

“Providing A Fair, Efficient and Transparent Stock Market”



2016

ANNUAL REPORT

“Global Investment Horizon: Our Options & Future”



TABLE OF CONTENTS

Mission Statement	2
Our Corporate Objectives	2
Notice of 40 th Annual General Meeting	3
Directors' Report	5
Corporate Governance	6
Independence of Board Directors	10
Corporate Governance and Nomination Committee Report	11
Directors' Attendance	12
Profiles of Directors	13
JSE Board Committees 2015/16	18
The Management Team	19
Chairman's Report	23
Regulatory and Market Oversight Committee (RMOC)	25
Audit Committee Report	27
Compensation Committee Report	28
General Manager's Report - JSE.....	29
Corporate Social Responsibility	37
Management Discussion and Analysis	38
Regulatory & Market Oversight Division Report	50
Shareholdings	52
Subsidiaries' Report for 2016	54
Auditors' Report	56
Group Consolidated Financial Statements	
Consolidated Statement of Financial Position	64
Consolidated Statement of Profit or Loss and Other Comprehensive Income	65
Consolidated Statement of Changes in Equity	66
Consolidated Statement of Cash Flows	67
Financial Statements of JSE	
Statement of Financial Position	68
Statement of Profit or Loss and Other Comprehensive Income	69
Statement of Changes in Equity	70
Statement of Cash Flows	71
Notes to the Financial Statements	72
Financial & Statistical Highlights	128
Talking Simply about Shares	129
Corporate Highlights	133
JSE Yearly Trading Summary Main Market	137
JSE Yearly Trading Summary Junior Market	138
Stock Market Data	139
Corporate Information	140
Stock brokerages & Contact Information	141

MISSION STATEMENT

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

OUR CORPORATE OBJECTIVES

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

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

Its principal objectives are:

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

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

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

To provide facilities for the transaction of stock market business.

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

Maximizing Shareholders' value.

NOTICE OF 40th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fortieth (40th) 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 22, 2017, 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 - 2016 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, 2016, circulated with the Notice convening the Meeting, be and are hereby adopted.
2. **Resolution No. 2 - Re-election of Directors Pursuant to Article 106**
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 Pursuant to Article 106**
THAT Miss Dian Black, 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.
4. **Resolution No. 4 - Re-election of Directors Pursuant to Article 106**
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 Pursuant to Article 106**
THAT Mr. Lissant Mitchell, 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 Pursuant to Article 106**
THAT Mr. Steven Whittingham, a director retiring by rotation and being eligible, has offered himself for re-election, be and is hereby re-elected a Director of the Company.
7. **Resolution No. 7 - Re-election of Directors Pursuant to Article 109**
THAT Mr. Gary Peart who was appointed to fill a casual vacancy and being eligible to be re-elected has offered himself for re-election, be and is hereby re-elected a Director of the Company.
8. **Resolution No. 8 - Re-election of Directors Pursuant to Article 109**
THAT Mr. Devon Barrett who was appointed to fill a casual vacancy and being eligible to be re-elected has offered himself for re-election, be and is hereby re-elected a Director of the Company.
9. **Resolution No. 9 - Re-election of Directors Pursuant to Article 109**
THAT Dr. Derrick McKoy 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.

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NOTICE OF 40th ANNUAL GENERAL MEETING

10. Resolution 10 - To ratify Dividends

THAT the interim dividends of 0.53 cents per share paid on May 5th 2016 and 0.13 cents per share paid on December 9th 2016 and 0.0356 cents per share to be paid on May 31st 2017 be and is hereby declared as final for the year ended December 31,2016.

11. Resolution 11 - 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.

12. Resolution 12 - Remuneration of the Directors

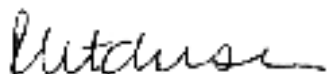
THAT the Directors be and are hereby authorized to fix their fee for the fiscal period 2017/2018.

13. Resolution 13 - Appointment of Managing Director Pursuant to Article 122

THAT Mrs. Marlene Street Forrest who was appointed the Managing Director effective April 3, 2017, and whose appointment expires on the date of this meeting, and being eligible offered herself for re-election, be and is hereby reelected a Director of the Company.

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

BY ORDER OF THE BOARD



.....
Roxanne Hutchinson
Company Secretary
Dated: April 25, 2017

IMPORTANT NOTE FOR MEMBERS WHO ARE NOT ABLE TO ATTEND:

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

DIRECTORS' REPORT

The Directors submit herewith the Audited Statements for the Jamaica Stock Exchange and its wholly owned subsidiary, the Jamaica Central Securities Depository for the year ended December 31, 2015 along with the accompanying notes as follows:

Consolidated Statement of Comprehensive Income
Consolidated Statement of Financial Position
Consolidated Statement of Changes in Equity
Consolidated Statement of Cash Flows

Operating Income for the year was \$865.8 million compared to 2015 of \$708.3 million, an increase of 22% over 2015. Investment Income was \$51.8 million for 2016 and 42.4 million for 2015.

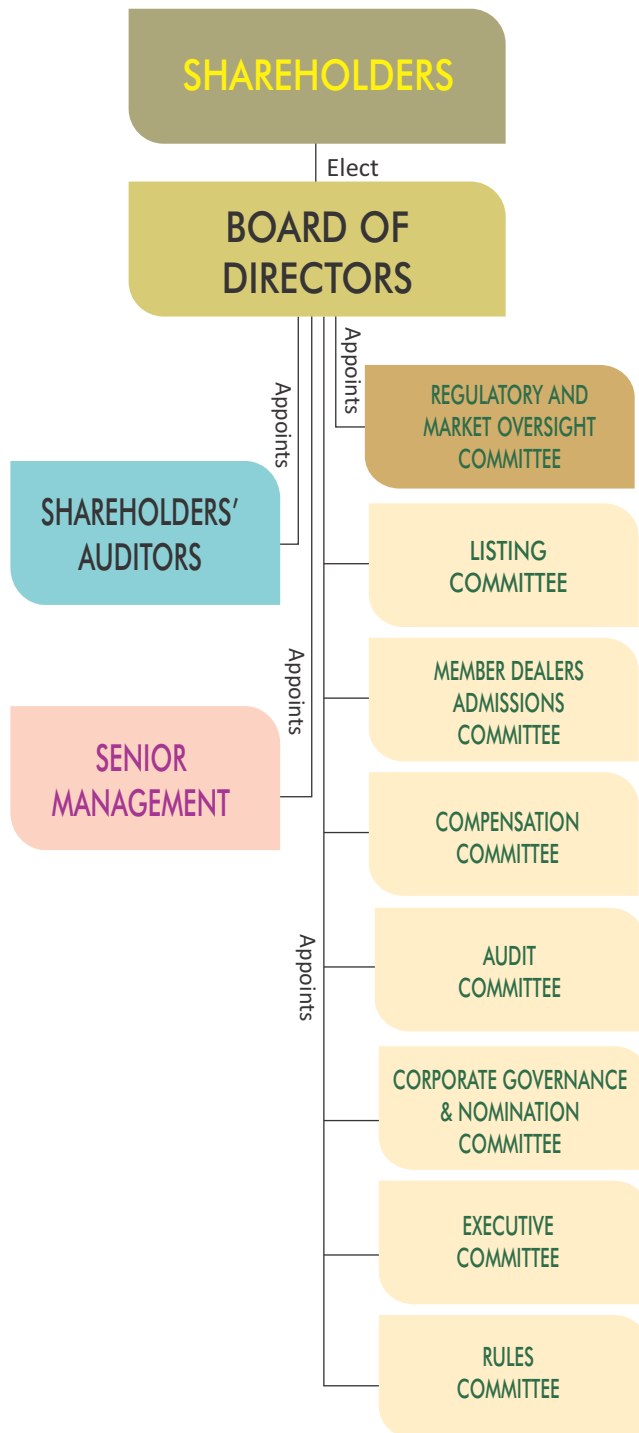
Total Expenses for the year increased by 17.5% to \$582.9 million compared to \$495.9 million in 2015.

Total Consolidated Balance Sheet Assets of the Group as at December 31, 2016 were \$1.1 billion compared to \$791.3 million in 2015, while Consolidated Shareholders equity increased from \$621.9 million in 2015 to \$808.1 million, up 29.9%.

A handwritten signature in black ink, appearing to be 'I. McNaughton', written over a horizontal dotted line.

Ian McNaughton
Chairman

CORPORATE GOVERNANCE



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 practise 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 reviews should include the performance of the alternates.
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.

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CORPORATE GOVERNANCE

BOARD ISSUES

Accountability to shareholders/stakeholders

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

Mission and Responsibility

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

Elections

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

Orientation and Training

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

Access to Information

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

Disclosure of Directors' Biographical Information

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

Composition

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

Multiple Board Seats

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

Chairman & CEO

The JSE will have a separate Chairman and CEO.

Independent Directors

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

Committees

Composition

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

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

Review Process

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

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.

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CORPORATE GOVERNANCE

Regulatory & Market Oversight Committee (RMOC)

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

Corporate Governance and Nomination Committee

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

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

Compensation Committee

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

Listing Committee

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

Other Committees

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

Board Meetings

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

Procedure at Board Meetings

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

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

General Meetings

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

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.

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CORPORATE GOVERNANCE

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.

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 share option plan or a performance-related pay scheme, or is a member of the company pension scheme;
- has close family ties with any of the company's advisors, directors or senior employees;
- holds cross-directorship or has significant links with other directors through involvement in other companies or bodies;
- represents a significant shareholder.
- has served on the board for more than nine years from the date of their first election.

Prepared: Marlene Street Forrest, March 30, 2010

Updated by CGNC July 18, 2016

Approved by the Board July 20, 2016

Adopted from the PSOJ Code of Corporate Governance (2009)

CORPORATE GOVERNANCE & NOMINATION COMMITTEE REPORT

The Committee met five (5) times in 2016. The Committee was committed to completing the comprehensive undertaking of reviewing the Group's Terms of Reference as well as the continuation of activities undertaken the previous year. In keeping with the policy to assess the Board and its directors, in the year under review, a self-evaluation was completed by each director. A peer evaluation was also conducted which will as of this year be an annual undertaking. In keeping with the Group's commitment to improve Corporate Governance and our ability to evaluate Board and directors' performance, the Company has invested in a new software/tool from Diligent Board Book 'Evaluations Module' aimed at ensuring efficient and accurate process of completing and analyzing the performance of each director.

As is customary, the result of the self-evaluation exercise will be used during the year to assist the Chair of the Board and of the respective Committees in identifying and addressing areas of perceived deficiency in contribution, participation and effectiveness of directors at both the Board and Committee levels.

We are pleased to inform that the Committee completed the review of all eight Committees of the Board. Six have been approved by the Board of Directors, while the remaining two, those of the Compensation Committee and the Regulatory Market Oversight Committee, are subject to further review. The Committee also completed its comprehensive review of the draft 2015 Corporate Governance Code of the Private Sector Organization of Jamaica (PSOJ Main Code and provided comments to the PSOJ Corporate Governance Committee. Our comments were taken on Board by that body in completing its update to its 2015 Code.

Other matters undertaken by the Committee were:

1. The issue of a Whistle Blowing Policy for the Exchange which was prepared, reviewed by the Committee and approved by the board;
2. Review of guidelines and criteria for the nomination of Chairman and Deputy Chairman;
3. Review and recommendation for approval of the Sexual Harassment Policy which was approved by the Board;
4. The issue of the Code of Ethics which was amended, approved by the Board and incorporated in the Securities Trading Policy.

The members of the Committee are:

Janet Morrison (Chair)
Jane George
Garth Kiddoe
Julian Mair
Steven Whittingham
Jason Chambers (Alternate to Steven Whittingham)



Janet Morrison (Chair)

DIRECTORS ATTENDANCE

Names	Designation	ISE Board	Compensation Committee	Corporate Gov. & Nomination Committee	Executive Committee	Member Dealers Committee	Listings Committee	Rules Committee	RMAC Committee	Audit Committee	Total Attendance	Average Attendance at all Meetings
Alma Lewis	Director	6 of 6*	1 of 2*		2 of 4*		4 of 8*	1 of 1		11 of 13	25 of 31	83%
Ian McNaughton	Director	12 of 12	2 of 2	6 of 6			6 of 8	0 of 0*			26 of 28	93%
Humphries-Lewin, Rita	Alternate Director	0 of 12	0 of 2	0 of 6			0 of 8	0 of 0*			0 of 28	
Gary Peart	Director	11 of 12	0 of 1*	2 of 2*			4 of 8				17 of 23	74%
Christopher Berry	Alternate Director	0 of 12	0 of 1*	0 of 2*			0 of 8				0 of 23	
Devin Barrett		4 of 6*								3 of 4*	7 of 10	70%
Black, Don	Director	11 of 12				2 of 2	6 of 8	0 of 1	13 of 14		32 of 35	92%
Croskery, Mark	Director	2 of 12	0 of 1*							4 of 9*	6 of 21	53%
Lamar Harris	Alternate Director	6 of 12	0 of 1*							0 of 9*	6 of 21	
George, Jane		3 of 12	0 of 2	5 of 5		1 of 2			11 of 14	11 of 13	31 of 35	65%
Steven Gordon	Director	6 of 12	1 of 1				7 of 8				14 of 21	67%
Edkwo, Esah	Director	12 of 12		5 of 5		2 of 2	8 of 8	1 of 1	14 of 14	12 of 13	54 of 55	98%
Muir, Julian	Director	6 of 12		4 of 5	5 of 6						15 of 19	68%
**McKee, Ed	Director	7 of 7*					3 of 5*	1 of 1			11 of 13	85%
McKoy, Derrick	Alternate Director	0 of 7*					0 of 5*	0 of 1			0 of 13	
** McKoy, Derrick	Director	3 of 4*					0 of 2*				3 of 6	50%
McKie, Ed	Alternate Director	0 of 4*					0 of 2*				0 of 6	
Morrison, Janet	Director	7 of 12		3 of 5	5 of 6	0 of 2			12 of 14		27 of 30	69%
Morrison, Livingstone	Director	8 of 12	1 of 1			2 of 2			14 of 14	9 of 13	34 of 42	81%
Miller, Rohan	Director	8 of 12			5 of 6		0 of 1*			12 of 13	20 of 25	80%
Mitchell, Lissant	Director	7 of 12									12 of 19	63%
Whittingham, Steven	Director	7 of 12	4 of 5					0 of 1			11 of 18	61%
Jason Chambers	Alternate Director	0 of 12	0 of 5					0 of 1			0 of 18	

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

**Mr. McKie resigned as Director June 28, 2016 and Dr. McKoy was appointed as Director on the same date. Mr. McKie was appointed Alternate Director on November 16, 2016.

18

Directors' Attendance are sometimes negatively impacted due to the change in meeting dates in the regular course of business.

Directors are called upon from time to time to provide support to the Exchange outside of the Board Meetings. This is however not captured in the Attendance Report.

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, Jamaica Anti-Doping Commission, IronRock Insurance Company and is the Deputy Chairman on the board of Jamaica Stock Exchange.

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

He is a member of the Assets and Liabilities Committee, Project Steering Committee and Policy Committee of Mayberry Investments Limited. Beyond the business world, Mr. Peart is a member of the Rotary Club of St. Andrew North.



Dr. Derrick McCoy

Dr. Derrick McCoy is an Attorney-at-Law, Justice of the Peace, and Member of the Chartered Institute of Arbitrators. He is a former Commonwealth Scholar and has served as a Commissioned Officer in the Jamaica Defence Force—Coast Guard (National Reserve), Contractor General of Jamaica, Member of the All Island Electricity Appeals Tribunal, and Dean, Faculty of Law, UWI, Mona.

He currently chairs the Anti-dumping and Subsidies Commission, the Fair Trading Commission, and the Duke of Edinburgh's Awards Scheme in Jamaica. He is also a member of the board of MVL Stockbrokers and a Trustee of the Youth Business Trust, Jamaica.

Mr. McCoy has published several scholarly articles and contributed chapters to several books. He holds the degrees of doctor in business administration and doctor of philosophy (in law). He is married and has four children.



