred tax**

	<u>The Group</u>		<u>The Company</u>	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Deferred tax assets	2,879	1,773	2,024	1,151
Deferred tax liabilities	(57,037)	(82,280)	(45,184)	(69,098)
Net position at the end of the year	<u>(54,158)</u>	<u>(80,507)</u>	<u>(43,160)</u>	<u>(67,947)</u>

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

	<u>The Group</u>		<u>The Company</u>	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At January 1	(80,507)	(76,875)	(67,947)	(58,215)
Adjustment re adoption of IFRS 9	694	-	605	-
Credited/(Charged) to income for the year (Note 24)	23,082	(66)	27,105	(4,767)
Charged to equity	(192)	(265)	(4,632)	(2,689)
Credited/(Charged) to fair value reserve for the year (Note 15)	2,765	(3,301)	1,709	(2,276)
At December 31	<u>(54,158)</u>	<u>(80,507)</u>	<u>(43,160)</u>	<u>(67,947)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**18. Deferred tax (Continued)**

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

**Deferred tax assets**

	<b>The Group</b>	
	<b>Accrued Vacation \$'000</b>	<b>Total \$'000</b>
At January 1, 2017	2,501	2,501
Charged to income for the year	(728)	(728)
At December 31, 2017	1,773	1,773
Credited to income for the year	1,106	1,106
At December 31, 2018	<u>2,879</u>	<u>2,879</u>

	<b>The Company</b>	
	<b>Accrued Vacation \$'000</b>	<b>Total \$'000</b>
At January 1, 2017	1,818	1,818
Charged to income for the year	(667)	(667)
At December 31, 2017	1,151	1,151
Credited to income for the year	873	873
At December 31, 2018	<u>2,024</u>	<u>2,024</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**18. Deferred tax (Continued)**

	<b>The Group</b>					
	<b>Capital Allowance in excess of Depreciation \$'000</b>	<b>Interest receivable \$'000</b>	<b>Unrealised gains in Investment in securities \$'000</b>	<b>Retirement Benefit Asset \$'000</b>	<b>Property Revaluation Reserve \$'000</b>	<b>Total \$'000</b>
January 1, 2017	(5,272)	(1,831)	(6,379)	(11,152)	(21,742)	(79,376)
Credited/(Charged) to income for the year	3,199	309	-	(2,846)	-	662
Credited/(Charged) to equity for the year	-	-	-	4,810	(5,075)	(265)
Charged to fair value reserve (Note 15)	-	-	(3,301)	-	-	(3,301)
At December 31, 2017	(2,073)	(1,522)	(9,680)	(42,188)	(26,817)	(82,280)
Adoption re adjustment IFRS 9	-	-	694	-	-	694
Credited/(Charged) to income for the year	23,988	539	-	(2,551)	-	21,976
Credited/(Charged) to equity for the year	-	-	-	14,801	(14,993)	(192)
Credited to fair value reserve (Note 15)	-	-	2,765	-	-	2,765
December 31, 2018	21,915	(983)	(6,221)	(29,938)	(41,810)	(57,037)

	<b>The Company</b>					
	<b>Capital Allowance in excess of Depreciation \$'000</b>	<b>Interest receivable \$'000</b>	<b>Unrealised gains in investment in securities \$'000</b>	<b>Retirement Benefit Asset \$'000</b>	<b>Property Revaluation Surplus \$'000</b>	<b>Total \$'000</b>
January 1, 2017	(1,491)	(1,006)	(4,937)	(30,857)	(21,742)	(60,033)
Charged to income for the year	(2,185)	(33)	-	(1,882)	-	(4,100)
Credited/(Charged) to equity for the year	-	-	-	2,386	(5,075)	(2,689)
Charged to fair value reserve (Note 15)	-	-	(2,276)	-	-	(2,276)
At December 31, 2017	(3,676)	(1,039)	(7,213)	(30,353)	(26,817)	(69,098)
Adoption re adjustment of IFRS 9	-	-	605	-	-	605
Credited/(Charged) to income for the year	27,081	350	-	(1,199)	-	26,232
Credited/(Charged) to equity for the year	-	-	-	10,361	(14,993)	(4,632)
Credited to fair value reserve (Note 15)	-	-	1,709	-	-	1,709
December 31, 2018	23,405	(689)	(4,899)	(21,191)	(41,810)	(45,184)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**19. Payables and accruals**

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Payables and accruals	<u>259,540</u>	<u>224,936</u>	<u>80,697</u>	<u>95,299</u>

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**

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Regional conference	19,406	20,792	19,406	20,792
Administrative fee	30,914	29,406	30,914	29,406
Other	<u>22,606</u>	<u>27,692</u>	<u>180,934</u>	<u>127,148</u>
	<u>72,926</u>	<u>77,890</u>	<u>231,254</u>	<u>177,346</u>

Included in other income of the Company is an amount of \$159 million (2017: \$102 million) representing dividend income received from its subsidiary during the year.

**21. Staff costs**

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Salaries and other employee benefits	323,107	264,546	179,312	148,112
Statutory contributions	25,144	22,668	12,731	12,646
Charge on pension plan (Note 7(c))	<u>4,814</u>	<u>2,271</u>	<u>4,093</u>	<u>1,047</u>
	<u>353,065</u>	<u>289,485</u>	<u>196,136</u>	<u>161,805</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**22. Investment income**

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
(a) Investment income includes:				
Interest income	16,174	21,119	8,973	10,732
Foreign exchange (loss)/gain	3,786	(5,919)	2,203	(3,883)
Gain on sale of available-for-sale investments	-	1,119	-	1,165
Net impairment loss on investments reversed(recognized)	32	-	(298)	-
Fair value loss through profit and loss	(899)	-	(999)	-
	<b>19,093</b>	<b>16,319</b>	<b>9,879</b>	<b>8,014</b>
(b) Investment income earned, analysed by category of financial asset is as follows:				
Receivables at amortised cost (2017; Loans and receivables)	7,761	4,565	2,307	652
Debt Instruments at FVOCI (2017; Available-for-sale)	11,332	11,754	7,572	7,362
	<b>19,093</b>	<b>16,319</b>	<b>9,879</b>	<b>8,014</b>
(c) Other losses:				
	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Disposal of property equipment	145	80	15	80

**23. Profit before taxation**

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Income:				
Interest	16,174	21,119	8,973	10,732
Expenses:				
Directors' fees	12,626	12,432	10,030	9,960
Management	23,784	14,826	21,624	13,344
Audit fees	4,646	4,426	2,801	2,668
Depreciation of property and equipment	28,950	20,607	19,478	14,728
Amortisation of intangible assets	21,434	16,780	14,969	11,191

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

Recognised in profit or loss

(i) The charge for the year represents

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current tax	202,521	117,318	70,108	19,417
Deferred tax (Note 18)	(23,082)	66	(27,105)	4,767
	<u>179,439</u>	<u>117,384</u>	<u>43,003</u>	<u>24,184</u>

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit before tax	<u>592,502</u>	<u>338,052</u>	<u>359,160</u>	<u>151,848</u>
Tax at the domestic income tax rate of 33 1/3%	197,501	112,684	119,720	50,615
Tax effect of items that are not deductible in determining taxable profits	18,851	8,197	690	674
Effect of income not taxable	-	-	(53,000)	(34,046)
Other	(36,913)	(3,497)	(24,407)	6,940
	<u>179,439</u>	<u>117,384</u>	<u>43,003</u>	<u>24,184</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**25. Profit of the group for the year**

Reflected in the financial statements of the:

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Parent company	316,157	127,664
Subsidiaries	255,906	195,142
Less Dividend paid to parent company	<u>(159,000)</u>	<u>(102,138)</u>
	<u>413,063</u>	<u>220,668</u>

**26. Earnings per stock unit**

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

	<b>The Group</b>	
	<b>2018</b>	<b>2017</b>
Profit (\$'000)	413,063	220,668
Weighted average number of ordinary stock units	<u>701,250,000</u>	<u>701,250,000</u>
Basic earnings per stock unit	<u>\$0.59</u>	<u>\$0.31</u>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**27. Segment reporting (Continued)**

The Group's operations are located solely in Jamaica.

	2018					
	Exchange operations \$'000	JCSD Services \$'000	Investment other \$'000	Trustees Services \$'000	Eliminations \$'000	Group \$'000
Over time	159,215	27,765	-	125,356	-	312,336
Point in time	678,570	390,531	18,944	264,754	(255,492)	1,097,605
Revenue - external	837,785	418,296	18,944	390,110	(255,343)	1,409,941
Segment result/ Profit before taxation	359,160	223,192	18,944	243,150	(251,944)	592,502
Taxation						(179,439)
Profit for the year						413,063
Other information Depreciation and amortisation	34,447	9,237	-	6,700	-	50,384
Assets Segment assets	967,419	395,975	-	278,141	(149,707)	1,511,820
Liabilities Segment liabilities	238,161	187,452	-	44,347	(87,075)	382,885
Capital expenditure	122,452	6,592	-	883	-	129,927

	2017					
	Exchange operations \$'000	JCSD Services \$'000	Investment other \$'000	Trustees Services \$'000	Eliminations \$'000	Group \$'000
Over time	84,148	13,150	-	95,084	-	192,382
Point in time	458,480	349,825	16,319	196,705	(206,242)	815,087
Revenue – external	542,628	362,975	16,319	291,789	(206,242)	1,007,469
Segment result/ Profit before taxation	143,834	212,612	16,319	169,564	(204,277)	338,052
Taxation						(117,384)
Profit for the year						220,668
Other information Depreciation and amortisation	25,919	7,088	-	4,380	-	37,387
Assets Segment assets	818,744	364,332	-	230,440	(158,538)	1,254,978
Liabilities Segment liabilities	174,845	150,874	-	76,386	(95,907)	306,198
Capital expenditure	54,047	11,662	-	10,505	-	76,214

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**28. Commitments**

Capital commitments:

Capital commitments which were authorized and contracted for as at December 31, 2018, amounted to \$65.20 million for the Group and Company in relation to a website development project and trading platform (2017: \$9.15 million for the Group and Company – in relation to a website development project).

**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 2017.

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 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 credit risk (See Notes 29(c) and (d)). The Group manages its risk through extensive research and monitors the risk exposures on the local and international markets.

There has been no change to the manner in which the Group manages and measures this risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**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:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Investment in securities	129,932	133,988	98,457	101,207
Government securities purchased under resale agreement	35,565	20,799	11,282	10,928
Cash and cash equivalents	<u>146,904</u>	<u>103,514</u>	<u>76,599</u>	<u>2,630</u>
	<u>312,401</u>	<u>258,301</u>	<u>186,338</u>	<u>114,763</u>

**Sensitivity analysis**

The Group's investment portfolio is exposed to the United States dollar. The Group's sensitivity to a 2% increase or 4% decrease in the Jamaican dollar against the United States dollar is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity of the 2% (2017: 2%) increase or 4% (2017: 4%) decrease in the Jamaican dollar against the United States dollar exposure would be a decrease in profit of the Group by J\$6.25 million (2017: \$5.17 million) million or J\$12.50 million (2016: J\$10.33 million) increase; Company J\$3.73 million (2017: J\$2.30 million) decrease or J\$7.45 million (2017: J\$4.29 million) increase. The Group's sensitivity to foreign currency has not changed significantly during the current year.

The analysis is done on the same basis as 2017 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 (2017: 100) basis points increase or 100 (2017: 100) basis points decrease for local currency and 100 (2017: 100) basis points increase or 50 (2017: 50) basis points decrease for United States currency represents management's assessment of the reasonable possible change in interest rates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**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:

	<b>The Group</b>		<b>The Company</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Effect on profit increase 100 (2017: 100) basis points (J\$)	548	1,821	410	602
Effect on profit decrease 100 (2017: 100) basis points (J\$)	(548)	(1,821)	(410)	(602)
Effect on profit increase 100 (2017: 100) basis points (US\$)	1,209	1,370	900	943
Effect on profit decrease 100 (2017: 50) basis points (US\$)	(1,209)	(685)	(900)	(472)

The Group's and the Company's sensitivity to interest rates has increased during the current year as the Group had an increase in the number of variable rate financial instruments.

**(d) Credit risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is guided by the investment policies and procedures of the Stock Exchange. In relation to bank accounts and investment securities, the Group, as a policy, deals only with credit worthy counterparties, to minimise credit risk exposures. In addition, limits are assigned to various counterparties by the Group.

Trade receivables consist of broker members of the Group and accordingly mitigates against credit risk in relation to such receivables. In the case of other receivables, ongoing credit evaluation is performed on the financial condition of those receivables.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**29. Financial instruments (Continued)**
**(d) Credit risk management (Continued)**

	The Group		The Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Financial assets				
Debt investment/(2017: available-for-sale)financial assets	160,278	218,545	112,639	143,641
Long-term receivables	15,563	11,155	10,375	6,926
Trade and other receivables	217,615	144,516	111,497	54,897
Due from related parties	2,684	-	2,684	19,475
Government securities purchased under resale agreements	214,390	166,889	38,916	38,042
Cash and bank balances	240,943	143,164	81,678	10,293
	<u>851,773</u>	<u>684,269</u>	<u>357,789</u>	<u>273,271</u>

**Impairment of financial assets**

The group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables
- debt investments carried at amortised cost, and
- debt investments carried at FVOCI.