Mr. Devon Barrett

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

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

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

PROFILES OF DIRECTORS

Mr. Lissant Mitchell

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

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



Mr. Rohan Miller

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

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



Mr. Mark Croskery

Working in the financial industry for over 10 years, Mark is a hands-on CEO who works diligently to strategically place Stocks and Securities Limited (SSL) in a front runner position in the financial services industry in Jamaica. Mr. Croskery received a Masters of Science in Global Financial Analysis and a dual Bachelor of Science in Corporate Finance/Accounting from Bentley University in Boston, Massachusetts. He is a Director on the Board of the Jamaica Stock Exchange (JSE), he is also a member of Young Presidents' Organization.

Before joining SSL, Mr. Croskery was a leading Wealth Manager and Equity Trader at NCB Capital Markets Ltd.

Mr. Croskery received a M.Sc. in Global Financial Analysis and a dual B.Sc. in Corporate Finance/Accounting from Bentley University in Boston, Massachusetts.

Mr. Croskery previously served on a number of public sector boards, including, Chairman, Fisheries Management & Development Fund, Director of Land Administration & Management Programme, Sugar Company of Jamaica and the Jamaica Racing Commission.

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PROFILES OF DIRECTORS

Mr. Julian Mair

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

His experience includes positions at Jamaica's foremost financial institutions including Head of Treasury and Investment Services at Dehring, Bunting and Golding (now Scotia Investments) 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 of the Jamaica Securities Dealers Association (JSDA), Julian also serves various institutions as a director including JMMB Securities Limited, JMMB International, JMMB Puesto de Bolsa, JMMB Investments Trinidad & Tobago Limited and the Jamaica Stock Exchange.



Mr. Steven Whittingham

Mr. Steven Whittingham is the Managing Director of GK Capital Management, the investment and advisory subsidiary of GraceKennedy Ltd.

Steven was previously the President of First Global Financial Services Limited (FGFS). In this capacity, he was responsible for the strategic leadership and direction of one of Jamaica's leading diversified financial institutions.

Before joining FGFS, Steven was the Managing Director of The Antilles Group (TAG), formerly Cool Petroleum Limited (CPL), a downstream petroleum distribution business and the Shell Licensee in Jamaica. Prior to TAG, Steven founded and served as Chief Executive Officer of Island Ice and Beverage Company Limited, a manufacturer and distributor of packaged ice in Jamaica. Steven also worked for Morgan Stanley in London in their Mergers and Acquisitions Investment Banking Group. He began his career at BlackRock Financial Management in New York.

Steven holds Bachelor of Science degrees in Systems Engineering and Economics from the University of Pennsylvania and an MBA from the Harvard Business School.

Steven has served as a Director on several private and public sector boards including the Jamaica Stock Exchange (JSE), Jamaica International Insurance Company Limited (JIIC), Jamaica Promotions Corporation Ltd. (JAMPRO), Jamaica Manufacturer's Association (JMA), National Road Operating and Construction Company (NROCC), and HEART Trust/NTA.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT



Mr. Steven Gooden

Mr. Gooden is CEO of NCB Capital Markets and is charged with leading the performance of the company's wealth management, asset management and investment banking business lines. Prior to this appointment he was the Deputy Chief Executive Officer where he led the team through a number of successful strategic and portfolio deals. He rejoined the company in 2009 as Vice President of Investments & Trading and had responsibility for over J\$200 billion worth of assets spanning NCB Capital Markets Ltd, NCB Insurance Co. Ltd & NCB (Cayman) Ltd. With seven years' experience at the senior management level, his background also includes research, unit trust & pension fund management, structured products, private equity, corporate finance and mergers & acquisitions.

Mr. Gooden was appointed to the Board of the JSE in November 2013, he is also a director of NCB Capital Markets and Elite Diagnostic Limited and serves as Treasurer of the Jamaica Securities Dealers Association and the Wolmer's Old Boys Association.

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

Mrs. Marlene Street Forrest is the General Manager of the Jamaica Stock Exchange. Mrs. Street Forrest has a B.Sc. in Management Studies and an MBA. She has over twenty five years of combined experience in financial and general management.

Her mandate as General Manager of the JSE is to continue the process of developing the Exchange, ensuring that cutting edge technology is used to assist in providing the greatest level of efficiencies in the market.

Mrs. Street Forrest, who is a Justice of the Peace, serves as Secretary of the Board of the JSE and a Director of the Jamaica Central Securities Depository and the JCSD Trustees Services Limited.



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

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

PROFILES OF INDEPENDENT DIRECTORS

Mrs. Jane George

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



Mr. Garth Kiddoe

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

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



Miss Dian Black

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

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



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

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

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

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



PROFILES OF INDEPENDENT DIRECTORS

Mrs. Janet E. Morrison

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

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

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

JSE BOARD COMMITTEES 2016/2017

LISTING COMMITTEE (Rule Based)

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

MEMBER DEALER ADMISSION COMMITTEE

Chairman: Mr. Livingstone Morrison
Miss Dian Black
Mr. Garth Kiddoe
Mrs. Jane George
Mrs. Janet Morrison

COMPENSATION COMMITTEE

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

REGULATORY & MARKET OVERSIGHT COMMITTEE (Rule Based)

Chairman: Mr. Livingstone Morrison
Miss Dian Black
Mr. Garth Kiddoe
Mrs. Jane George
Mrs. Janet Morrison

AUDIT COMMITTEE (Rule Based)

Chairman: Mr. Garth Kiddoe
Mr. Devon Barrett
Mrs. Jane George
Mr. Rohan Miller
Mr. Livingstone Morrison

CORPORATE GOVERNANCE & NOMINATION COMMITTEE

Chairman: Mrs. Janet Morrison
Mrs. Jane George
Mr. Garth Kiddoe
Mr. Julian Mair
Mr. Steven Whittingham (Alternate Mr. Jason Chambers)

EXECUTIVE COMMITTEE

Chairman: Mr. Ian McNaughton (Alternate Mrs. Rita Humphries-Lewin)
Mr. Gary Peart (Alternate Mr. Christopher Berry)
Mr. Julian Mair
Mr. Lissant Mitchell
Mrs. Janet Morrison
Mrs. Marlene Street Forrest (Co-opted)
Mr. Robin Levy (Co-opted)

RULES COMMITTEE

Chairman: Mr. Ian McNaughton
Mr. Garth Kiddoe
Miss Dian Black
Dr. Derrick McKoy
Mr. Steven Whittingham (Alternate Mr. Jason Chambers)

Updated July 21, 2016

THE MANAGEMENT TEAM



Marlene Street Forrest
General Manager, JSE



Robin Levy
General Manager, JCSD,
JCSD Trustee Services Limited
& Deputy General Manager, JSE



Michelle Sirdar
Manager, Registrar
Services

(Cont'd on next page)

THE MANAGEMENT TEAM



Andrea Kelly
Manager,
Trustee
Services



Wentworth Graham
Chief Regulatory Officer



Suzette Whyte
Financial Controller

(Cont'd on next page)

THE MANAGEMENT TEAM



Suzette McNaught
Manager, Information
Technology & Systems



Riccalya Robb
Manager, Market
Operations & Trading



Neville Ellis
Marketing &
Communication
Manager

(Cont'd on next page)

THE MANAGEMENT TEAM



Doreen Parsons Smith
Manager, Human Resources



Suzette Pryce
Manager- Retail
Repo Division



Kadyll McNaught Hermit
Manager, Depository
Service Unit

From the Chairman's Desk

CHAIRMAN'S REPORT



Mr. Ian McNaughton
Chairman
Jamaica Stock Exchange

2016 was another successful year for the Jamaica Stock Exchange (JSE); a year in which profits climbed to a record \$224M from \$175M in 2015, a 28% increase. Total Equity rose from \$621M to \$808M, a 41% increase, while earnings per stock moved from \$0.25 to \$0.32, a 28% increase. As the Chairman, I am pleased to address the shareholders and all stakeholders of the JSE and thank all the persons that have contributed to the JSE having a stellar performance.

2016 Global Performance

The year experienced the positive impacts of low oil prices and economic recovery for many of our trading partners. Despite the recovery of many of the global markets, there were still regional and global uncertainties due to the anticipation of the US elections and especially the decision of UK to exit the European Union. While these events have not noticeably impacted our local economy nor our markets in 2016, it is conceivable that the tail winds will bring changes in 2017.

The Jamaican Economy

The economy grew by approximately 1.7% as measured by GDP and this was also reflected in the performance of the Exchange and improvement in our international credit ratings in 2016. Little or no economic disruption was experienced because of the change of government as the Jamaica Labour Party (JLP) seemed determined to continue with the path set for economic recovery and growth. In spite of the fact that there were still many economic challenges, the Stock Market continue to prove its value for both companies seeking capital and investors wishing to invest. The positive performance of the Main Market and the Junior Market companies on the Exchange attest to this. As we seek to attract more market participants, I am pleased that the year 2016 saw an increase by 57% over 2015 of new accounts (investors) in the market.

The JSE would like to use this medium to express our appreciation to the Government for keeping the incentives in place for the Junior Market companies. The JSE continues to appeal to Small and Medium-Sized businesses to make use of the Government's tax incentives expeditiously to ensure that their businesses grow and develop. This would in turn result in the

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From the Chairman's Desk

CHAIRMAN'S REPORT

continued economic upturn of the country, a win-win for all stakeholders.

The stellar performance of the JSE and its subsidiary, Jamaica Central Securities Depository Group (JSCD) is deserving of recognition for the pursuit of and implementation to date of its strategic plans. As world markets change, the Group has sought to move with the changes in global standards and have through it many conduits made accessible its operations to assist with the smooth functioning of the financial markets.

2017 Outlook

The Board and Management of the JSE expects to see new listings on the markets in 2017 with the reinstating of the Junior Market Corporate Tax Holiday incentive programme and the preparations companies are making to access equity capital. We will continue to impress on companies the need to examine their debt/equity ratio so as to achieve long-term revival and sustainability. This should no doubt result in greater utilization of the market. We are also expecting that all aspects of the JSE's business will continue to grow in 2017 with especially the Depository Services and Trustees Services, as more of our Members Dealers and their clients seek creative avenues for business financing and wealth creation.


The JSE's Board and Management are committed to having a world class stock exchange, which all Jamaicans can be proud of and which will lend itself to the development of not only Jamaica but the region.

Conclusion

The performance of the JSE could not be accomplished without the dedicated staff led by a proficient management team. I congratulate the team for its ownership of our strategic plan and their efficiency in its execution. I look forward to their continued effort which should lead to success in 2017. I would also like to use this medium to congratulate Mrs. Marlene Street Forrest, the General Manager of the JSE, on being recognized by the Government of Jamaica and being accorded the Commander of Distinction (CD) in the area of financial leadership and being recognized internationally by Afro Global of Canada as an international leader. This should be an inspiration for the management and staff and shows that hard work does bring great rewards.

I thank the Member Dealers and customers for their continued faith in the Stock Exchange and look forward to working with all stakeholders to continue the successful achievements of the Stock Market.

Finally, my report would be incomplete if I were not to comment on the work of the hard working and committed directors and committee members whose work and drive for excellence is reflected in our results.

A handwritten signature in black ink, appearing to be "IM", written over a dotted line.

.....
Ian McNaughton
Chairman

2016 Regulatory & Market Oversight Committee (RMOC) Chairman's Report



Mr. Livingstone Morrison
Chairman

During the year, the Regulatory and Market Oversight Committee (RMOC) continued to discharge its oversight responsibility for the Regulatory and Market Oversight Division (RMOD), to which the compliance and market surveillance functions of the Jamaica Stock Exchange (JSE) are assigned. Consistent with its mandate, the programme of activity that was pursued by the RMOC was designed to:

- a. Provide guidance and supervision to the regulatory operations of the RMOD;
- b. Conduct regular review of the RMOD's regulatory operations;
- c. Monitor the conduct of participants, which includes member-dealers, listed companies, their responsible officers and agents;
- d. Enforce compliance to market rules and regulations;
- e. Review measures and rules necessary to maintain and strengthen market integrity and transparency.

In 2016, the RMOD reported handling three hundred and three (303) compliance and surveillance issues, which represented an increase of approximately 48% in the number of issues handled when compared with the previous year. The level of increase in surveillance activities is consistent with the 57% increase in the total number of transactions on the exchange during the year.

The RMOC met on fourteen (14) occasions during the year, to consider policy and operational matters that were critical to the fulfilment of its responsibilities, as dictated by its Terms of Reference (TOR).

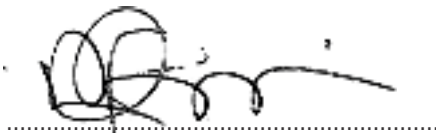
Based on the World Economic Forum's Global Competitiveness Index Report for 2016/2017, Jamaica continued to maintain its good standing as being the highest ranked country in the Caribbean, with a ranking of 32 out of 138 countries, as it relates to the Regulation of Securities Exchanges. The RMOC is pleased that the programme of work to benchmark regulatory operations against international best practices has received global recognition as we join Mexico (ranked at 46) as the countries with the highest ranking exchanges in the region. The RMOC will continue its work to improve regulatory efficiency and effectiveness.

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Regulatory & Market Oversight Committee Report

For 2017, the RMOC will intensify efforts to preserve confidence in the market through further strengthening of surveillance capabilities, supported by the implementation of a new automated market surveillance system, as well as the continued bolstering of the internal arrangements within the RMOC.

In closing, I wish to commend members of the RMOC and the JSE's Board for their unwavering support in 2016. I also wish to express thanks to the RMOC team for the work done during the year and to our stakeholders for their active involvement in the process.

A handwritten signature in black ink, appearing to read "Livingstone Morrison", is written over a horizontal dotted line.

Mr. Livingstone Morrison.
Chairman

The Jamaica Stock Exchange and Its Subsidiaries Audit Committee Report

Audit Committee Composition

1. Garth Kiddoe (Chair) - Independent Director
2. Jane George - Independent Director
3. Livingstone Morrison - Independent Director
4. Devon Barrett
5. Rohan Miller

The Mandate of the Audit Committee

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

Role & Responsibilities of the Audit Committee

The Audit Committee performs an important role in building and maintaining high standards of budgeting, accounting, financial reporting and auditing. The Committee ensures that the Board 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. Thirteen (13) Audit Committee meetings were held during the year under review, with an average members' attendance of eighty (80%) percent.

Internal Controls

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

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

The internal audit function is sub-contracted to PriceWaterhouseCoopers.

Compliance

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

External Audit


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

The Company's external auditors are Ernst & Young.

Financial Statements

During the year, the Committee reviewed all quarterly reports and the annual financial statements to ensure compliance with appropriate accounting principles, IFRS standards 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.



Garth Kiddoe
Chairman

The Jamaica Stock Exchange and Its Subsidiaries

Compensation Committee Report

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

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

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

Directors' fees totaled \$9.7 Million in 2016 and represented a \$1.1 Million increase from 2015, which was \$8.6 Million.

GENERAL MANAGER'S REPORT - JSE



Mrs. Marlene Street Forrest
General Manager
Jamaica Stock Exchange

For the year 2016, JSE Group continued to blaze the trail of success. Still basking in our achievement as Best Performing Stock Exchange globally for 2015, our indices continued to advance; recording growth of 27.6% in the main market and 44.8% in the Junior Market. With the exception of the US\$ index which advanced by 2.1% all other indices recorded double digit advances.

The Group continued the trend of market facilitation and I am pleased to report that the market was active. We successfully effected a business restructuring across the Exchange and in the normal course of business stock prices generally increased. We saw unprecedented corporate actions in 2016 with nine (9) companies having stock splits and one (1) giving their shareholders bonus shares. There was excitement in the air with companies obviously looking at ways to ensure that they remain attractive to the investing public.

It was a year when the general election heralded in a change of government and confidence by consumers and businesses continued to remain high. Companies responded well to our message that the markets should be utilized to raise capital and grow their businesses. Six Small & Medium Sized Enterprises (SME) raised \$0.9b and listed on the Junior Market amidst the removal of the Government of Jamaica Junior Market Incentive in 2016. We are happy to report that through dialogue and the commitment of the current government to incentivize SMEs to grow the economy, the original incentive of the payment of no corporate income tax for the first five years of listing and fifty percent of the prevailing rate for the next five (5) years was reinstated for Junior Market Companies. We expect to see in 2017 and beyond the utilization of this market for the stability and growth of the economy.

Our plan for market education and collaboration to ensure that this happens clearly worked as a number of our members and the JSE joined forces in delivering through public outreaches, stock market games and workshops and other comprehensive training spanning the spectrum of how to buy and sell stock to how to effect best corporate governance standards within organization. The market was certainly energized and ready to be engaged. We must acknowledge that through the support and financial assistance of the Multinational Investment Fund (MIF) we were able to make tremendous inroad into market education with an area we feel is the most direct avenue to achieve financial inclusion.

The JSE Group has worked purposefully at executing plans to diversify our operations and provide profitability to our shareholders. We believe that this can only be achieved if we pay attention to market education, product development and training of both our internal and external customers. While we acknowledge that much has been done in the ecosystem to assist with our efforts we pay kudos to our hardnosed directors, management and staff who did not veer from our charted path. In 2016, despite not having the multiple block transactions which are normally accompanied by significant increased income, our group business continued to grow through normal daily transactions from the diversified operations including the Trustee Services Division which added the Repo Division to its service offerings. We further augmented our service offering with the roll out of our mobile application and our increased presence on social media.

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GENERAL MANAGER'S REPORT - JSE

We have had setbacks within the year 2016. The Jamaica Depository Receipt Programme (JDR) which was slated for roll out faced regulatory hurdles which were unforeseen during the period of development. We have noted that in global markets, this product is a successful addition to the suite of products offered to investors and we believe that in time and with the collective wisdom to grow the equities market, our government will provide us with the space to effectively launch this product and others to increase the offering to Jamaican investors. We continue to press forward with meaningful changes and transitions and as we seek to change our trading platform in 2017, work is progressing in 2016 to ensure that the transition is smooth and where there are problems to alleviate them with dispatch.

It gives me pleasure in reporting that our efforts at diversification, market education, lobbying and operating a fair, efficient and transparent market yielded positive results. In 2016 The Group returned a profit for the year before other comprehensive income of \$223.6 million compared to \$175 million in the previous year with our subsidiary the JCSD contributing \$136.6m to this performance.

We are now in our third year of listing our ordinary shares on the Exchange and we have pursued a number of critical initiatives in order to succeed in the pursuit of our strategic objectives and to ensure that we provide value to our shareholders. We are indeed pleased that our Earnings per stock unit have significantly improved, moving from \$0.25 cents in 2015 to \$0.32 in 2016. Our shareholders benefited not only from the price appreciation of the JSE shares and payment of dividend amounting to \$165.2 million or \$0.66 per stock unit. We experienced a stock price appreciation of 47.9% in 2016 and in October 2016 we also had a 5:1 stock split in which resulted in the share price moving from \$27.50 to 5.50. This we believe will further attract more investors to the Company.

We have been at the forefront of seeking out market opportunities and responding to market needs and will continue to pursue avenues to ensure that the Group has the capacity to be responsive and to remain profitable. We believe that in embracing other markets and Exchanges there is not only more to learn but more to offer our market. We promise that these will be pursued in the ensuing years.

ENVIRONMENTAL FACTORS

Economic Overview

The year 2016 was a positive year for Jamaica despite the slowdown in the economy in the final quarter. The improved performance represents the fourth consecutive year of growth for Jamaica. Of note, Jamaica's credit rating has improved and Jamaican bonds trade at a premium in international markets. The World Bank has delivered the bulk of the program under the US\$510m commitment and at the end of 2016, the IMF approved a three-year US\$1.64 billion Stand By Agreement as a follow-up to the now concluded Extended Fund Facility. In addition, the International Finance Corporation (IFC) continues to support private sector development in Jamaica. Continued prudent macroeconomic policies and careful liability management reduced total government debt to 122% of GDP by the end of 2016, down from the accumulated debt reaching 145% of GDP in 2012.

As it relates to economic growth, the Statistical Institute of Jamaica revealed that the economy grew by 1.4% for the calendar year 2016 compared to the 0.9% growth recorded in 2015. The industries estimated to have recorded the largest growth during the year were agriculture, forestry and fishing, up 12.8; electricity and water, up 3.8%; hotels and restaurants, up 2.1%; and transport, storage and communication, up 0.6%. According to the PIOJ, GDP growth over the last two years have been facilitated by improved macroeconomic stability, including low inflation, moderate currency depreciation, reduction in interest rates, successful completion of quarterly reviews by the IMF; increased business and consumer confidence; and higher employment levels.

At the end of December 2016 the Net International Reserves (NIR) stood at US\$2.72 billion. This reflects an 11.93% increase over the US\$2.43 billion recorded in 2015.

The Jamaican dollar traded at JA\$128.36:USD1:00 as at December 30, 2016. This represents a decline of JA\$7.95 or 6.6% since the start of the year.

For the calendar year 2016 the rate of inflation was 1.7%. This compares to 3.7% in 2015 and 6.4% in 2014.

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GENERAL MANAGER'S REPORT - JSE

Treasury Bill average yields for the month of December 2016 were 5.64%, 5.68% and 6.56% for the 28-day, 90-day and 180-day instruments respectively. The average yields on Treasury Bills for December 2015 were 5.96%, 5.96% and 6.04% for the 28 days, 91 days and 182 days auctions respectively. During the year the BOJ reduced the rate on its 30-day Certificate of Deposit to 5.00% from 5.25% in 2015.

We expect that these lower yields have had a positive impact on the Stock Market in general.

Global Review of Stock Markets for 2016

The performance of the majority of the stocks in the United States saw solid gains in 2016, buoyed by a post-election rally that fueled the Dow Jones Industrial Average to its best performance since 2013. The Dow Jones industrial average was a standout performer, shooting up 13.4% and approaching the 20,000 point level right at the end of 2016.

Russia's RTS index has rallied by 52% in dollar terms since the start of the year. The country's other main index -- Micex -- has shot up by 27%. Global investors rushed into Russia following the U.S. election because they expected President-elect Donald Trump to help thaw frosty relations between the two nations. Russia is also heavily reliant on oil revenue, and it benefited from the recent surge in oil prices.

Argentina's Merval index surged 45% this year and hit a record high in October on the back of major political shifts in the country and an 18% crash in the currency.

Brazil's Bovespa index hit a low in January that hadn't been seen since the 2008 global financial crisis. But then investor sentiment turned around and the market caught fire, rallying 39%.

Like many global stock markets, the TSX Composite index in Toronto rallied from a January low and benefited from the so-called Trump bump. It's up 17.5% this year.

Oslo's All-Share index in Norway has been on a steady climb since the 2008 financial crisis, though it experienced a major pullback in early 2016 as oil prices crashed. It since rebounded and made an 18% gain this year. Specifically, Norway's biggest publicly traded company -- Statoil (STO) -- saw shares increase 29% this year. A smaller peer in the sector -- Aker BP -- saw shares soar by about 185%.

Indonesia's stock market posted a lot of bumps and jumps in 2016 but ultimately closed with a 15% gain. Indonesia's largest

publicly traded firms saw their shares rise this year, with most posting double-digit percentage increases. The country's growing economy is powered predominantly by consumer spending, which means it is relatively insulated from a further slowdown in global trade. The International Monetary Fund predicts economic growth of 5.3% next year, even faster than 2016.

London's benchmark FTSE 100 index defied expectations and hit an all-time high this year after Britain voted to leave the European Union. It is up 14.4% since the start of 2016. The vote for Brexit caused the currency to drop to a 31-year low against the U.S. dollar, which may have provided a "stimulus boost" for the stock market. The Bank of England's move to support the economy, combined with better-than-expected economic data, has also helped the stock market.

Based on the generally positive environmental indicators in the global and local markets, we believe that this should have a positive impact on businesses and by extension the market.

JSE MARKET PERFORMANCE IN 2016



Mr. Devon Barrett, Group Chief Investment Officer & Chief Executive Officer- Victoria Mutual Wealth Management giving his presentation at Portland listing 2016.

Record highs continued to be recorded in 2016 and all indices increased in comparison to the previous year, 2015. The Cross Listed Index saw the biggest increase of 320% or 1,597.00 points closing at 2,096.06 points. The Junior Market Index saw the second largest increase of 44.81% or 802.66 points closing at 2,593.71 points. Followed by the JSE Combined Index which recorded an increase of 29.50% or 46,690.96 points to close at 204,960.10 points. The Main JSE Index and the All Jamaican Composite Index advanced by 27.60% or 41,584.51 points and 25.56% or 42,776.24 points to close at 192,276.64 points and 210,139.49 points respectively. The Select Index increased by 28.60% or 1,424.03 points to close at 6,403.77 points. The JSE USD Index increased by 2.14% or 3.44 points to close the year at 164.50 points.

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GENERAL MANAGER'S REPORT - JSE

Similarly, the market capitalizations achieved substantial growth. As at December 31, 2016, the market capitalization of the Main Market amounted to \$697.45 billion, an increase of 13.30% or \$81.89 billion, compared to the \$615.56 billion at the end of 2015. Market capitalization of the Junior Market at the end of 2016 amounted to \$103.42 billion an increase of \$35.47 billion or 52.22% versus the \$67.95 billion recorded in 2015. For the US Dollar Equities Market, the market capitalization at the end of 2016 amounted to US\$142.13 million compared to US\$132.58 million at the end of 2015.

OPPORTUNITIES

There is no shortage of opportunities to grow the market and achieve profitability for the Group. We have a roadmap and a plan. We have learnt based on our experience with the JDR that sometimes our best intentions are stymied based on the wider market forces. Consequently we will do much more in engaging, lobbying and pursuing and trying to remove the hurdles presented. It is our belief that we must continue to try to find a way to have more emphasis placed on growing the market through the Exchange.

As promised we have had a soft launch of the Corporate Governance Index aimed at providing a tool by which listed companies can measure based on their governance programme how well they are performing in relation to global standards. We have had a series of workshops with our listed companies who we believe are well engaged and have provided meaningful input to enable a seamless launch in 2017.

JSE DEPARTMENTAL HIGHLIGHTS 2016

Trading & Settlement Platforms

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

In 2016, the team worked assiduously to ensure the availability of the core trading and settlement platforms. We experienced no significant downtime that would have otherwise impacted the systems and markets negatively. We have calculated significant downtime should be no more than 30 minutes in each instance and will continue to ensure that this metric is maintained during

2017 and beyond. Additionally, we will continue to ensure the delivery of a reliable IT Strategy that will enable the JSE to take advantage of emerging trends and technology.

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



*Dr. The Hon.
Andrew Wheatley,
Minister of Science
Energy and
Technology
speaking at the JSE
App Launch 2016.*

Successful initiatives during 2016

1. Mobile App
2. Implementation of Boardbooks
3. Continuing activities for the implementation of a new Trading and Surveillance Platform in 2017
4. Continuing activities for the implementation of Online Trading Phase II in 2017

Projects to be implemented in 2017

1. Implementation of New Trading Platform
2. Mobile App for Apple devices
3. Implementation of new products such as Short Selling, Futures and Options and Derivatives
4. Online Trading Phase III
5. Upgrade of infrastructure
6. Upgrade of Financial System

Ongoing Initiatives in 2017

1. Infrastructure Improvements to ensure the infrastructure remains robust and agile.
2. Business Solutions geared towards achieving the group's strategy
3. IT Governance, Security and Service Delivery continuous improvements
4. Customer Service and Support continuous improvements

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GENERAL MANAGER'S REPORT - JSE

Marketing Activities

The success of the JSE Group continued into 2016 from 2015. The JSE saw a huge surge in persons wanting to learn more about the stock market and to invest in the different securities. This is a testimony that the investor education programme has borne fruit and the JSE is now reaping the rewards from the efforts and resources expended in its financial literacy programme that it introduced across the length and breadth of Jamaica and the Jamaican Diaspora. The JSE recognizes that market education is the key for market development and sustainable growth in the long term.

The Exchange utilized various approaches to reach investors and potential investors. The programmes organized to garner investor engagement are outlined below:

Capital Markets Conference

In 2016, the JSE hosted its 11th Regional Investments and Capital Markets Conference with huge success as for the first time attendees surpassed the 400 mark. In addition, Jefferies came onboard as a new major sponsor.

Stock Market Game for High Schools

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

High School Education Programme

A new record of 85 schools visited the Exchange in 2016. This included two overseas colleges making first time visits. The JSE was able to impart financial knowledge to over 2,800 students, up from 2000 in 2015, a 40% increase in the number of students visiting the Exchange.

The schools' 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



The JSE at Mandeville Outreach

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 2016, the JSE partnered with Barita Investments Limited to host three Public Investor outreaches in the parishes of St. Elizabeth, Clarendon and Manchester. There were over 600 persons in total, in attendance. The public outreach programmes have taken on a new phase in which the participating brokerage houses make it easier for persons to open their trading accounts on spot, by facilitating their filling out the necessary forms.

Corporate Outreach

In 2016, 40 institutions were visited by the JSE to spread the message about the market and the “Art of Buying and Selling Shares”. This was a 33% increase in Corporate Outreach and showed the level of interest in the markets.

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 simple and concise information about how the stock market works to benefit Jamaicans to employees at their workplace, thereby bringing the market education to them.

National Investor Education Week

There was a sense of excitement at the 10th National Investor Education Week. The week of activities saw the JSE and Barita Investments Limited visiting the universities as we continue to push the agenda of financial literacy for the Jamaican populace and especially among tertiary students. There were over 1000 University students in attendance from all three universities visited: UWI, UTech and NCU.

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GENERAL MANAGER'S REPORT - JSE

National Investor Education Week is a week of activities geared towards educating Jamaicans on the products and services in the financial sector. It is designed to make Jamaicans more financial literate and be able to make wise financial decisions.

Best Practices Awards

National Commercial Bank Jamaica Limited (NCBJ) copped its third consecutive Governor General's Award for Excellence for the Main Market for 2015, while Honey Bun Jamaica Ltd. won the equivalent for the Junior Market for the second time, having done so in 2011. This announcement was made at the Jamaica Stock Exchange's 12th staging of its Best Practices Awards Banquet held at The Jamaica Pegasus Hotel on December 7, 2016. GraceKennedy Limited won the JSE/PSOJ Best Practices Award for Corporate Governance for the first time and JMMB Securities Limited was crowned the Top Member Dealer for 2015.

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



Custos Patricia Dunwell, Custos Rotulorum of St. Andrew handing the Governor General's Award for Excellence to Mr. Dave L. Garcia - Company Secretary & General Manager, Group Legal & Compliance Division.

Expos

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

- Small Business Expo
- Maths Expo
- Flow Mini Expo
- JMA/JEA Expo

Publications

The Exchange publishes a number of 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

e-Campus

The JSE e-Campus was launched in 2010 under the visionary prowess of the Jamaica Stock Exchange Group with an objective to address the vital need of continuing professional education for the Financial Services Industry and other business sectors.

Ongoing professional education is a significant aspect of almost every professional avenue in today's world. The perpetual advancements in technology have created a demand for continuous upgraded services and therefore continuous self-improvement. At the Jamaica Stock Exchange (JSE), we endeavour to contribute to the educational development of professionals in the Financial Services Industry as well as those who aspire to work in the Industry. The fulfillment of these educational initiatives is accomplished through our training arm, the JSE e-Campus. The JSE e-Campus has been providing quality training at affordable rates for the Sector over the past six (6) years 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 2016 proved to be very positive for the e-Campus with quite a few noteworthy accomplishments made.

The Campus' Post-Graduate Diploma programme in Financial Services Management just welcomed its 10th cohort of students to the e-Campus fraternity.