While cash and cash equivalents, due from related parties and long-term receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

*Trade receivables*

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected credit loss rates are based on the payment profiles of sales over the period of 36 months before December 31, 2018 or January 1, 2018 respectively and the corresponding historical credit losses experienced within this period. The historical rates are adjusted to reflect current and forward-looking information on the macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified Jamaica's GDP and the unemployment rate to be the most relevant factors and accordingly adjusts the historical loss rates based on the expected changes in these factors.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**29. Financial instruments (Continued)**
**(d) Credit risk management (Continued)**

On this basis, the loss allowance as at December 31, 2018 and January 1, 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

	The Group		The Company	
	Average Expected Credit Loss Rate	Adjusted Gross Carrying Amount \$'000	Average Expected Credit Loss Rate	Adjusted Gross Carrying Amount \$'000
<b>December 31, 2018</b>				
Current	0.04	103,974	0.05	33,629
30 - 60 days past due	0.03	27,568	0.04	12,737
61 - 90 days past due	0.09	11,138	0.14	1,364
91 – 180 days past due	0.14	12,642	0.39	728
More than 180 days past due	1.00	30,059	1.00	5,083
<b>Total</b>		<b>185,381</b>		<b>53,541</b>
<b>Loss allowance (Note 11)</b>		<b>37,836</b>		<b>7,749</b>
	The Group	The Company	The Group	The Company
	Average Expected Credit Loss Rate	Adjusted Gross Carrying Amount \$'000	Average Expected Credit Loss Rate	Adjusted Gross Carrying Amount \$'000
<b>January 1, 2018</b>				
Current	0.06	93,469	0.04	35,356
30 - 60 days past due	0.05	19,632	0.04	4,233
61 - 90 days past due	0.12	7,203	0.12	1,049
91 – 180 days past due	0.22	11,548	0.30	962
More than 180 days past due	1.05	28,020	1.09	13,373
<b>Total</b>		<b>159,872</b>		<b>54,973</b>
<b>Loss allowance</b>		<b>34,177</b>		<b>16,569</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**29. Financial instruments (Continued)**
**(d) Credit risk management (Continued)**

The closing loss allowances for trade receivables as at December 31, 2018 reconcile to the opening loss allowance as follows:

	<b>The Group</b>	<b>The Company</b>
	<b>2018</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>December 31– calculated under IAS 39</b>	15,961	8,775
Amounts restated through opening retained earnings	<u>18,216</u>	<u>7,793</u>
Opening loss allowance as at January 1, 2018 – calculated under IFRS 9	34,177	16,568
Increase/(Decrease) in loan loss allowance recognised in income statement	15,599	(3,482)
Receivables written off during the year as uncollectible	<u>(11,940)</u>	<u>(5,337)</u>
<b>At December 31 (Note 11)</b>	<u><u>37,836</u></u>	<u><u>7,749</u></u>

On the adoption of IFRS 9, the Group recognised additional impairment on the Group's and Company's trade receivables at amortised cost of \$18.22 million and \$7.79 million, respectively.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**29. Financial instruments (Continued)**
**(d) Credit risk management (Continued)**
*Debt Investments*

The following table summarises the credit exposure of the group and company to businesses and government by sectors in respect of debt investments:

	The Group		The Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Government of Jamaica	151,623	167,078	106,204	136,559
Corporate	223,045	218,356	45,351	45,124
	<u>374,668</u>	<u>385,434</u>	<u>151,555</u>	<u>181,683</u>

All of the entity's debt investments at amortised cost and FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. The Group recognises the expected credit losses on these debt instruments in the net impairment losses in the statement of profit and loss and other comprehensive income. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

**(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.

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**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
<b>2018</b>							
<b>Financial assets</b>							
Non-interest bearing		83,995	276,238	-	-	-	360,233
Interest bearing	5.05	76,800	363	5,323	10,390	-	92,876
Variable interest rate							
Instruments	2.0	67,859	44,513	54,261	46,563	-	213,196
Fixed interest rate							
Instruments	4.19	27,648	6,831	24,709	57,442	208,005	324,635
		256,302	327,945	04,293	114,395	208,005	990,940
<b>Financial liabilities</b>							
Non-interest bearing		231,533	20,488	-	-	-	252,021

	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
<b>2017</b>							
<b>Financial assets</b>							
Non-interest bearing		104,930	175,859	-	-	-	280,789
Interest bearing	6.17	115,021	23,343	8,460	9,646	-	156,470
Variable interest rate							
Instruments	5.23	28	43,883	62,746	38,066	-	144,723
Fixed interest rate							
Instruments	5.38	26,694	4,791	17,649	95,814	248,816	393,764
		246,673	247,676	88,655	143,526	248,816	975,746
<b>Financial liabilities</b>							
Non-interest bearing		80,697	12,406	-	-	-	93,103

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**29. Financial instruments (Continued)**
**(e) Liquidity risk management (Continued)**

<b>The Company</b>							
	<b>Weighted Average effective Interest rate %</b>	<b>Less than 1 month \$'000</b>	<b>1 to 3 months \$'000</b>	<b>3 months to 1 year \$'000</b>	<b>1 to 5 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Total \$'000</b>
<b>2018</b>							
<b>Financial assets</b>							
Non-interest bearing		11,462	127,952	-	-	-	139,414
Interest bearing	5.05	76,800	363	5,323	10,390	-	92,876
Variable interest rate instruments	1.96	1	-	84	4,461	-	4,546
Fixed interest rate instruments	4.36	27,648	4,611	22,554	25,217	174,734	254,764
		115,911	132,926	27,961	40,068	174,734	491,600
<b>Financial liabilities</b>							
Non-interest bearing		56,231	12,406	-	-	-	70,637
<b>The Company</b>							
	<b>Weighted Average effective Interest rate %</b>	<b>Less than 1 month \$'000</b>	<b>1 to 3 months \$'000</b>	<b>3 months to 1 year \$'000</b>	<b>1 to 5 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Total \$'000</b>
<b>2017</b>							
<b>Financial assets</b>							
Non-interest bearing		14,745	75,244	-	-	-	89,989
Interest bearing	5.5	2,765	315	6,694	6,926	-	16,700
Variable interest rate instruments	5.23	-	-	255	4,802	-	5,057
Fixed interest rate instruments	5.38	26,694	4,791	15,519	58,135	189,787	294,926
		44,204	80,360	22,468	69,863	189,787	406,672
<b>Financial liabilities</b>							
Non-interest bearing		75,425	11,599	-	-	-	87,024

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**29. Financial instruments (Continued)**
**(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 debt instrument at FVOCI 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 FVOCI and amortised cost.

**(g) Fair value measurement recognised in the consolidated 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.

	<b>The Group 2018</b>			
	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
Financial instruments at fair value through other comprehensive income				
Debt securities	-	160,278	-	160,278
	<b>The Group 2017</b>			
	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
Available-for-sale financial instruments				
Debt securities	-	218,545	-	218,545

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**29. Financial instruments (Continued)**
**(g) Fair value measurement recognised in the statement of financial position (Continued)**

	<b>The Company 2018</b>			
	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
Financial instruments at fair value through other comprehensive income				
Debt securities	-	112,639	-	112,639

	<b>The Company 2017</b>			
	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
Available-for-sale financial instruments				
Debt securities	-	143,641	-	143,641

**30. Dividends**

During the year ended December 31, 2018, two dividend payments were declared by the Board of Directors.