The e-Campus began offering its newest certificate unit, “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 its participants to develop the knowledge skills and competencies needed to make informed decisions and to increase their level of financial literacy. We are especially proud

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GENERAL MANAGER'S REPORT - JSE

to announce that 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 JSE is now the official re-seller of two (2) of the Institute of Chartered Secretaries and Administrators' (ICSA) offerings, namely; Fast Track Professional Route for Lawyers and Chartered Accountants who wish to become Chartered Secretaries and the Corporate Governance unit. Through the e-Campus, exam preparation classes will be available in 2017.

The e-Campus continues to offer workshops on key topics such as 'Mergers and Acquisitions', 'Financial Regulations and Laws', 'The Jamaica Depository Receipt' and 'Networking'. These informative workshops were well-received based on the feedback received at the end of each workshop.

The e-Campus has also begun to offer customized training workshops for corporate clients to assist in meeting their employees' training needs. 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 JSE e-Campus looks forward to a productive and rewarding new year in 2017.

*Mrs. Marlene Street
Forrest, General
Manager of JSE
addressing potential
students of the E-
Campus, at the ICSA
Fast Track
Qualifications
session.*



INTERNAL AUDIT

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

HUMAN RESOURCES

Our Team

The objective of the Jamaica Stock Exchange continues to be a Workplace of Choice where our team can be provided with a rewarding, productive and fulfilling career; a workplace where through supportive human resource and management practices, we ensure the advancement of staff. We take pride in their development and encourage creativity as we believe this to be an avenue that will effectively align a motivated and productive team with the organization's strategy.

For 2016 team members were engaged in organization climate surveys, cross-training, workshops, and training programmes through the JSE's e-Campus. They were also introduced to the new performance evaluation programme which will facilitate a more effective alignment of employees' performance with the Mission and Vision of the Exchange.

Our Community

Our community is of paramount importance to us and part of our corporate social responsibility is to contribute to community development through social programmes, education, training and job creation. Against this background, the JSE assisted with the refurbishing/rebuilding project at St. Michael's Primary School and continues to sponsor the breakfast feeding programme. This programme has positively impacted the attendance and performance of students as they have reported that the student population has grown from 98 to 189 students and an improvement in their literacy rate from 31% to 72%.

Additionally, the JSE, through our internship programme, took on four young persons from the community through the Citizens Security & Justice Programme (CSJP). These 'Rising Stars' were assigned to various departments within the Group and were developed through on-the-job training and other training programmes. Some have completed their first degrees, while

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GENERAL MANAGER'S REPORT - JSE

the others are in the process of completion of their degree programmes. These 'Rising Stars' are now officially employed to the JSE Group and are listed hereunder:



SANJAY CAMPBELL
IT TECHNICAL SUPPORT OFFICER



GLENVILLE HAMILTON
DEPOSITORY SERVICES OFFICER



ORNELLA DAVIS-MILLS
CLERICAL ASSISTANT
RETAIL REPURCHASE DIVISION



SHANTELE SCARLETT-DENNIS
CLERICAL ASSISTANT
REGISTRAR SERVICES DIVISION

- Proper resource management including receivable and asset utilization
- Working very closely with our customers and other stakeholders
- Increasing investor & business awareness of the markets
- Continue to improve on our regional and international alliances
- Improvements in our internal capabilities and infrastructure for better service delivery
- Image and brand building targeting specifically on social media penetration in achieving this objective.

We have seen an improvement in market penetration and participation and this will be our thrust in 2017. Our mandate to grow the market will not be satisfied until a critical mass of investors and companies operate within this marketplace. We are making steady progress which will yield long-term reward for the investors in the JSE Group and the market in general.

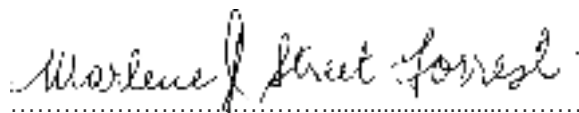
Many thanks to the members of the Board and the Committees who continue to play their part in ensuring that the strategies and the underlying fabric of the Group is current, modern and appropriate and that the Exchange continues to uphold good governance practices.

We are committed to remaining relevant to our shareholders, listed companies, member dealers and other market participants. The team stands ready to continue to deliver on the promise of 'contributing to 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.

FOCUS - 2016

In 2016 the JSE's will seek to explore new avenues of increasing shareholders' value. We intend to do so by focusing on the following:

- Further diversification of revenue stream. Capitalizing on market opportunities by providing new products and services while improving and maximizing the opportunities available through our current product offering
- Reduction where possible of our expenses. We have achieved significant saving in our energy expenditure and hope to continue this progress.



Marlene J. Street Forrest
General Manager, JSE

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CORPORATE SOCIAL RESPONSIBILITY

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

YOUTH OUTREACH

JSE's Youth Development Programme - Focused on Education

The JSE started its Breakfast feeding programme at St. Michael's Primary School in 2011 to ensure that the student population is fed with a healthy meal at the start of their day. The main objective of this Programme is motivation for regular attendance at school, which contributed to improved academic performance. This can be attested by the performance of students at the Grade 4 Literacy & Numeracy test.

In addition to providing the Breakfast Programme at the St. Michael's Primary School, the JSE was a major stakeholder in contributing to the refurbishing and repositioning of the school in making it a 'school of choice' within the community.

Additionally, the JSE contributes to other social development programmes within the schools of the community which includes “Teacher Recognition Day” and “Boys' Day” at St. Aloysius and St. Michael's. In support of the Boys' Day campaign for inner-city youths, the JSE awarded one scholarship to a male student who was successful at the GSAT level at St. Aloysius Primary School, while recognizing the boys' achievements at St. Michael's Primary.

ELDERLY OUTREACH

The JSE over the years has built a very close relationship with the Missionaries of the Poor through its founder Father Richard Ho Lung. Through the visit by our staff to the facilities which house and care for the poor and destitute and by our monetary contributions, the Company seeks to play its part in improving the social fabric of the country.

The JSE also provides needed assistance to the Denham Town Golden Age Home, an institution that takes care of the elderly within our society. The employees make periodic visits at the institution and both company and staff make well needed contributions in cash and kind to ensure that the lives of these senior citizens are made easier.



Samoya Smith 21 years of age attends UWI, Mona, recipient of the JSE scholarship.

For over 15 years the Company has supported students at the tertiary level in completing their courses of studies in the field of Business. This is accomplished by providing the Vernon Mendez Scholarship to well deserving students at the University of the West Indies and University of Technology.

JSE GROUP

2016 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 is provided to enable stakeholders to assess the financial health, material changes and results of its operation for the year ended December 31, 2016. It provides information on liquidity and capital resources and gives a comparative examination of the current year under review against the previous year's performance. The MD&A should be read in conjunction with our Audited Financial Statements and must be considered as complementary information to that which is provided in the audited statements and the accompanying notes. The information presented is based on the best judgment of management, taking into consideration all our internal systems and controls, our plans and the present programmes and policies that are being pursued.

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

During the year 2016 the price of the JSE shares advanced from \$18.60 to \$27.50 dollars as at October 5 when the effected the decision taken to have a 5 to 1 stock split resulting in 701,250,000 shares now in issue. While our stock price closed at \$5.50 it reflects the price adjustment due to the 5 to 1 stock split.

We believe that the stock split will result in a wider distribution of the JSE's shares as well as more market activities.

Our philosophy is that shareholders who have invested in the JSE should participate in the earnings of the company through dividend distribution. Consequently as at the calendar year 2016, the Company has distributed over 75% of current year's profit, that is \$165.2m up from \$140.3m distributed in 2015.

We are pleased that external improved market conditions have positively impacted our profitability. However it is our internal market activities such as new products and services that have significantly impacted on the Group's core revenue streams especially in light of a full year's impact on new business line, notably the JCSD Trustee Services (Repo Division). (Cess Revenue and Listing Fees). We expect that the renewed business and consumer confidence and with the number of new initiatives planned, the Group will see continued growth in its diversification efforts.

UPDATE ON THE IMPLEMENTATION OF THE GROUP STRATEGIC PLAN

As it expected, as the Exchange engaged in ensuring that the 2015-2017 strategic plan was realized, there was an imperative to review our targets and key objectives. We are pleased with the progress made but are convinced that we must continue to push for sustainable growth and development and take advantage of the changing needs of our marketplace. We are also of the view that we must seek to develop products and services which will create demand.

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

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JSE GROUP

2016 Management's Discussion and Analysis

**STRATEGIC PLAN 2015 - 2017
PURPOSE-DRIVEN INDICATORS & TARGETS**
(A) Jamaica Stock Exchange

PERFORMANCE INDICATORS	2016 TARGET	2016 Actual	2017	2018	2019
1. Value of Transactions /year	\$38.2B	\$53.5B	\$43.5B	\$56B	\$67.2B
2. Net Profit	\$43M	\$175	\$49M	\$63M	\$75.6M
3. Net # New Listings /year	34	12	16	25	30
4. Amount of Capital Mobilized	\$3B	\$9B	\$15B	\$23B	\$27.6B
5. Return of Equity relative to T-bill	T+3%	T+23.7%	T+13%	T+13%	T+15%

(B) Jamaica Central Securities Depository Group

PERFORMANCE INDICATORS	2016 TARGET	2016 ACTUAL	2017	2018	2019
1. Net Profit \$M	\$79.9M	\$138.6M	\$132M	\$125M	\$150M
2. Return on equity (relative to T-Bill)	T+22%	T+44%	T+37%	T+25%	T+25%
3. Trustee Market Share- Non Govt. bonds & Unit Trusts)	60%	65%	68.3%	70.0%	75%
4. Market Capital \$B	\$638B	\$801B	\$830B	\$900B	\$900B
5. Registry market share, %	51%	47%	53%	70%	70%
6. Value of securities in custody \$T	\$1.46T	\$1.04T	\$1.13T	\$1.6T	\$1.3T
7. # of Trustee Clients	70	65	73	82	90

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JSE GROUP

2016 Management's Discussion and Analysis

The JSE continues to work towards meeting our major strategic objectives which are aligned to making the market efficient, customers satisfied, 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 thirteen (13) years the Company has pursued a path of revenue diversification of its products throughout the Exchange and its subsidiaries. The results of this effort are seen in the Group's reaping the benefits from the profitability of the JCSD Trustee Service and Registrar Services and from other initiatives that are making a significant contribution in the operating revenue of the Company. In 2016 Fee Income increased by \$127.4 or 38.6% over 2015. Cess revenue and Investment Income, which are usually considered to be the two major sources of revenue of the Group, increased by 9% and 22% respectively or a cumulative improvement of \$37.7M. Other areas of the revenue combined marginally improved by \$2M, which resulted in a net improvement in revenue. We are pleased to inform that for the first time since its inception e-Campus showed a small net profit.

The Group's Financial Statements reflect an improvement in revenue (not including interest income) of \$157.5M or 22%. The market benefited mainly from our diversification efforts.

Most areas of expenditure increased over the prior year, with the total moving from \$495.9M in 2015 to \$582.9M in 2016, which represents \$87M or 17.5% increase in expenditure. Detailed explanation is provided further in this analysis.

The profitability of the Group improved generally when compared to the prior year. Profit after taxation reflects a significant improvement of \$223.6M up from \$175M in 2015. This is due mainly to improved market activity, which was primarily caused by generally settled economic conditions during the year. Investment income in 2016 Fee increased by \$9.4 or 22.2% over 2015.

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 also has begun its efforts to work more closely the Exchanges within the Caribbean and these efforts have resulted in significant reduction in expenditure. With our commitment to examine and exploit market opportunities wherever they are, we are now laying the foundations to have our presence in United States and Canada through diaspora engagements and other business relationships which have been formed.

Through market education the Group aims to retain current investors and attract new ones, as we recognize that expansion will not be successful in the long-term without an expanding pool of financially-educated investors. Recognizing that attracting new players to the market must be supported by new and existing products that are driven by customer demand, the JSE is treating this as an imperative. Through industry collaboration with organizations such as the PSOJ, Securities Dealers Association and the Small Business Association we expect to effectively bring about positive changes to the securities market. While we believe that the Group's initiatives will result in more vibrant trading of securities on the stock market as well as a more diversified revenue stream that will augur well for the medium to long-term growth and profitability of the Group, we understand that these initiatives cannot be pursued unless they are driven by external demand and so we aim to listen to our customers.

JSE GROUP

2016 Management's Discussion and Analysis

- **Continued Diversification in Related Business Lines**

We continue to diversify our activities into current, relevant and related business lines. The path has taken 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 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 are re-engineering our offering in the e-Campus Division to allow for better market product acceptability as well as asset utilization. This we believe will redound to profitability of that division.

Summary of Long Term Vision includes:

- 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

Overview of the Business

Both the Jamaica Stock Exchange and its subsidiary, the Jamaica Central Securities Depository, 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, Trayport Limited and Percival 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. Within 2017 we will be changing our electronic trading platform and expect that the move will lead to long-term acceptance and efficiency.

Memberships and Accreditations

- Subscribes 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
- e-Campus has been:
 - CPD Certified, UK; approved by the Financial Services Commission;
 - Registered by the University Council of Jamaica (as a Tertiary Institution) and
 - Approved by the Ministry of Education and
 - Also accredited by the General Legal Council of Jamaica for its Law Course

Market Depth

- 63 listed companies offering sixty-five (65) Ordinary Securities (33 listed on the JSE Main Market, 29 listed on the JSE Junior Market and 3 listed on the US Dollar Equities Market) and seventeen (17) Preference Securities (12 listed on the JSE Main Market, three listed on the JSE Junior Market and two 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.

JSE GROUP

2016 Management's Discussion and Analysis

- 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 2016 was J\$800.86 billion. The top five stocks represented 52.49% of overall market capitalization.
- The JSE maintained seven indices during 2016:
 - (i) The JSE Main Market Index
 - (ii) The JSE All Jamaican Composite
 - (iii) The JSE Select
 - (iv) The JSE Cross-Listed Index
 - (v) The JSE Junior Market Index
 - (vi) The JSE Combined Index
 - (vii) The JSE US Dollar Equities Index

The JSE Main Index is a market-weighted index comprising ordinary shares of all listed companies. 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 Cross-Listed Index measures the performance of the companies that are also registered outside of Jamaica and 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\$9.9 billion was raised from the companies that listed securities in 2016 and a total of JA\$5.8 billion has been raised by the companies listed on the Junior Market since inception in 2009.

Market Operations & Trading

Notable improvement was recorded in the market activity in 2016 in comparison to 2015. All markets, Main, Junior & US Dollar Equities Market recorded marked improvement in their market statistics in 2016.

Main Market

As at the end of 2016: the JSE Index advanced by 41,584.51 points or 27.60% to close at 192,276.64 points, per Chart 1 below. The All Jamaican Composite Index increased by

42,776.24 points or 25.56% to close at 210,139.49 points; the JSE Select Index increased by 1,424.03 points or 28.60% to close at 6,403.77 points; and the JSE Cross Listed Index increased by 1,597.00 points or 320.00% to close at 2,096.06 points in comparison to the 2015 year end closing indices.

Chart 1



Market capitalization of the Main Market amounted to \$697.45 billion at the end of 2016. This was an increase of \$81.85 billion or 13.30% from the start of the year. Please view the chart below for more detail.

Chart 2



The Main Market (inclusive of block trades) recorded a total of 30,698 transactions with volume traded of 3.36 billion units that were valued at \$48.45 billion. This represented an increase of 41.03% in the number of transactions, a decrease of 18.40% in the volume traded and a decrease of 25.06% in the value traded in comparison to prior year. For the year under review, the following was recorded in the market statistics (excluding the

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JSE GROUP

2016 Management's Discussion and Analysis

block market): the number of transactions and value traded increased by 41.03% and 24.98% respectively while the volume traded declined by 3.79% when compared to the market activity of 2015.

The charts below reflect the trading activity on the main market (excluding blocks) for 2016 compared to 2015. On the block market in 2016, block trades amounted to 14, an increase of 40%, volume traded amounted to 1.55 billion units, a decrease of 30.69% and valued traded amounted to \$22.92 billion, a decrease of 48.17%.

Chart 3

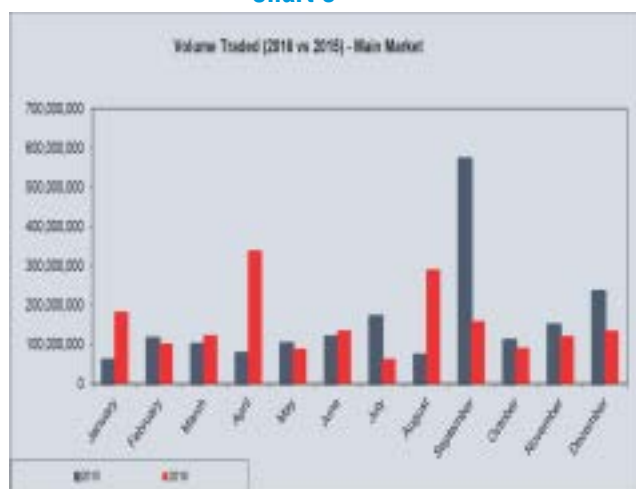
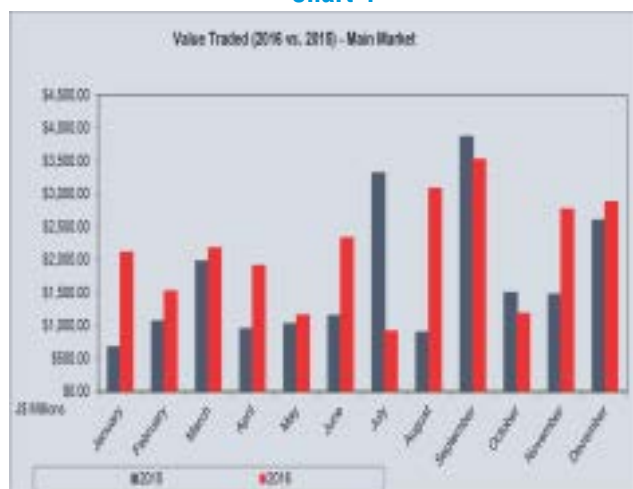


Chart 4



The performance of the market for 2016 was also captured in the advance/decline ratio, which indicated that a total of thirty-five stocks advanced while four declined. The average price appreciation was 40.71% for the ordinary stocks in the Main Market partially as a result of eight companies reflecting significant price increase of more than 50% for the year; one company increased in price by over 300%. Presented in table 1 are the top ten advancers and decliners of the Main Market for 2016, while the succeeding charts indicate the recent five years of JSE trading history of the main market.

Table 1 - Top Advancers and Decliners for 2016

WINNERS	
Company	% Change
Trinidad Cement Limited	320.00%
Palace Amusement (1921) Co. Ltd.	124.68%
Caribbean Cement Company Ltd.	82.87%
Jamaica Producers Group Limited	78.65%
Kingston Wharves Limited	76.14%
Berger Paints Jamaica Limited	75.00%
Barita Investments Limited	57.89%
PanJam Investment Limited	50.64%
GraceKennedy Limited	48.76%
Jamaica Stock Exchange Limited	47.85%

LOSERS	
Company	% Change
Cable & Wireless Jamaica Limited	(47.83%)
Ciboney Group Limited	(14.29%)
1834 Investments Limited	(7.69%)
Salada Foods Jamaica Limited	(0.23%)

JSE GROUP

2016 Management's Discussion and Analysis

Junior Market

The JSE Junior Market Index increased by 802.66 points or 44.82% to close the year at 2,593.71 points.

The Junior Market welcomed the listing of seven new securities during the year, bringing the total listings to thirty-four securities. Market activity on the Junior Market recorded an increase of 100.36% in the number of transactions, a decrease of 54.40% in the volume traded and a decrease of 50.13% in the value traded. The number of transactions amounted to 15,536 trades, the volume traded amounted to 590.81 million units and the value traded amounted to \$3.70 billion in 2016. As at December 31, 2016, market capitalization of the Junior Market amounted to \$103.42 billion. This was an increase of \$35.52 billion or 52.31% from the start of the year. There were 251 days of trading in 2016 and 253 days of trading in 2015. The charts below reflect the trading activity in the Junior Market for the year under review compared to the previous year.

Chart 5

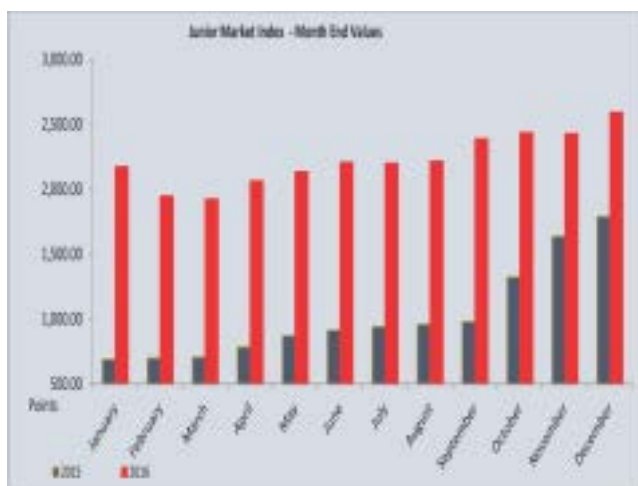


Chart 6

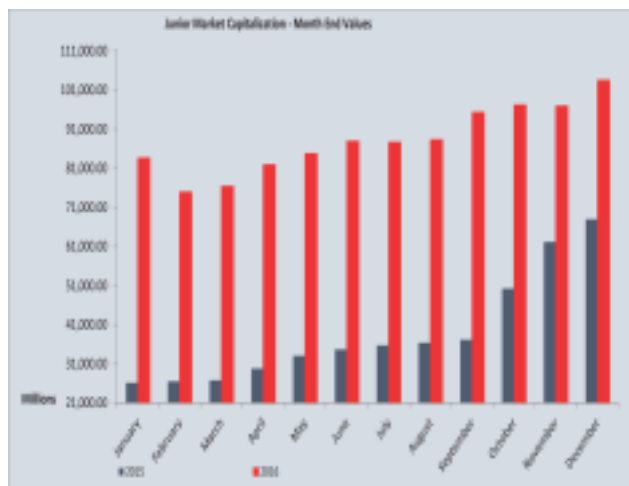


Chart 7

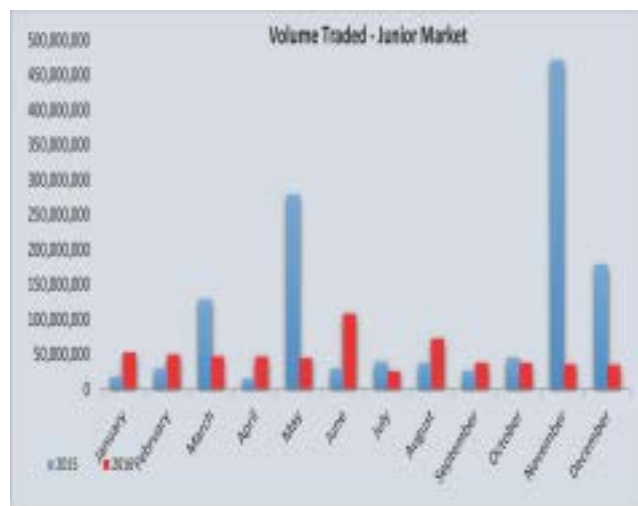


Chart 8

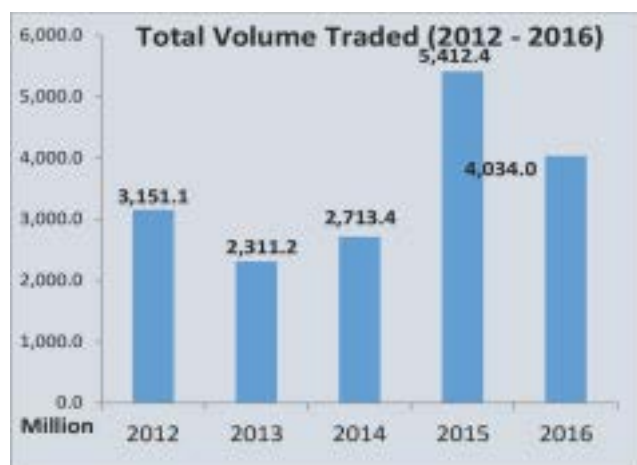
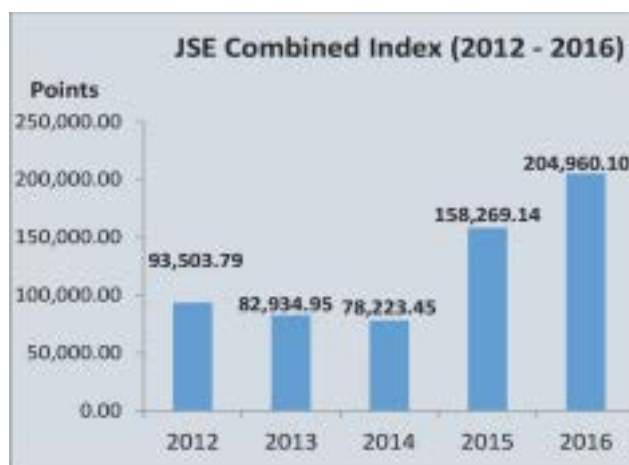


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JSE GROUP

2016 Management's Discussion and Analysis

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



US Dollar Equities Market

In the US Dollar Equities Market, the total volume amounted to 59.63 million units valued at US\$12.11 million in 2016. This was an increase of 142.39% in the volume traded and an increase of 140.54% in the value traded when compared to the market activity in 2015. The number of transactions stood at 1,289, representing a 98.00% increase on the 651 trades in 2015. The JSE USD Equities Index increased by 3.44 points or 2.14% to close at 164.50 points. Market capitalization ended the year at US\$142.13 million, an increase of 7.19% for the year. There were three new listings on the US Dollar Equities Market in 2016.

Bond Market

There were three new listings on the Bond Market in 2016. The trading activity on the Bond Market for the year resulted in three trades with a total value of \$6.3 million.

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JSE GROUP

2016 Management's Discussion and Analysis

The JSE Group Financial Performance

(Comparison for Years Ended December 31, 2016 & December 31, 2015)

(i) **Revenue**

Operating Revenue of \$865.8 million in 2016 reflects an improvement of \$157.5M or 22.2% increase over 2015. There was positive growth registered in all major revenue areas with the most positive change in Cess, membership fees, retail repurchase agreement registrar and trustee services. The diversification of the revenue streams is proving to be successful in providing a steady and predictable revenue source and a significant portion of the Group's revenue.

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

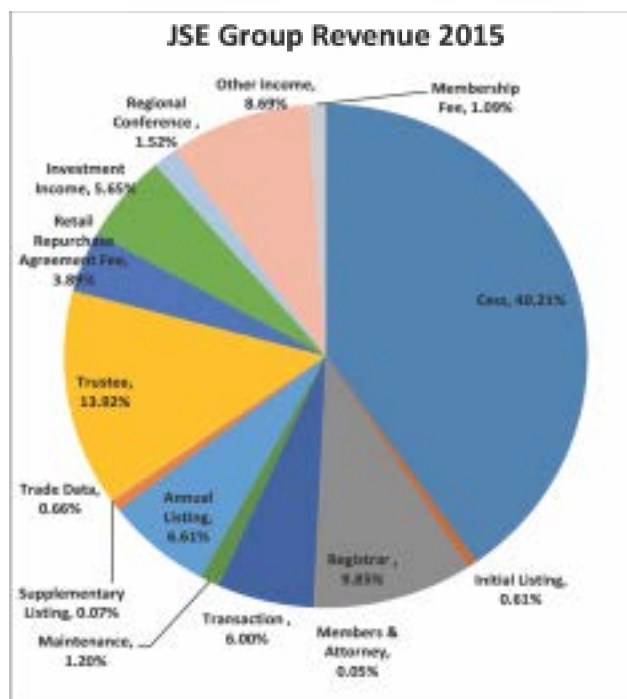
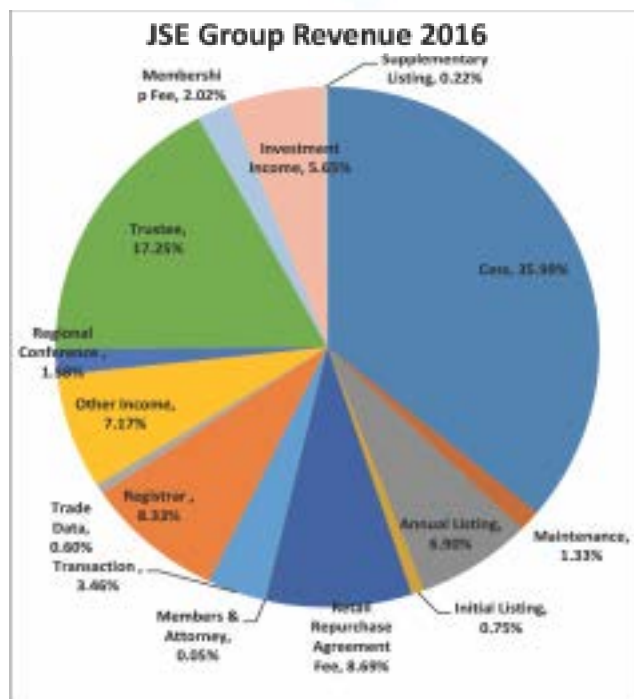
**TABLE 4: JSE GROUP REVENUE (INCLUSIVE OF INVESTMENT INCOME)
PERIOD 2012- 2016**

GROUP REVENUE	2016	2015	2014	2013	2012
Cess	330,229,000	301,882,000	68,632,000	70,373,000	265,164,000
Fee Income					
<i>Annual Listing</i>	63,296,524	49,612,390	49,344,448	38,849,344	43,969,327
<i>Initial Listing</i>	6,915,162	4,549,360	3,423,808	5,010,778	583,547
<i>Supplementary Listing</i>	2,016,254	497,144	337,682	109,433	209,501
<i>Members & Attorney</i>	430,000	375,000	1,624,175	1,000,000	56,390,000
<i>Transaction</i>	31,766,185	45,009,747	13,902,102	28,959,401	31,629,694
<i>Maintenance</i>	12,238,260	8,972,863	3,733,047	3,381,940	3,423,600
<i>Trade Data</i>	5,479,766	4,945,769	4,027,054	3,467,314	3,788,900
<i>Registrar</i>	76,469,482	73,975,546	51,679,401	22,673,653	20,954,393
<i>Trustee</i>	158,316,544	104,519,850	67,850,000	56,082,997	26,429,174
<i>Retail repurchase agreement fee</i>	79,781,069	29,209,867	-	-	-
<i>Membership Fee</i>	18,533,064	8,155,697	2,716,833	1,433,600	1,854,000
Other Income					
<i>Regional Conference</i>	14,532,000	11,376,000	13,800,060	14,497,462	9,420,895
<i>Other Income</i>	65,778,048	65,209,697	56,178,940	45,480,538	40,483,360
Sub-Total	865,781,358	708,290,930	337,249,550	291,319,460	504,300,391
<i>Investment Income</i>	51,808,000	42,424,000	42,362,000	56,455,000	38,166,000
<i>Other Gains</i>	-	-	147,000	27,000	5,931,000
TOTAL	917,589,358	750,714,930	379,758,550	347,801,460	548,397,391

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JSE GROUP

2016 Management's Discussion and Analysis



- **Expenditure**

Expenses of \$582.9M in 2016 represent an increase of \$87.2M or 17.5% over the \$495.9M in 2015. The Exchange continues to monitor expenditure by applying tight procurement guidelines and seeking alternative and more effective means of achieving the same objectives. Areas which showed significant increases over 2015 are highlighted below:

- **Staff Costs**

Staff Cost was \$215.1m in 2015 compared to \$273.4M in 2016 which represents an increase of \$58.3m or 27.1%. This movement was primarily driven by the an increase in staff complement driven by the introduction of new business lines, salary increase of 6.5 % for 2016 and an end of year incentive of \$30.7M which was awarded to staff due to the Group's performance above budget and in keeping with the JSE Group's Incentive Policy.