- On April 20, 2018 a dividend of \$0.14 per ordinary share was paid to shareholders. The total dividend paid was \$95.01 million. (2017: On May 31, 2017 a dividend of \$0.04 per ordinary share was paid to shareholders. The total dividend paid was \$25 million.)
- On August 20, 2018 a dividend of \$0.16 per ordinary share was paid to shareholders. The total dividend paid was \$115.01 million. (2017: On December 11, 2017 a dividend of \$0.11 per ordinary share was paid to shareholders. The total dividend paid was \$77.14 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."

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**31. Compensation fund**

Accordingly, the assets and liabilities of the Fund are segregated from those of the Exchange and separate audited financial statements are produced for the Fund.

**(a) Compensation fund financial position**
**(i) Compensation fund receipts**

These are contributions by member dealers of the Stock Exchange, based on a percentage of the volume of business done by them through the Exchange, for maintaining the Contingency Reserve Fund. However, during the year there were no contributions by the member dealers as the Board was of the view that the reserve was adequate for the specific purpose.

**(ii) Contingency reserve**

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

At December 31, 2018, the fund had total assets of \$859.33 million (2017: \$791.33 million) and net equity of \$822.23 million (2017: \$764.26 million).

**32. Changes in Accounting Policies**
**(a) IFRS 15 Revenue from contracts with customers**

The Company performed an assessment of IFRS 15 and no material impact has been noted based on the five step model applied to all contracts with customers. Instances of variable consideration have been noted for some revenue streams. However, there was no significant revenue reversal associated with these instances of variable consideration. Within the company, there are instances of contract liabilities and unsatisfied performance obligations as noted below:

**(i) Adoption of IFRS 15**
**Reconciliation of Contract Liabilities**

	<b>The Group 2018 '000</b>	<b>The Company 2018 '000</b>
Additions during the year	332,784	171,621
Amount recognized as revenue	<u>(312,336)</u>	<u>(159,215)</u>
Ending Balance	<u>20,448</u>	<u>12,406</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**32. Changes in Accounting Policies**
**(a) IFRS 15 Revenue from contracts with customers**
**Reconciliation of Contract Liabilities (Continued)**

	<b>The Group 2018 \$'000</b>	<b>The Company 2018 \$'000</b>
Revenue recognized that was included in the contract liability balance		
Fee income	309,839	156,718
E-campus	2,122	2,122
Other operating income	375	375
	<u>312,336</u>	<u>159,215</u>

	<b>Balance as reported under IAS 18 2018 \$'000</b>	<b>The Group Adjustment \$'000</b>	<b>Balance as reported under IFRS 15 2018 \$'000</b>
Contract Liabilities	-	20,448	20,448

	<b>Balance as reported under IAS 18 2018 \$'000</b>	<b>The Company Adjustment \$'000</b>	<b>Balance as reported under IFRS 15 2018 \$'000</b>
Contract liabilities	-	12,406	12,406

**Disaggregation of revenue**

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major service lines:

	<b>The Group 2018 \$'000</b>	<b>The Company 2018 \$'000</b>
Cess fee	494,711	432,870
Fee income	808,148	158,598
E-campus income	15,063	15,063
Other operating fee	72,926	231,254
	<u>1,390,848</u>	<u>837,785</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**32. Changes in Accounting Policies**

**(a) IFRS 15 Revenue from contracts with customers**

**Reconciliation of Contract Liabilities (Continued)**

**Timing of Revenue Recognition:**

	<b>The Group 2018 \$'000</b>	<b>The Company 2018 \$'000</b>
At a point in time	1,078,512	678,570
Over time	312,336	159,215
	<u>1,390,848</u>	<u>837,785</u>

***Unsatisfied performance obligation***

The following table shows unsatisfied performance obligations resulting from 143 contracts for the Group, 62 for the Company.

	<b>The Group 2018 \$'000</b>	<b>The Company 2018 \$'000</b>
Aggregate amount of the transaction price allocated to 143 contracts that are partially or fully unsatisfied as at December 31	<u>40,834</u>	<u>20,317</u>

\* As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of December 31, 2017 is not disclosed.

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of December 31, 2018 will be recognised as revenue during the next reporting period (\$40.8 million for the Group and \$20.3 million for the Company). The Group/Company amount disclosed above does not include variable consideration which is constrained.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**32. Changes in Accounting Policies (continued)**
**(b) IFRS 9 Financial Instruments**

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of IFRS 9 Financial Instruments from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2(e) and 29(d) above. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's retained earnings as at January 1, 2018 is as follows:

	<b>The Group 2018 \$'000</b>	<b>The Company 2018 \$'000</b>
<b><i>Closing retained earnings December 31 - IAS 39</i></b>	<b>501,143</b>	<b>249,562</b>
Reclassify investments from available-for-sale to FVPL	2,071	1,814
Increase in provision for trade receivables	(18,216)	(7,793)
Increase in provision for debt investments at amortised cost	(446)	(36)
Increase in provision for debt investments at FVOCI	(6,623)	(6,107)
Adjustment to retained earnings from adoption of IFRS 9 on January 1, 2018	(23,214)	(12,122)
Opening retained earnings January 1, 2018	477,929	237,440

**(i) Classification and measurement**

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The impact of the classification and measurement requirements of IFRS 9 are noted above.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**32. Changes in Accounting Policies (continued)**
**(c) IFRS 9 Financial Instruments (continued)**
**(i) Classification and measurement**

		The Group 2018			
		FVPL	FVOCI	(Available -for-sale 2017)	Amortised cost (Receivables 2017)
		\$'000	\$'000	\$'000	\$'000
<b>Financial assets – January 1, 2018</b>					
<b>Closing balance at December 31, 2017 – IAS 39</b>		-	-	218,545	166,889
Reclassify investments from available-for-sale to FVPL	(a)	9,251	-	(9,251)	-
Reclassify listed and unlisted debt securities from available-for-sale to FVOCI	(b)		209,294	(209,294)	
<b>Opening balance January 1, 2018 IFRS 9</b>		9,251	209,294	-	166,889

The impact of these changes on the Group's equity is as follows:

		Effect on AFS \$'000	Effect on FVOCI Reserve \$'000	Effect on Retained earnings \$'000
<b>Opening balance – IAS 39</b>	Notes			
Reclassify investments from available-for-sale to FVPL	(a)	(9,251)	(1,381)	2,071
Reclassify listed and unlisted debt securities from available-for-sale to FVOCI	(b)	(209,294)	1,103	(6,623)
<b>Opening balance – IFRS 9</b>		(218,545)	(278)	(4,552)