- **Professional Fees**

Professional Fees increased from \$35.3M in 2015 to \$45.2M in 2016. This increase of \$9.9m or 28.07% which is primarily associated with strategic planning programme being implemented by the Group and which have borne fruits.

- **Depreciation & Amortization**

An increase from \$18.3M in 2015 to \$25.8M in 2016 representing \$7.5M or 41% is due primarily to the increase in assets purchased and revaluation of land and building during the year.

(ii) **Net Profit**

The parent company's profit for 2016 was \$175.0M inclusive of \$90m dividend income from subsidiary and the profit from its subsidiary was \$138.6m. Upon consolidation the Group recorded a Net Profit for 2016 of \$223.6M. This performance was above the profit of \$175.0M recorded in 2015 due primarily to a 27.8% increase in revenue. Expenditure increased by 17.5%.

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JSE GROUP

2016 Management's Discussion and Analysis

(iii) Earnings Per Share

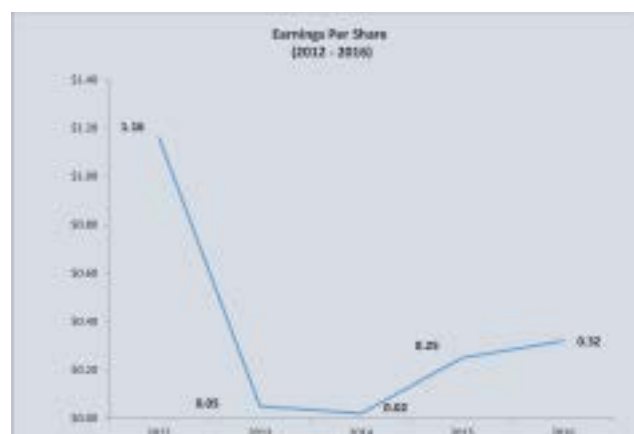
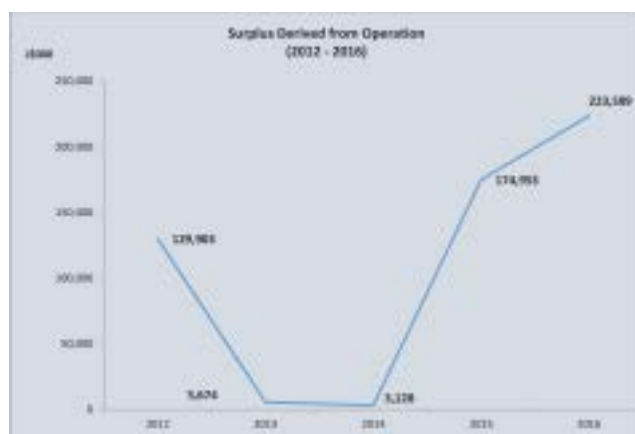
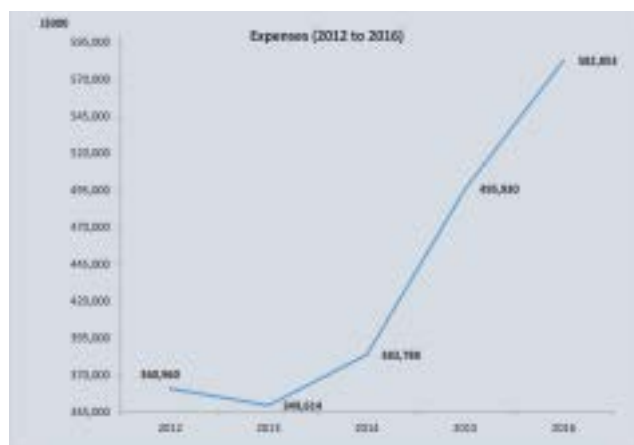
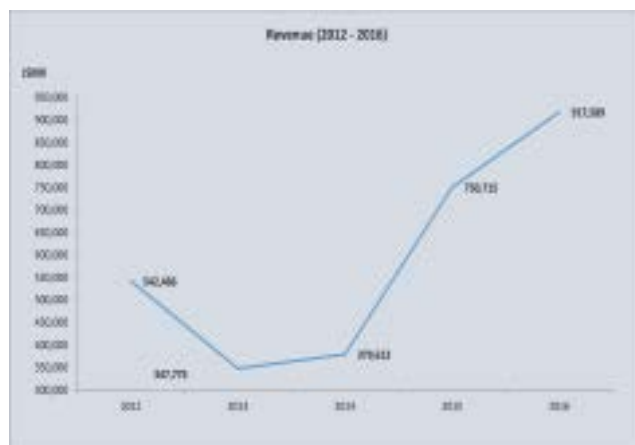
Basic earnings per stock unit is calculated by dividing the profit by the weighted average number of stock units. The weighted average number of stock units in 2015 is 701,250,000 and represents the total ordinary stocks on issue at no par value. The basic earnings per stock unit increased from \$0.25 in 2015 to \$0.32 in 2016.

(iv) Revenue Reserves

The Group's Revenue Reserves increased in 2016 to \$392.2 million from \$329.5million in 2015.

Table 5: Five Year Key Financial Highlights

(\$'000)	2016	2015	2014	2013	2012
Revenue	917,589	750,715	379,612	347,775	542,467
Expenses	582,853	495,930	383,788	349,614	360,960
Surplus derived from Operations	223,589	174,953	3,128	5,674	129,903
Earnings per share \$	0.32	0.25	0.02	0.05	1.16



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JSE GROUP

2016 Management's Discussion and Analysis

Market Conditions and Outlook

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

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

Partnership/collaborations

We have benefitted from our partnership with the government and we will continue to engage them as we encourage SME and others to list and otherwise participate in the market. We see as critical our continued dialogue with the government for the development of a Real Estates Investment Trust (REIT) environment, the listing of government of Jamaica securities and the divestment of government assets through the market as other steps in the development of Jamaica's financial landscape.

Our partnership with the IDB Multilateral Investment Fund on a US\$ 1.1M project aimed at 'Promoting Access to Equity Financing to SMEs through the Junior Market' is on track and we have successfully delivered on this project. The programme has so far stimulated more interest in the equities market which will ultimately lead to more listings and more persons investing in the market. The Exchange takes this opportunity to thank the IDB for this timely intervention.

The JSE Group expects to see a steady growth in the market in 2017 evidenced by more transactions across the floor of the Exchange. However of more significance is our expectation that more transactions will be processed through its Registrar and Trustee Services Division. Our expectation is that 2017 will be a year not without challenges locally, but throughout this period we believe we must and will develop the infrastructure that is necessary to equip the Group for long-term growth and sustainability.

The Jamaica Stock Exchange (JSE) is committed to ensuring that its operations compliment and enhance effective environmental practices. We take pride in the fact that the JSE's building is a heritage site (being an annex of the Myrtle Bank Hotel) therefore our building is maintained to preserve the architecture for posterity. Within our operations, we are mindful of the positive impact of proper environmental practices on our internal and external surroundings and consequently, have been working to operationalize our business continuity plan which heavily involves issues relating to the environment.

Based on the fact that the JSE is in close proximity to the seventh largest harbour in the world, we are guided by environmental regulations and good governance in our waste disposal practices. Additionally, as part of our community project we sponsored a 'clean the harbour campaign' thereby increasing community awareness.

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

The Regulatory & Market Oversight Division

2016 Year In Review of JSE's Regulatory Activities

As is customary, the Jamaica Stock Exchange's (JSE) Annual Report presents the perfect opportunity to provide our stakeholders with a year in review of undertakings of the Regulatory and Market Oversight Division (RMOD) during the year.

In 2016 the RMOD continued to satisfy our core responsibility of ensuring compliance with the rules and regulations of the Jamaica Stock Exchange (JSE). During the year we continued, though the application of our processes, to timely identify and resolve breaches as well as sensitize market participants on their obligations under the JSE's Rules, by the use of appropriate mechanisms.



Mr. Andre Tulloch (r), Deputy CRO (Acting) of the JSE, handing Mr. Oliver Townsend, CEO of Knutsford Express, the Junior Market Rule Book at the Knutsford Express Listing Ceremony.

Performance Indicators

Arising from the abovementioned activities, the RMOD continued to maintain a case closure rate of over 90% despite an increase in the number of compliance and market surveillance issues handled in 2016. In this regard, the RMOD in 2016 handled 303 compliance and market surveillance issues compared to 205 in 2015. Further comparative details of performance indicators over the years 2014 -2016 are shown in **Table 1**. ▶

Operational Activities

The RMOD's operational activities span several areas, which are Member-Dealer Regulation, Listed Company Compliance, Market Surveillance, Enforcement, Dispute Resolution and Risk Assessment. During the year the RMOD undertook several activities in relation to each area, which are detailed below:

1. Member-Dealer Regulation

In 2016 the RMOD identified Fifty-Three (53) compliance and market surveillance issues concerning member-dealers. These issues were identified through activities relating to reviews of member-dealers financial filings, monitoring of trading activities on the JSE, inspections and monitoring of member-dealers compliance to applicable rules of the JSE. In this regard, the RMOD in 2016 reviewed Two Hundred and Four (204) financial submissions from Member-Dealers, which included Monthly, Quarterly and Audited Financial Statements and conducted six (6) on-site inspections. Other engagement by the RMOD in 2016 included providing timely reminders to Member-Dealers on JSE Rule 229 - Business Continuity and Contingency Plan (BCCP) reviews and JSE Rule 225 Insurance renewals.

Table 1 - Performance Indicators

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

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Arising from the RMOD's engagement with Member-Dealers on their financial filings, which included notifying member-dealers of outstanding financial statements, member-dealers have continued to maintain a timely filing rate of over 90% for Monthly and Quarterly financial filings. It is also worthy to note that in 2016, Member-Dealers timely filing rate for Audited Statements improved to 75% from 58% in 2015.

2. Listed Company Compliance

During the year, listed companies submitted a total of 1,315 submissions (2015; 1,238), which were reviewed by the Division. These submissions related to financial reporting, notices concerning trading by insiders and corporate actions concerning issues such as dividend payments amongst others. Stemming from the review of the aforementioned notices as well as market surveillance activities, the RMOD in 2016 identified Two Hundred and thirty-one (231) issues concerning listed companies. The RMOD in 2016 also continued its sensitization of listed companies on their obligations under the JSE's rules via the issuance of reminder notices. In this regard, the RMOD circulated 353 (2015; 312) reminder notices concerning financial filing, corporate governance and mentor agreement renewals. In 2016 the RMOD also convened eight (8) orientation sessions with newly appointed Company Secretaries and Mentors of Listed Companies to sensitize as to their role and the JSE's requirements.

Arising from the RMOD's engagement with Listed Companies on their financial filings, both Main and Junior Market Companies continued to maintain a timely filing rate of over 90% in respect to unaudited filings. It is also worthy to note that in 2016, the timely filing rate for Junior Market Companies' Annual Reports improved from 68% in 2015 to 74% in 2016. The RMOD's engagement with Listed Companies in 2016 also saw a decrease in the tally of listed companies that provided late notices to the JSE concerning dealings by insiders. Our engagement also resulted in all listed companies, except one, satisfying the timeline requirements of providing notification of corporate actions relating to dividend payments and stock splits. The RMOD also saw a 100% compliance rate for Junior Market Companies' Mentor Agreement Renewals and an 85% compliance rate to JSE Rule 414 concerning Corporate Governance Guidelines review.

3. Market Surveillance

The RMOD's market surveillance routine involves examining daily trading activities on the JSE to detect market infractions and the generation of Exception Reports. In 2016, the RMOD formulated 25 (2015:32) Exception Reports based on its market surveillance activities, which aided in identifying issues as noted above for Member-dealers Regulations and Listed Companies Compliance. It is also worthy to note that the RMOD's operations in this area assisted in

identifying five (5) issues that were classified as “Other Compliance and Market Surveillance issues,” which are issues that are attributable to other market participants who are not classified as a member-dealer or listed company.

4. Enforcement

The Division's enforcement activities involve levying fines, delisting and suspension of market constituents. In 2016 the Division administered Sixty (60) enforcement actions and levied fines amounting to \$9.2 million.

5. Dispute Resolution

For 2016 the RMOD handled 14 (2015: 6) complaints through its Dispute Resolution processes and closed all except one (1).

6. Risk Assessment

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

7. Other Operational Activities

In promoting awareness of the JSE's regulatory programme, the RMOD releases recurring publications that provide updates to the market on the Division's regulatory undertakings. During the year, the RMOD released via the JSE's website twelve (12) Monthly Regulatory Reports and two (2) Newsletters.

In addition to the above, the RMOD also participated in the review of circulars concerning Initial Public Offerings and Takeover Offers. For the year, the RMOD examined Eighteen (18) prospectuses, Two (2) Takeover Bid Circulars and Four (4) Directors Circulars while upholding its review turnaround cycle of two (2) days.

Closing Remarks

In closing, the RMOD wishes to thank all its stakeholders for their input and assistance, which allowed the JSE's regulatory arm to realize the abovementioned operational activities for 2016. We also wish to thank specifically the Regulatory & Market Oversight Committee (RMOC) and the wider JSE's Board for their continued commitment to ensuring a robust and conformable stock market. Much respect and acknowledgment is also extended to those investors in the market who have engaged the RMOD and were involved in ensuring that the market operated on sound principles of transparency. For 2017 we anticipate the continuation of this support from all and commit to delivering performance that assures the Exchange maintains an effective regulatory programme.

SHAREHOLDINGS

Top 15 for Jamaica Stock Exchange As at December 31, 2016

Name	Joint Holders	Volume	Percentage
SAGICOR POOLED EQUITY FUND		<u>84,911,790</u>	<u>12.10</u>
	Client total ownership	84,911,790	12.10
VMWM (PRINCIPAL TRADING A/C)		<u>51,000,000</u>	<u>7.27</u>
		<u>404,750</u>	<u>0.05</u>
	Client total ownership	51,404,750	7.33
M/VL (PRINCIPAL TRADING A/C)		<u>26,125,000</u>	<u>3.73</u>
		<u>25,125,000</u>	<u>3.58</u>
	Client total ownership	51,250,000	7.31
SAGICOR INVESTMENTS JAMAICA LIMITED		<u>51,000,000</u>	<u>7.27</u>
	Client total ownership	51,000,000	7.27
SCOTIA INVESTMENTS JAMAICA LIMITED		<u>51,000,000</u>	<u>7.27</u>
	Client total ownership	51,000,000	7.27
JMMB SECURITIES LTD. HOUSE ACCOUNT #2		<u>51,000,000</u>	<u>7.27</u>
	Client total ownership	51,000,000	7.27
GK CAPITAL MANAGEMENT LIMITED		<u>51,000,000</u>	<u>7.27</u>
	Client total ownership	51,000,000	7.27
BARITA INVESTMENTS LIMITED		<u>51,000,000</u>	<u>7.27</u>
	Client total ownership	51,000,000	7.27
MAYBERRY CO A/C 120008		<u>51,000,000</u>	<u>7.27</u>
	Client total ownership	51,000,000	7.27
NCB CAPITAL MARKETS LTD. A/C 2231		<u>50,960,035</u>	<u>7.27</u>
	Client total ownership	50,960,035	7.27
STOCKS AND SECURITIES LTD (ALPHA)		<u>35,387,795</u>	<u>5.04</u>
	Client total ownership	35,387,795	5.04
JCSD TRUSTEE SERVICES LTD - SIGMA OPTIMA		<u>18,649,200</u>	<u>2.66</u>
	Client total ownership	18,649,200	2.66
P.A.M. LTD. - JPS EMPLOYEES SUPERANN.FUND		<u>10,525,710</u>	<u>1.50</u>
	Client total ownership	10,525,710	1.50
COLIN P TWILSON5000.0001%		<u>10,200,000</u>	<u>1.45</u>
	Client total ownership	10,200,500	1.45
ATL GROUP LIMITEDPENSIONFUND TRUSTEES NOMINEE		<u>10,000,000</u>	<u>1.43</u>
	Client total ownership	10,000,000	1.43

SHAREHOLDINGS

Executives Holdings for Jamaica Stock Exchange As at December 31, 2016

Name	Joint Holders	Volume	Percentage
MARLENE STREET FORREST 1656248		<u>150,000</u> 150,000	<u>0.02</u> 0.02
ROBIN LEVY 1903798		<u>250,000</u> 250,000	<u>0.04</u> 0.04
SUZETTE MCNAUGHT 1300367	Minette McLeish	<u>75,000</u> 75,000	<u>0.01</u> 0.01
SUZETTE WHYTE 1902956	Felix Whyte	<u>50,000</u> 50,000	<u>0.01</u> 0.01
NEVILLE ELLIS	Judth Vynel Ellis	<u>10,000</u> 10,000	<u>0.00</u> 0.00

Directors Holdings for Jamaica Stock Exchange As at December 31, 2016

Name	Joint Holders	Volume	Percentage
Derrick McKoy 1187145	Grace McKoy	<u>666,170</u> 666,170	<u>0.0949</u> 0.0949
<u>ALTERNATE DIRECTORS</u>			
EDWIN MCKIE	SELF		
	Key Members Holdings	1,250,000	0.1783
	Connected Party Holdings	<u>0.00</u>	<u>0.0000</u>
	Combined Holdings	1,250,000	0.1783

SUBSIDIARIES' REPORT FOR 2016

OVERVIEW

The JCSD Group, comprising JSE Subsidiaries Jamaica Central Securities Depository Limited (JCSD) and JCSD Trustee Services Limited (JCSCTS), continued the annual trend of growth, increased revenue and contained expenses to result in improved profitability and an enhanced capital position at the end of 2016.