		The Company 2018			
		FVPL	FVOCI	Available for sale (2017)	Amortised cost (Receivables 2017)
		\$'000	\$'000	\$'000	\$'000
<b>Financial assets – January 1, 2018</b>					
<b>Closing balance at December 31, 2017 – IAS 39</b>		-	-	143,641	38,042
Reclassify investments from available-for-sale to FVPL	(a)	7,082	-	(7,082)	-
Reclassify listed and unlisted debt securities from available-for-sale to FVOCI	(b)	-	136,559	(136,559)	-
<b>Opening balance January 1, 2018 – IFRS 9</b>		7,082	136,559	-	38,042

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Expressed in Jamaican Dollars)**
**32. Changes in Accounting Policies (continued)**
**(b) IFRS 9 Financial Instruments (continued)**
**(i) Classification and measurement**

The impact of these changes on the Group's equity is as follows:

	Notes	The Company 2018		
		Effect on AFS \$'000	Effect on FVOCI Reserve \$'000	Effect on Retained earnings \$'000
<b>Opening balance – IAS 39</b>				
Reclassify investments from available-for-sale to FVPL	(a)	(7,082)	(1,209)	1,814
Reclassify listed and unlisted debt securities from available-for-sale to FVOCI	(b)	(136,559)	587	(6,107)
<b>Opening balance – IFRS 9</b>		<b>(143,641)</b>	<b>(622)</b>	<b>(4,293)</b>

(a) Reclassify investments from available-for-sale to FVPL

Certain investments were reclassified from available-for-sale to financial assets at FVPL (\$9.25 million as at January 1, 2018 for the Group and \$7.08 million for the Company). They do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. Related fair value gains of \$2.07 million for the Group and \$1.81 million for the Company were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

(b) Available-for-sale debt instruments classified as FVOCI

Listed and unlisted bonds were reclassified from available for sale to FVOCI as the group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. As a result, listed and unlisted bonds with a fair value of \$209.29 million and \$136.56 million for the Group and Company respectively were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of \$1.10 million and \$0.59 million for the Group and Company respectively were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on January 1, 2018.

The Group and Company also recognized full impairment on the Government of Belize Bond on January 1, 2018. Interest is recognized upon receipt. The total principal impairment recognized to revenue reserve on January 1, 2018 was \$5.50 million and net effect on FVOCI reserves is \$1.59 million during the year (amounting to a total of \$7.09 million).

## FINANCIAL & STATISTICAL HIGHLIGHTS

	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenue (\$)	1,390,848,000.00	991,150,000.00	865,781,000.00	750,715,000.00	379,758,000.00	347,802,000.00	548,397,000.00	+309,628,000	232,537,000
Expenses(\$)	817,439,000.00	668,222,000.00	582,853,000.00	495,930,000.00	383,788,000.00	349,614,000.00	360,960,000.00	272,030,000	230,239,000
Income Before Taxes (\$)	592,502,000.00	338,052,000.00	334,736,000.00	254,785,000.00	(4,030,000.00)	1,812,000.00	187,437,000.00	37,598,000	2,298,000
Net Income After Tax (\$)	413,063,000.00	220,668,000.00	223,589,000.00	174,953,000.00	3,128,000.00	5,674,000.00	129,903,000.00	50,310,000	37,402,000
Compensation Fund (\$)	822,230,000.00	764,264,000.00	75,229,400.00	706,398,000.00	676,522,000.00	647,928,000.00	604,296,000.00	578,617,000	564,125,000
Members' Equity (\$)	1,125,367,000.00	948,780,000.00	808,081,000.00	621,927,000.00	561,023,000	552,757,000	571,460,000	467,734,000	434,609,000
Reported Share Volume (Millions)* (Units)	6,865.91	3,938.12	4,068.58	5,412.40	2,713.38	2,311.20	3,151.11	2,125.52	3,617.26
Daily Average Share Volume (Millions)* (Units)	27.35	15.75	16.07	21.40	10.80	9.21	12.60	8.43	10.66
Reported Dollar Value (Millions)* (\$)	81,318.35	43,553.54	53,516.89	72,077.50	14,801.45	17,364.21	66,294.86	22,241.92	21,020.82
Daily Average Dollars Value (Millions)* (\$)	323.98	174.21	213.21	284.89	58.93	69.18	265.18	88.26	69.6
JSE Combined Index as at December 31	384,556.50	294,986.58	204,960.10	158,269.14	78,223.45	82,934.95	93,503.79	97,134.00	
JSE Market Index as at December 31	379,790.83	288,382.00	192,276.64	150,692.13	76,353.39	80,633.55	92,101.22	95,297.20	85,220.82
JSE Junior Market Index as at December 31	3,246.81	2,732.13	2,593.71	1,791.05	687.96	757.86	647.78	748.86	379.92
Member Organizations	13	13	12	12	12	11	11	11	11
New Listed Companies/Securities*	6/17	12/16	7/12	1/1	6/8	8/14	4/05	5/7	8/10
Total Listed Companies/Securities*	76/106	71/94	63/86	60/73	60/73	67	61	52	51
Total Shares Listed (Billions) (Main and Jnr)	74.22	77.54	71.41	61.29	62.35	61.20	51.04	51.51	47.65
Market Capitalization as at December 31:(Billion) (\$) (Main and Jnr)	1,523.61	1,163.53	800.00	683.51	322.93	519.57	612.74	691.44	564.72
JSE USD Equities Market Index as at December 31	159.61	166.16	164.50	161.06	135.35	92.86	67.86	78.57	
Market Capitalization as at December 31:(Million) (\$) (USD Equities)	252.02	222.58	142.13	132.58	76.58	38.34	28.02	32.44	

\*Includes Junior Market

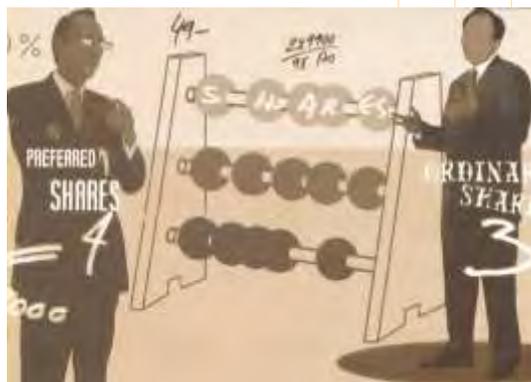
△ Restated

∅ Loss due to Exceptional Item - Write off of Fixed Income Development (\$128.7M)

+ One off gain from disposal of property

## TALKING SIMPLY ABOUT SHARES

Listed companies pay both initial listing fees and annual fees. In return, their SHARES are bought and sold on the JSE based on rules set by the Jamaica Stock Exchange and approved by the Financial Services Commission (FSC).



### WHAT IS A SHARE?

A Share is a unit of ownership interest in a company. When you buy or receive shares in a company, you become a part owner of that company. This is known as having equity in that company. The more shares you have in relation to the total number of shares issued by the company, the more of the company you own. For example, if a company issued 10,000 shares and you own 100 shares, then you are 1.0% owner. People who own shares in a company are referred to collectively as "shareholders" or "stockholders."