FINANCIAL ANALYSIS

All revenue lines showed year-over-year increases due to increased business in 2016. The year's total revenue of \$422m represented a 34% improvement over 2015. The largest revenue increases were in Trustee Fees, which increased by 51% as a result of growing trust portfolios and an increased number of clients, and Retail Repo Fees, which increased by 173% as reflective of the first full year of the service being offered. These combined JCSCTS income lines now comprise approximately 56% of total Group revenue for the year. As the Exchange continued to experience robust trading during 2016, JCSD's share of Cess Revenue accordingly increased by over 9% while Membership & Users Fees, which includes Registrar Service Fees also increased marginally over prior year.

The Group's total expenses of \$229m for the year represented a 20% increase over 2015, largely due to increased personnel costs from staffing the new Retail Repurchase Services Department for a full year and increased property expenses and professional fees. Expenditures were largely within budget throughout the year. Group After-tax Profit of \$139m for 2016 represented a 58% 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 50% to end 2016 at \$457m. An interim dividend of \$90m was also paid to parent company, the Jamaica Stock Exchange, during the year.

OPERATIONS

The Group continues to place heavy reliance on its technical and human resources to maintain efficiency and high customer service standards. Work has been done to customise the depository's main operating system for cross-functional utilisation. There were new hires, targeted training and some cross-training during the year. Internal audits conducted by PriceWaterhouseCoopers supported the process reviews that were done throughout the year, to facilitate the management of the risks associated with the increasing size and variety of new business being undertaken.

CONCLUSION & VISION

The Group continues to add value to the financial service industry and investing public, as evidenced by the high level of repeat business noted. We plan to continue growing our range of services organically and profitability in contributing positively to the JSE Group's financial success.



.....
Robin Andrew Levy
General Manager & Company Secretary
- JCSD and JCSCTS



AND ITS SUBSIDIARY

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



Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of The Jamaica Stock Exchange Limited

Opinion

We have audited the separate financial statements of The Jamaica Stock Exchange Limited (the Company) and the consolidated financial statements of the Company and its subsidiaries (the Group), which comprise the separate and consolidated statements of financial position as at December 31, 2016, the separate and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the financial position of the Company and the Group as at December 31, 2016 and of its separate and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

Key Audit Matters

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

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

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Chartered Accountants

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Key Audit Matters (Continued)

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

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Chartered Accountants

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for credit losses (continued)	<p>In assessing the appropriateness of the overall provision for impairment we also considered the consistency of management's application of policy for recognising provisions with the prior year. Specifically we considered:</p> <ul style="list-style-type: none"> i) how much of prior years' provisions had been utilised for bad debt write offs during the year; and ii) prior year provision amounts released where a customer has paid.

Valuation of financial instruments and fair value hierarchy

As detailed in Note 8 Investment in Securities, the Group's investments are classified as available for sale and comprises a portfolio of debt and equity investments. These instruments are measured at fair value with the corresponding fair value change recognised in other comprehensive income. Valuation techniques may be subjective and involve assumptions about pricing factors. Changes in these assumptions could result in significantly different values.

Our audit procedures comprised, amongst others, an assessment of the methodology and the appropriateness of the valuation models and inputs used to value investments classified as available for sale.

Our audit procedures included:

- ▶ Obtaining an understanding of the design and implementation of the Group's controls over the measurement and management of valuation risk including independent price verification.

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Chartered Accountants

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments and fair value hierarchy (continued)	
<p>All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole: - Level 1 categorized investment valuations are based on quoted prices (unadjusted) in active markets. - Level 2 categorized investment valuations are based on other than quoted prices included within Level 1, that are observable either directly or indirectly. - Level 3 categorized investment valuations are based on unobservable inputs for the asset.</p> <p>Given the inherent subjectivity in the valuation of Level 2 and Level 3 investments available for sale, we determined this to be a significant item for our audit. The Level 2 investments at available for sale as at December 31, 2016 amounted to \$261.77 million (2015: \$269.61 million). The Group has no Level 3 fair value investments.</p> <p>In addition, the Group determines whether objective evidence of impairment exists for individual investments.</p>	<ul style="list-style-type: none"> ▶ Testing, for a selection of pricing inputs used, that they were externally sourced and were correctly inputted into pricing models ▶ Valuing 100% of the Group's securities independently. We assessed whether the valuations performed by the Group were within a pre-defined tolerable differences threshold. ▶ We also evaluated the Group's assessment of whether objective evidence of impairment exists for individual investments. In completing this assessment we considered any judgements made by management as to current economic and credit conditions and their effect on default rates, loss rates and the expected timing of future recoveries, ensuring that assumptions are appropriate. ▶ Further, we assessed the completeness and accuracy of the disclosures relating to investments to assess compliance with the disclosure requirements of IFRS.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Key Audit Matters (Continued)

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

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Other information included in the Group's Annual Report

Other information consists of the information included in the Group's 2016 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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Chartered Accountants

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

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

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

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

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

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

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

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

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

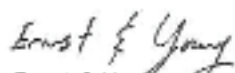
We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on additional requirements of the Jamaican Companies Act

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

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


Ernst & Young
Kingston, Jamaica

February 24, 2017

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

	Notes	2016 \$'000	2015 \$'000
Non-current assets			
Property, plant and equipment	4	257,069	86,177
Intangible assets	5	51,716	45,224
Employee benefits	7	132,455	118,789
Investment in securities	8(a)	196,395	233,359
Long-term receivables	9	8,850	11,082
Total non-current assets		646,485	494,631
Current assets			
Due from related party	10(b)	-	141
Trade and other receivables	11	125,973	119,174
Investment in securities	8(b)	65,379	62,985
Government securities purchased under resale agreements	12	135,004	50,404
Cash and cash equivalents	13	146,310	64,009
Total current assets		472,666	296,713
Total assets		1,119,151	791,344
Equity			
Share capital	14	238,146	238,148
Fair value reserve	15	10,883	5,945
Property revaluation reserve	4	118,488	-
Revenue reserve non-distributable	16	48,367	48,367
Revenue reserve	17	382,197	329,469
Total equity		808,081	621,927
Non-current liabilities			
Deferred tax liabilities	18	76,875	43,772
Total non-current liabilities		76,875	43,772
Current liabilities			
Due to related party	10 (b)	79	-
Income tax payable		21,778	19,060
Payables and accruals	19	212,338	106,585
Total current liabilities		234,195	125,645
Total equity and liabilities		1,119,151	791,344

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

The financial statements were approved for issue by the Board of Directors on February 24, 2017 and signed on its behalf by:



Ian McNaughton Chairman



L Garth Kiddoe Director

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)**

		2016 \$'000	2015 \$'000
	Notes		
Revenue			
Cess		330,229	301,882
Fee income		457,516	330,086
E-campus		14,218	9,978
Other operating income	20	63,818	68,345
		<u>865,761</u>	<u>708,291</u>
Expenses			
Staff costs	21	272,437	215,139
Property expenses		95,204	87,581
Depreciation and amortization	4,5	25,776	18,833
Advertising and promotion		48,492	41,876
Professional fees		45,191	35,336
Securities commission fees		45,617	47,205
Bad debts, less recoveries		(2,115)	6,838
E-campus		14,077	14,002
Other operating expenses		37,174	29,118
		<u>582,053</u>	<u>495,930</u>
		282,928	212,361
Investment income	22(a)	51,808	42,424
Profit before taxation	23	334,736	254,785
Taxation	24	(111,147)	(79,832)
Profit for the year	25	<u>222,589</u>	<u>174,953</u>
OTHER COMPREHENSIVE INCOME			
Items that will never be reclassified to profit or loss:			
Remeasurement of employee benefits asset	7(c)	6,531	46,825
Deferred income tax on item that will never be reclassified to profit or loss	16	(2,177)	(15,608)
Revaluation surplus on land	4	75,003	-
Revaluation surplus on property, plant & equipment	4	65,227	-
Deferred income tax on revaluation surplus	16	(21,742)	-
		<u>122,842</u>	<u>31,217</u>
Items that may be reclassified to profit or loss:			
Realised gains on sales of available-for-sale investments	15	(5,300)	(5,433)
Unrealised gains/(loss) on available-for-sale investments	15	12,708	(2,090)
Deferred income tax on items that may be reclassified to profit or loss	18	(2,470)	2,507
		<u>4,938</u>	<u>(5,016)</u>
Other comprehensive income for the year, net of taxes		<u>127,780</u>	<u>26,201</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>351,369</u>	<u>201,154</u>
Earnings per stock unit	26	\$0.32	\$0.25

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

	Share Capital \$'000 (Note 14)	Fair Value Reserve \$'000 (Note 15)	Property Revaluation Reserve \$'000 (Note 4)	Revenue Reserve Non- Distributable \$'000 (Note 16)	Revenue Reserve \$'000 (Note 17)	Total \$'000
Balance at January 1, 2015	236,146	10,961	-	-	311,916	561,023
Profit for the year	-	-	-	-	174,953	174,953
Depreciation in fair value of investments, net of taxes	-	(5,016)	-	-	-	(5,016)
Re-measurement of employees benefit assets, net of taxes	-	-	-	-	31,217	31,217
Total comprehensive income for the year	-	(5,016)	-	-	206,170	201,154
Transfer to non-distributable revenue reserve	-	-	-	48,367	(48,367)	-
Dividend (Note 30)	-	-	-	-	(140,250)	(140,250)
Balance at December 31, 2015	236,146	5,945	-	48,367	329,469	621,927
Profit for the year	-	-	-	-	223,589	223,589
Appreciation in fair value of investments, net of taxes	-	4,958	-	-	-	4,958
Re-measurement of employees benefit assets, net of taxes	-	-	-	-	4,354	4,354
Revaluation surplus of property, plant and equipment, net of taxes	-	-	115,468	-	-	115,468
Total comprehensive income for the year	-	4,958	115,468	-	227,943	351,369
Dividend (Note 30)	-	-	-	-	(165,215)	(165,215)
Balance at December 31, 2016	236,146	10,883	115,468	48,367	392,197	808,081

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

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

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


The accompanying notes form an integral part of these financial statements

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

	Notes	2016 \$'000	2015 \$'000
Non-current assets			
Property, plant and equipment	4	240,050	73,966
Intangible assets	5	40,589	33,092
Investment in subsidiary	6	61,000	61,000
Employee benefits	7	92,570	78,568
Investment in securities	8(a)	126,469	154,836
Long-term receivables	9	6,885	9,721
Total non-current assets		<u>567,562</u>	<u>411,183</u>
Current assets			
Income tax recoverable		2,511	1,832
Due from related party	10(b)	5,409	10,119
Trade and other receivables	11	53,904	54,689
Investment in securities	8(b)	49,147	61,022
Government securities purchased under resale agreements	12	27,107	16,731
Cash and cash equivalents	13	35,509	15,125
Total current assets		<u>173,587</u>	<u>159,518</u>
Total assets		<u>741,149</u>	<u>570,701</u>
Equity			
Share capital	14	238,145	238,146
Fair value reserve	15	8,002	3,470
Property revaluation reserve		118,489	-
Revenue reserve	17	228,772	212,316
Total equity		<u>593,408</u>	<u>453,932</u>
Non-current liabilities			
Deferred tax liabilities	18	58,215	25,771
Total non-current liabilities		<u>58,215</u>	<u>25,771</u>
Current liabilities			
Due to related parties	10(b)	10,923	21,649
Payables and accruals	19	78,603	68,349
Total current liabilities		<u>89,526</u>	<u>90,998</u>
Total equity and liabilities		<u>741,149</u>	<u>570,701</u>

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

The financial statements were approved for issue by the Board of Directors on February 24, 2017 and signed on its behalf by:


Ian McNaughton Chairman


L. Garth Kiddoe Director

**SEPARATE STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2016
(Expressed In Jamaican Dollars)**

	Notes	2016 \$'000	2015 \$'000
Revenue			
Cess		288,950	264,150
Fee income		78,812	57,621
E-campus		14,218	9,976
Other operating income	20	151,227	87,727
		533,207	419,476
Expenses			
Staff costs	21	156,019	122,585
Property expenses		46,887	44,280
Depreciation and amortization	4.5	16,097	12,341
Advertising and promotion		15,998	38,913
Professional fees		23,624	17,288
Securities commission fees		44,031	44,915
Bad debts less recoveries		(589)	3,080
E-campus		14,077	14,004
Other operating expenses		7,492	7,526
		353,116	301,912
Investment income	22(a)	179,791	114,564
		35,689	34,137
Profit before taxation	23	215,480	148,701
Taxation	24	(40,516)	(35,397)
Profit for the year	25	174,964	113,304
OTHER COMPREHENSIVE INCOME			
Items that will never be reclassified to profit or loss:			
Remeasurement of employee benefits asset	7(c)	10,060	29,148
Deferred income tax on item that will never be reclassified to profit or loss	18	(3,353)	(9,716)
Revaluation surplus on land	4	75,003	-
Revaluation surplus on property, plant & equipment	4	85,227	-
Deferred income tax on revaluation surplus	18	(21,742)	-
		125,195	19,432
Items that may be reclassified to profit or loss:			
Realised gains on sale of available-for-sale financial assets	15	(5,300)	(5,433)
Unrealised loss on available-for-sale financial assets	15	12,096	(3,426)
Deferred income tax on items that may be reclassified to profit or loss	15,18	(2,266)	2,953
		4,532	(5,906)
Other comprehensive income for the year, net of taxes		129,727	13,526
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		304,691	126,830

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

SEPARATE STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

	Share Capital \$'000 (Note 14)	Fair Value Reserve \$'000 (Note 15)	Property Revaluation Reserve \$'000 (Note 4)	Revenue Reserve \$'000 (Note 17)	Total \$'000
Balance at January 1, 2015	238,146	9,376		219,830	467,352
Profit for the year	-	-	-	113,304	113,304
Other comprehensive income:					
Depreciation in fair value of investments, net of taxes	-	(5,906)	-	-	(5,906)
Remeasurement of employee benefits assets, net of taxes	-	-	-	19,432	19,432
Total comprehensive income for the year	-	(5,906)	-	132,736	126,830
Dividend (Note 30)	-	-	-	(140,250)	(140,250)
Balance at December 31, 2015	238,146	3,470	-	212,316	453,932
Profit for the year	-	-	-	174,984	174,984
Other comprehensive income:					
Appreciation in fair value of investments, net of taxes	-	4,532	-	-	4,532
Remeasurement of employee benefits assets, net of taxes	-	-	-	6,707	6,707
Revaluation of land & building, net of taxes	-	-	118,488	-	118,488
Total comprehensive income for the year	-	4,532	118,488	181,671	304,691
Dividend (Note 30)	-	-	-	(165,215)	(165,215)
Balance at December 31, 2016	238,146	8,002	118,488	228,772	593,408