### ARE THERE DIFFERENT TYPES OF SHARES?

Yes, there are two basic kinds of shares:

- A. **Ordinary Shares**- Also known as "common stock". As part of the percentage ownership described earlier the ordinary shareholder or common stockholder usually has four basic rights in proportion to the number of shares owned:
- The right to receive dividends if and when these are declared by the Board of Directors. It is possible that the shareholders may not receive any dividends if the company performs poorly.
  - The right to vote at meetings of the shareholders.
  - The right to claim a portion of the company's undivided assets, if the company is liquidated.
  - The right to subscribe to additional stock or share offerings before they are made available to the general public. This is known as pre-emptive right.

A company may also be authorized to issue more than one class of common stock or shares, some of which may not have voting rights. (Not all companies have this provision)

- B. **Preference Shares** - Also called 'preferred shares or stocks.' The holders of these shares have certain rights and privileges over ordinary shareholders. There are different classes of preferred shares, which confer different rights. The most common types give the preferred shareholder:

- The right to receive dividends at a fixed rate prior to payment of dividends to ordinary shareholders.
- The first right of payment should the company go bankrupt or be dissolved.
- Ordinarily no voting rights.

### WHAT ARE THE BENEFITS OF OWNING SHARES?

There are three main benefits of share ownership

- The shareholder benefits from the growth in the value of his or her shares over time. That is, over time the shares can be worth more than was paid for them. This is known as 'Price Appreciation'.
- The shareholder can receive income through dividends declared from time to time and paid by the company's directors.
- The shareholder gets the opportunity to participate in the continuing development of the companies in which they invest. The involvement of shareholders helps the companies and strengthens the economy.



(Cont'd on next page)

## TALKING SIMPLY ABOUT SHARES

### WHAT IS A DIVIDEND AND HOW IS IT DETERMINED?

A dividend is a proportionate distribution of earnings (profits) of a company to its shareholders. With common (ordinary) shares or stocks, the rate of the dividend varies with the company's performance and the amount of cash on hand. With common shares the Board of Directors of the company decides the amount of the dividend to be paid out. They may also decide to hold back some of the profits to expand the company's operation. With preferred stocks or shares, the rate can be fixed or variable.

Dividends can be paid quarterly, half yearly or once per year.

### WHY DO COMPANIES ISSUE SHARES?

The main reason companies issue shares is to raise capital or money. A company may need start-up capital, to repay debts or to expand. A company may also want to widen its ownership base. When you buy shares you enable the company to carry on business using your money.

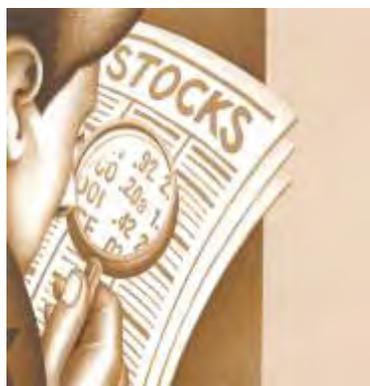
The number of shares which a company is authorized to issue is set out in its Articles of Incorporation and can only be increased with the consent of shareholders in a General Meeting.

### WHY DO PEOPLE BUY SHARES?

People buy shares for different reasons. However, the principal reason is to get the best returns on their investments, whether over the long or short term. The hope is someday the stock you bought will be worth more than the amount you paid for them and that people will offer you more money to buy them from you. It is wise to regard shares as long-term investments.

### WHAT ARE THE RISKS INVOLVED?

Every investment has an element of risk and buying and selling shares is not an exception. Anyone who buys shares should be aware that, although the value of each share can go up, especially over the long term, the value can also go down. It depends among other things, on the performance of the company, the value that investors in general place on owning that company's shares and on general economic conditions within the country.



### WHAT ARE SOME OF THE THINGS I SHOULD DO BEFORE AND AFTER I BUY SHARES?

No one can guarantee success in the market. However, the possibility of success can be improved if, before investing in shares, you should:-

- Collect and study as much information as possible about the company in which you intend to invest.*
- Seek professional investment advice from a broker or other qualified persons.*
- Learn how to read and understand the basic financial statements and reports which the companies listed on the Stock Exchange are required to publish.*
- Develop the habit of reading and understanding financial publications.*
- After buying shares, monitor and track your investments by maintaining a daily record of advances or declines in the stock value.*



### WHERE CAN I BUY SHARES

Contact a stock broker (JSE Member/Dealer). This is a person whose business it is to buy and sell shares at one of the brokerage firms authorized by the Financial Services Commission and the Jamaica Stock Exchange to operate in Jamaica.

You can visit or telephone the broker, informing him/her which shares and how many you wish to purchase. Your broker is your link with the market. He or she will buy or sell according to your orders.

*(Cont'd on next page)*

## TALKING SIMPLY ABOUT SHARES

### HOW DO I BUY OR SELL SHARES?

Contact your broker and advise him or her to buy or sell shares on your behalf. Give him or her clear instructions, whether orally or in writing.

The buying/selling process begins when you place the order with your stockbroker (member/dealer) for a specified number of shares in a company. There are three types of orders that you can place:

- a. *A market order - asks your broker to buy or sell stocks at the market price.*
- b. *A limit order - sets the price at which you want stocks to be bought or sold.*
- c. *A stop order - gives an approximate buying or selling price of stock. When the approximate price is reached the stock order becomes a market order.*

### HOW DO I PAY?

You will receive a contract note that states the company whose stock you have bought or sold, the price paid or received, the commission and other fees and the settlement date. You should pay your bill by the settlement date.



### HOW MUCH DO I HAVE TO EARN TO BUY SHARES?

A person from any income level, who has some amount of surplus funds available no matter how small, may decide to invest in the stock market.

A principal rule is never to invest any money you will need to pay your bills and other immediate living expenses. You will need to keep the money you need for your living expenses in a more liquid or immediately available manner.

### WHAT IS A BONUS ISSUE?

This is the process whereby money from a company's reserves is converted into share capital, which is then distributed to shareholders in proportion to their existing holdings.

A bonus issue is also known as a script or capitalization issue.



### WHAT IS A STOCK SPLIT?

This is the division of the existing shares of a company into larger number of shares, without changing the capitalization of the company. Each new stock will now be worth less depending on the ratio of the split. For example, if a stock with a market value of \$10.00 splits for 4 to 1, each new stock will be worth one fourth of the previous price, that is \$2.50. Each shareholder would get four shares for every one they owned previously. And, if the company had, let's say one million shares outstanding before the split, it would now have four million shares outstanding and worth the same dollar amount of the one million shares.

Usually, the rationale for stock split is that the lower priced stock might make the company more attractive to investors.

### WHAT IS THE RECORD DATE?

It is the date by which a shareholder must be officially recorded on the company's share register in order to be entitled to a dividend, bonus, right or other distribution.

(Cont'd on next page)

## TALKING SIMPLY ABOUT SHARES

### WHAT IS A BOND?

A bond is an interest bearing government or corporate debt security. It is a loan from the purchaser to the issuer which obligates the issuer to pay the bondholder a fixed interest at specific intervals and to repay the principal upon maturity. A bond issued by a company has no corporate ownership privileges as in the case of shares.



# JSE CORPORATE HIGHLIGHTS

## Listings 2018



Elite Diagnostic Limited were listed on February 16, 2018.

JMMB Group Limited 5.00% FR USD Cr Preference Shares were listed on April 19, 2018  
 JMMB Group Limited 5.75% FR USD CR Preference Shares were listed on April 19, 2018  
 JMMB Group Limited 7.00% VR JMD CR Preference Shares were listed on April 19, 2018  
 JMMB Group Limited 7.25% VR JMD CR Preference Shares were listed on April 19, 2018



Derrimon Trading Company Ltd. 9% Fixed and Variable Rate Cumulative Redeemable Preference Shares were listed on April 20, 2018



CAC 2000 Limited 9.50% Cumulative Redeemable Preference Shares were listed on May 11, 2018

# JSE CORPORATE HIGHLIGHTS

## Listings 2018



Sygnus Credit Investments Limited listed 2 classes of ordinary shares on June 18, 2018 and the securities were cross listed on respective JA\$ / US\$ Main Market.



Mayberry Jamaican Equities Limited were listed on July 31, 2018.



Indies Pharma Jamaica Limited were listed on August 15, 2018.

Everything Fresh Limited were listed on June 22, 2018.

Stanley Motta Limited were listed on August 22, 2018.

## Scenes from Investor Forum 2018

Hanover (May 30, 2018)



Savanna-la-mar

# JSE CORPORATE HIGHLIGHTS

## Scenes from Investor Forum 2018



Savanna-la-mar

Ocho Rios

Montego Bay  
(July 2018)

Junction  
(November 20, 2018)

## 50<sup>th</sup> Anniversary Logo Launch

**In-House Talent:** As a prelude to its 50<sup>th</sup> Anniversary celebration, the Jamaica Stock Exchange (JSE) launched a logo and tagline competition, and unveiled the selections and winners (all staff members), at a Bell Ringing Ceremony held at its head office at 40 Harbour Street, on September 21, 2018.

Miss Kaydene Commock, **JSE e-Campus**, won the logo prize; while Ms. Charlene Steer, *Marketing and Communications* and Miss Charlene Myers - *JCSD Trustee Services Limited* were declared joint winners for the tagline, **"50 Years Strong: Cultivating Economic Growth, Celebrating Our Past and Embracing Our Future"**.



Ms. Charlene Steer (L), Charlene Myers (2<sup>nd</sup> left) and Kaydene Commock (3<sup>rd</sup> right) posed with symbolic cheque (prize money), supported by Mrs Marlene Street Forrest, JSE's Managing Director (3<sup>rd</sup> left); Neville Ellis, Manager – Marketing & Communications and Mrs Kadyll McNaught-Hermitt (right), Chair of the 50<sup>th</sup> Anniversary Logo Subcommittee and Manager of the JSE's Depository Services Unit.



The JSE's 50<sup>th</sup> Anniversary logo and tagline unveiled to the public for the first time by the talented winners of the said competition: (L-R) Ms. Charlene Steer, Charlene Myers and Kaydene Commock. Overseeing the unveiling is Neville Ellis, Manager – Marketing & Communications.



A delighted Mrs Marlene Street Forrest, JSE's Managing Director (centre), and members of the JSE's Board of Directors and management flank the 50<sup>th</sup> Anniversary logo and tagline.



Mrs Kadyll McNaught-Hermitt (right), Chair of the 50<sup>th</sup> Anniversary Logo Subcommittee and Manager of the JSE's Depository Services Unit poses with the winners of the JSE's Logo and Tagline Competition: Ms. Charlene Steer, Charlene Myers and Kaydene Commock.

# JSE CORPORATE HIGHLIGHTS

## JCSD 20<sup>TH</sup> & JCSD TRUSTEE SERVICES 10<sup>TH</sup> Anniversary Mingle Pictures



The business community came out to celebrate with JCSD & JCSD Trustee Services.



The board members and the business community were held to rapt attention by the MC.



The JCSD & JCSD Trustee Services 20<sup>th</sup> & 10<sup>th</sup> Anniversary Celebration brought the media and the business community together.



The former General Manager Mr. Robin Levy of JCSD & JCSD Trustee Services and the present General Manager Miss Andrea Kelly, both cut the cake to mark the 20<sup>th</sup> & 10<sup>th</sup> Anniversary Celebrations.



The Ambassadors also came out for the Celebration.



The Silver Bird band gave an excellent performance.

# JSE CORPORATE HIGHLIGHTS

## Market Research



Winner of the Jamaica Stock Exchange's Market Research Competition 2016/2017 coveted 'Top Financial Analyst Award', Mr. Leovaughni Dillon, Equity Trader Analyst at Victoria Mutual Wealth Management.



Ms. Nicole Adamson (centre) Manager Research & Stockbroking at Victoria Mutual Wealth Management is flanked by the 1st and 3rd place winners in the Jamaica Stock Exchange's Market Research Competition 2016/2017. Right, is the Competition's Top Analyst, Mr. Leovaughni Dillon, Equity Trader Analyst and 3rd Place Winner, Mr. Daren McGregor, Structured Products Specialist; both from VM Wealth Management.



A delighted and supportive team from Victoria Mutual Wealth Management joined the platform with their team members who won in the Jamaica Stock Exchange's Market Research Competition 2016/2017: Left to right: Akanke Scott; Kerice Gray, Nicole Adamson; Winner Mr. Leovaughni Dillon; Denise Marshall-Miller; 3rd Place Winner Daren McGregor and Candace Smith.

Jamaica Stock Exchange  
**YEARLY TRADING SUMMARY MAIN MARKET (1992-2018)**

YEAR	YEAR-END MARKET CAPITAL JAS(000)	NO. OF LISTED COMPANIES	VOLUME TRADED (000)	VALUE TRADED JAS(000)	YEAR-END JSE INDEX	YEAR-END ALL JA COMPOSITE	YEAR-END JSE SELECT	YEAR-END CROSS LISTED	YEAR-END COMBINED INDEX	NO. OF TRANS.	NO. BROKERS	YEAR-END COMBINED MKT CAP JAS(000)
1992	76,974,281	48	395,606	4,687,337	25,745.88					49,791	9	
1993	41,879,310	48	567,454	8,346,770	13,099.68					55,519	9	
1994	58,018,064	50	741,754	5,155,463	16,676.74					43,144	10	
1995	50,755,753	51	3,565,607	11,560,485	14,266.99					42,600	10	
1996	66,116,257	50	560,528	4,629,395	16,615.99					23,189	8	
1997	79,619,594	49	905,387	4,594,108	19,846.66					18,623	8	
1998	79,038,726	47	604,545	2,064,243	20,593.33					13,748	8+	
1999	104,041,538	44	520,531	2,218,714	21,892.58					9,256	6	
2000	160,135,746	44	694,897	3,441,081	28,893.24	26,894.76	883.67			21,066	6	
2001	222,006,166	42	2,845,199	5,948,358	33,835.59	32,508.99	1,015.26			20,979	10	
2002	292,297,900	40	1,604,591	7,636,877	45,396.21	46,142.81	1,450.34			26,999	10	
2003	512,884,380	41	4,290,433	24,237,330	67,586.72	55,629.64	1,697.87			35,954	10	
2004	879,297,296	40	5,194,558	35,994,853	112,655.51	116,218.38	3,176.62			86,875	11	
2005	839,852,762	41	2,498,028	40,746,681	104,510.38	104,941.62	2,859.62			75,001	11	
2006	822,862,351	44	5,639,412	37,040,992	100,678.00	107,213.42	2,942.88			41,921	11	
2007	876,690,610	44	2,433,488	29,047,425	107,968.00	106,782.82	2,928.98			38,621	11	
2008	597,277,036	45	2,953,011	67,026,871	80,152.03	73,994.96	1,984.74			30,323	11	
2009	544,882,559	44	1,764,894	12,189,895	83,321.96	70,995.77	1,896.05	962.92		16,099	11	
2010	564,720,705	43	3,571,199	20,828,652	85,220.82	80,793.80	2,192.19	863.01		18,359	11	
2011	619,444,770	40	1,819,302	20,993,976	95,297.20	102,178.79	2,874.01	794.55	97,134.00	23,319	11	
2012	590,637,443	36	2,581,249	61,109,565	92,101.22	91,161.60	2,489.67	873.93	93,503.79	19,515	11	612,739,023
2013	492,179,964	36	1,833,463	15,978,243	80,633.55	81,850.04	2,176.17	740.28	82,934.95	18,284	11	519,571,097
2014	296,836,862	36	2,121,337	12,807,536	76,353.39	84,084.94	2,220.27	585.90	78,223.45	16,073	12	322,933,971
2015	615,559,573	36	4,116,651	64,647,786	150,692.13	167,363.25	4,979.74	499.06	158,269.14	21,767	12	683,506,273
2016	697,446,825	35	3,393,477	48,449,577	192,276.64	201,139.49	6,403.77	2,096.06	204,960.10	30,698	12	800,864,403
2017	1,048,739,994	36	2,590,384	36,689,806	288,382.00	316,516.07	8,516.42	N/A	294,986.58	43,431	13	1,163,535
2018	1,383,834,940	39	5,450,190	75,469,542	379,790.83	416,842.70	9,725.59	N/A	384,556.50	60,896	13	1,523,611

+ Six (6) active Brokers 3.64% 19,838,146.00

\* The All Jamaican Composite started on the May 1, 2000 at 31,931.32 points

\* JSE Select started on the June 1, 2000 at 1,000 points

\* JSE Cross Listed Index started on March 2, 2009 at 1,000 points

\* JSE Combined Listed Index started on April 1, 2011 at 86,897.43 points

Jamaica Stock Exchange  
**YEARLY TRADING SUMMARY JUNIOR MARKET (2010-2018)**

YEAR	YEAR-END MARKET CAPITAL JA\$(Million)	NO. OF LISTED COMPANIES	VOLUME TRADED	VALUE TRADED	NO. OF TRANS.	NO. BROKERS	YEAR-END JSE JNR MARKET INDEX
2010	8,466.81	8	50,331,871	206,559,980	1,192	11	379.92
2011	23,595.00	12	306,220,533	1,247,948,069	7,883	11	748.86
2012	22,101.58	16	569,866,235	5,185,299,007	5,047	11	647.78
2013	27,391.13	21	477,733,468	1,385,965,574	7,157	11	757.86
2014	26,097.11	26	592,044,500	2,002,910,571	4,374	12	687.96
2015	67,946.70	23	1,295,714,331	7,429,758,488	7,754	12	1,791.05
2016	103,417.58	29	675,102,747	5,067,316,049	15,537	12	2,593.71
2017	114,795.27	34	1,347,735,367	6,863,734,530	22,230	13	2,732.13
2018	139,776.81	36	1,415,717,406	5,848,812,746	26,845	13	3,246.81

## Jamaica Stock Exchange

# STOCK MARKET DATA - MAIN MARKET

YEAR	YEAR-END ISSUED SHARES (000)	TOTAL VOLUME TRADED (000)	ORDINARY VOLUME TRADED (000)	BLOCK VOLUME TRADED (000)	Average Daily Volume	Average Daily Value
1995	11,356,118	3,565,607	463,050	3,102,557		
1996	12,007,219	560,528	322,575	237,954		
1997	17,274,915	905,387	470,322	435,065		
1998	19,324,078	604,545	371,783	232,762		
1999	23,041,396	520,531	440,744	79,787	2,203,718	7,555,098
2000	28,501,260	694,897	599,834	95,063	3,014,241	16,296,328
2001	33,189,889	2,845,199	714,718	2,130,481	2,870,353	13,839,283
2002	35,769,494	1,604,591	1,434,820	169,771	5,716,412	27,466,744
2003	41,877,268	4,290,433	2,765,449	4,524,984	11,017,724	56,933,666
2004	42,280,569	5,194,557	3,240,964	1,953,593	12,759,705	114,056,429
2005	46,193,644	2,498,028	1,908,000	590,027	7,751,431	105,013,441
2006	49,234,751	5,639,412	2,917,899	2,721,512	11,671,598	78,135,584
2007	47,162,791	2,433,487	2,254,376	179,110	9,017,507	103,776,801
2008	47,491,439	2,953,011	2,295,768	657,243	9,183,074	97,517,814
2009	47,163,202	1,764,894	1,662,158	102,735	6,569,796	45,511,377
2010	47,647,441	3,571,199	2,641,538	929,661	10,482,293	68,838,178
2011	47,386,693	1,819,302	1,550,142	269,159	6,151,358	71,829,756
2012	46,038,017	2,581,249	1,431,282	1,149,967	5,725,128	73,180,378
2013	47,577,008	1,833,463	1,386,439	447,023	5,523,663	56,604,418
2014	45,828,363	2,121,337	2,117,762	3,575	8,437,299	50,984,279
2015	47,271,409	4,116,651	1,881,261	2,235,390	7,435,813	80,745,725
2016	49,769,588	3,393,477	1,809,980	1,583,496	7,211,077	101,721,227
2017	60,305,841	2,590,384	2,519,048	71,335	10,076,194	142,891,526
2018	46,455,381	5,450,190	3,212,056	2,238,134	12,797,039	261,013,516

## CORPORATE INFORMATION

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## NOTES