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

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

	Notes	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Profit for the year		174,964	113,304
Adjustments for:			
Depreciation of property, plant and equipment	4	13,888	9,680
Amortisation of intangible assets	5	2,209	2,661
Loss on disposal of property, plant and equipment		55	-
Write-off of property, plant and equipment		257	-
Adjustments to intangible assets		3,524	-
Foreign exchange gain on investments	22(a)	(9,979)	(8,395)
Post employment benefit expense	7(c)	1,362	1,854
Bad debts, less recoveries	11	(845)	3,080
Gain on sale of investments in available-for-sale financial assets	22(a)	(8,204)	(5,620)
Income tax charge	24	40,516	35,397
Interest income	22(a)	(17,506)	(20,122)
Dividend income		(90,000)	(26,000)
Operating cash flows before movements in working capital		110,241	105,839
Decrease/(increase) in trade and other receivables		1,630	(28,012)
Increase in trade and other payables		9,254	25,300
Post employment benefit contributions	7(d)	(5,304)	(4,764)
Cash provided by operations		115,821	98,363
Income tax paid		(36,112)	(2,780)
Cash provided by operating activities		79,709	95,583
Cash flows from investing activities			
Net acquisition of investments in securities		(42,350)	(50,245)
Proceeds from sale of investments in available-for-sale financial assets		108,944	43,462
Government securities purchased under resale agreements		(10,314)	45,087
Repayments/Advances from related parties		(6,016)	3,335
Acquisition of property, plant and equipment	4	(40,239)	(9,339)
Net proceeds on disposal of property, plant and equipment		185	-
Acquisition of intangible assets	5	(17,383)	(20,220)
Long-term receivable		2,836	(655)
Dividend received		90,000	26,000
Interest received		19,533	19,243
Cash provided by investing activities		105,186	56,668
Cash flows from financing activities			
Dividend paid		(165,215)	(140,250)
Cash used in financing activities		(165,215)	(140,250)
Net increase in cash and cash equivalents		19,680	12,001
Cash and cash equivalents at the beginning of the year		15,125	2,802
Effect of foreign exchange rate changes		694	322
Cash and cash equivalents at the end of the year	13	35,509	15,125

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

1. Identification and principal activities

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

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

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

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

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

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

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

Standards and interpretations adopted during the year

The Group applies for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments were applied for the first time in 2016, they did not have a material impact on the financial statements of the Group. The nature and the impact of each new standard or amendment are described below:

IFRS 14 Regulatory Deferral Accounts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

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

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

Standards and Interpretations adopted during the year (continued)

IFRS 14 Regulatory Deferral Accounts (continued)

Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

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

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

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

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

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

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

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

Standards and interpretations adopted during the year (continued)

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

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

Annual Improvements 2012-2014 Cycle

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

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

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

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

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

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

IAS 19 Employee Benefits

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

IAS 34 Interim Financial Reporting

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

These amendments do not have any impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

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

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

Standards and interpretations adopted during the year (continued)

Amendments to IAS 1 Disclosure Initiative

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

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

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

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

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

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

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

IFRS 9 *Financial Instruments*

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

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

(a) *Classification and measurement*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

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

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

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

IFRS 9 Financial Instruments (Continued)

(b) Impairment

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

(c) Hedge accounting

This amendment would not apply as the Group does not apply hedge accounting.

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed In Jamaican Dollars)

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

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

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

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after January 1, 2017 with early application permitted. Application of the amendments will result in additional disclosures provided by the Group.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

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

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

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

IFRS 16 Leases

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

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

(c) Basis of measurement and functional currency

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

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)**

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

(d) Basis of consolidation (continued)

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

(e) Accounting estimates and judgements

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

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

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

- Allowance for credit losses

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

At year end the impairment provision recognised in respect of trade receivables of the Group amounted to \$9.69 million (2015: \$13.58 million) and for the Company \$4.45 million (2015: \$5.30 million) (Note 11).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

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

(a) Accounting estimates and judgements (Continued)

• Fair value of financial instruments

As described in Note 29, management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets. Valuation techniques commonly used by market practitioners supported by appropriate assumptions are applied by the Group. The financial assets of the Group at the end of the reporting period stated at fair value determined in this manner amounted to \$261.77 million (2015: \$258.34 million) and the Company \$75.62 million (2015: \$215.88 million) (Note 8).

Had the fair value of these securities been 2% higher or lower the fair value reserve for the Group would increase/decrease by \$5.24 million (2015: \$5.93 million). Company \$3.51 million (2015: \$4.32 million).

• Employee benefits

As disclosed in Note 7, the Group operates a defined benefit pension plan. The retirement benefit asset disclosed in the statement of financial position for the Group is \$132.45 million (2015: \$118.79 million) and Company \$92.57 million (2015: \$78.57 million) in respect of the defined benefits plan, is subject to estimates in respect of periodic costs which costs are dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan.

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

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

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

• Fair value of land and buildings

Included in the statement of financial position are land and buildings with a carrying value of \$780 million at fair value as determined by an external valuator less accumulated depreciation (Note 4).

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)**

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

(a) Accounting estimates and judgements (Continued)

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

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

- Taxes

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

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

3. Significant accounting policies

(a) Foreign currencies

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

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

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

(b) Current vs. non-current classification

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

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

All other assets are classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

3. Significant accounting policies

(b) Current vs. non-current classification (continued)

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

(c) Fair value measurement

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

3. Significant accounting policies (Continued)

(c) Fair value measurement (continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

3. Significant accounting policies (Continued)

(d) Property, plant and equipment

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

Any revaluation increase arising on the revaluation of such land and buildings is recognized 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 recognized 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 recognized 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 recognized in profit or loss. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in property revaluation reserve is transferred directly to revenue reserve.

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

3. Significant accounting policies (Continued)

(e) Intangible assets

(i) Intangible assets acquired separately

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

(ii) Derecognition of intangible assets

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

(f) Impairment of tangible and intangible assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

3. Significant accounting policies (Continued)

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

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

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

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

(g) Employee benefit costs

Pension obligations

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

3. Significant accounting policies (Continued)

(h) Financial assets and liabilities

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

(i) Recognition

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

(ii) Derecognition

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

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

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

(iii) Measurement

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

3. Significant accounting policies (Continued)

(h) Financial assets and liabilities (Continued)

(iv) Classification

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

(1) Loans and receivables

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

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

(2) Held-to-maturity

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

(3) Available-for-sale

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

3. Significant accounting policies (Continued)

(h) Financial assets and liabilities (Continued)

(v) Identification and measurement of impairment

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

3. Significant accounting policies (Continued)

(h) Financial assets and liabilities (Continued)

(v) Identification and measurement of impairment (continued)

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

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

(i) Repurchase and reverse repurchase agreements

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

(j) Investment in subsidiary

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

(k) Taxation

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

(i) Current tax:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

3. Significant accounting policies (Continued)

(k) Taxation (Continued)

(ii) Deferred tax

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

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

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

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

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

(iii) Current and deferred tax for the year

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed In Jamaican Dollars)

3. Significant accounting policies (Continued)

(l) Related party transactions and balances

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

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

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

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

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

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

(m) Revenue recognition

(i) Cess income

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

(ii) Fee income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

3. Significant accounting policies (Continued)

(m) Revenue recognition (Continued)

(ii) Fee income (continued)

Fee income of the subsidiaries include:

Membership fees

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

Account maintenance fees

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

User fees

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

Trustee service fee

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

(iii) E campus income

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

(iv) Members/dealers license fee

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

(v) Other operating income:

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

(vi) Investment income

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

4. Property, plant and equipment

The Group

	Freehold land \$'000	Freehold buildings \$'000	Furniture & fixtures \$'000	Office equipment \$'000	Computer hardware \$'000	Motor vehicles \$'000	Work-in- progress \$'000	Total \$'000
Cost								
January 1, 2015	4,887	67,421	11,828	38,142	81,242	2,678	27	207,325
Additions	-	1,328	1,432	5,896	4,348	-	2,461	15,764
Disposals	-	-	-	(13)	-	-	-	(13)
Transfers	-	27	-	-	-	-	(27)	-
December 31, 2015	4,887	69,374	13,208	43,725	85,590	2,678	3,481	224,114
Transfers	-	(296)	(356)	4,435	(1,873)	-	(1,917)	-
Additions	-	6,327	1,303	18,549	14,978	-	1,180	53,916
Disposals	-	-	(970)	(3,568)	(48,931)	-	-	(53,769)
Write-offs during the year	-	-	-	(813)	-	-	-	(813)
Revaluation	75,000	39,981	-	-	-	-	-	114,981
December 31, 2016	80,000	115,988	13,282	60,106	49,792	2,678	12,707	335,514
At valuation	80,000	110,300	-	-	-	-	-	190,300
At cost	-	5,996	13,383	60,106	49,792	2,678	12,707	145,514
	80,000	115,988	13,282	60,106	49,792	2,678	12,707	335,514
Depreciation								
January 1, 2015	-	23,256	9,558	20,363	70,528	1,183	-	124,906
Charge for year	-	1,774	857	5,331	4,597	736	-	13,045
Eliminated on disposals	-	-	-	(13)	-	-	-	(13)
December 31, 2015	-	25,030	10,216	25,681	75,123	1,899	-	137,827
Transfer	-	(578)	(222)	2,460	(1,679)	-	-	-
Write-offs during the year	-	-	-	(266)	-	-	-	(266)
Charge for year	-	2,312	854	8,609	5,793	736	-	18,005
Eliminated on disposals	-	-	(932)	(3,706)	(46,319)	-	-	(52,956)
Revaluation adjustment	-	(25,348)	-	-	-	-	-	(25,348)
December 31, 2016	-	1,407	9,783	33,708	50,912	2,635	-	78,445
Carrying amounts								
December 31, 2016	80,000	114,488	3,580	26,400	16,850	1,043	12,707	257,068
December 31, 2015	4,887	44,355	3,074	18,044	10,487	1,779	2,461	85,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

4. Property, plant and equipment (Continued)

The Company

	Freehold land \$'000	Freehold buildings \$'000	Furniture & fixtures \$'000	Office equipment \$'000	Computer hardware \$'000	Motor vehicles \$'000	Work-in- progress \$'000	Total \$'000
Cost								
January 1, 2015	4,367	67,421	6,742	31,364	65,899	3,876	27	171,826
Transfers	-	27	-	-	-	-	127	-
Additions	-	1,626	539	2,229	1,195	-	3,461	9,399
Disposals	-	-	-	(13)	-	-	-	(13)
December 31, 2015	4,367	69,074	7,281	33,280	66,994	3,876	3,461	180,954
Transfers	-	(266)	(339)	2,542	-	-	(1,817)	-
Additions	-	6,827	1,138	12,057	8,954	-	11,163	40,238
Write offs during the year	-	-	-	(613)	-	-	-	(613)
Disposals	-	-	(592)	(3,165)	(38,778)	-	-	(40,525)
Revaluation	75,003	38,861	-	-	-	-	-	114,864
December 31, 2016	80,000	115,696	9,407	44,111	29,030	3,876	12,707	294,930
At valuation	80,000	110,000	-	-	-	-	-	190,000
At cost	-	5,896	3,487	44,111	29,060	3,876	12,707	104,938
	80,000	115,696	3,487	44,111	29,060	3,876	12,707	294,930
Depreciation								
January 1, 2015	-	23,295	7,249	16,403	49,210	1,164	-	97,321
Charge for year	-	1,724	329	4,252	2,638	736	-	9,690
Eliminated on disposals	-	-	-	(13)	-	-	-	(13)
December 31, 2015	-	25,019	7,578	20,342	51,848	1,900	-	106,990
Charge for year	-	2,313	337	7,198	3,244	736	-	13,898
Transfers	-	(579)	(217)	798	-	-	-	-
Write offs during the year	-	-	-	(353)	-	-	-	(353)
Eliminated on disposals	-	-	(598)	(3,133)	(38,546)	-	-	(40,285)
Revaluation adjustment	-	(25,346)	-	-	-	-	-	(25,346)
December 31, 2016	-	1,407	7,160	25,141	18,545	2,926	-	64,980
Carrying amounts								
December 31, 2015	80,000	114,489	2,327	18,370	10,515	1,042	12,707	240,350
December 31, 2016	4,367	44,355	1,702	12,939	5,035	1,778	3,461	75,968

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)
4. Property, plant and equipment (Continued)

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

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

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

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

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

	2016 \$'000	2015 \$'000
Freehold land	4,997	-
Freehold buildings	48,265	-

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

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

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

Property revaluation reserve

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

	The Group and the Company	
	2016 \$'000	2015 \$'000
Net gain/(loss) arising on revaluation of land and buildings	140,230	-
Deferred tax adjustments on buildings	(27,742)	-
Balance at December 31, 2016	<u>118,488</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)
5. Intangible assets

	The Group			The Company		
	Computer Software \$'000	Computer Software Development Project \$'000	Total \$'000	Computer Software \$'000	Computer Software Development Projects \$'000	Total \$'000
Cost						
January 1, 2015	80,208	16,022	96,230	51,301	12,283	63,584
Transfers	2,330	(2,330)	-	1,994	(1,994)	-
Additions	4,786	21,535	26,321	-	20,220	20,220
December 31, 2015	87,324	35,227	122,551	53,295	30,509	83,804
Transfers	7,119	(7,119)	-	4,568	(4,568)	-
Additions	5,989	16,044	22,033	2,737	4,648	17,383
Adjustments	-	(6,783)	(6,783)	-	(5,601)	(5,601)
Disposals	(48,483)	-	(48,483)	(31,782)	-	(31,782)
December 31, 2016	51,949	37,369	89,318	28,018	34,968	63,004
Amortisation						
January 1, 2015	71,539	-	71,539	48,051	-	48,051
Charge for the year	5,708	-	5,735	2,961	-	2,961
December 31, 2015	77,327	-	77,327	50,712	-	50,712
Charge for the year	6,681	-	6,681	2,209	-	2,209
Disposals	(48,483)	-	(48,483)	(31,782)	-	(31,782)
Adjustments	2,077	-	2,077	2,077	-	2,077
December 31, 2016	37,602	-	37,602	23,216	-	23,216
Carrying amounts						
December 31, 2016	14,347	37,369	51,716	5,802	34,968	40,588
December 31, 2015	8,997	35,227	44,224	2,583	30,509	33,092

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

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

6. Investment in subsidiary

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)

7. Employee benefits

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

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

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

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

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

The most recent actuarial valuation was carried out as at December 31, 2016, by Duggan Consulting Limited, a qualified actuary. The present value of the defined benefit obligation and the related current service costs and past service costs have been measured using the projected unit credit method.

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

Financial Assumptions

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

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

Mortality

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)
7. Employee benefits (Continued)

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

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Fair value of plan assets	395,454	327,556	278,374	218,649
Present value of defined benefit obligations	(262,899)	(208,767)	(183,804)	(138,091)
Net asset in the statement of financial position	132,455	118,789	92,570	78,568

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

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Items in profit or loss				
Current service costs	10,884	8,225	7,461	5,778
Interest costs	18,870	16,332	12,640	11,325
Return on plan assets	(28,132)	(21,996)	(18,739)	(15,248)
Net expense for year recognised in profit or loss	1,822	2,559	1,362	1,854
Items in Other Comprehensive Income (OCI):				
Re-measurements loss on obligation for OCI	26,412	21,065	23,311	7,826
Re-measurements gain on assets for OCI	(32,943)	(67,890)	(33,371)	(38,974)
Total re-measurements for OCI	(6,531)	(46,825)	(10,060)	(29,148)
	(4,509)	(44,266)	(8,698)	(27,294)

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

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Net asset at start of year	118,789	66,957	78,568	46,510
Net income from profit or loss and OCI	4,909	44,266	8,698	27,294
Contributions by Company	8,757	7,566	5,304	4,761
Net asset at end of year	132,455	118,789	92,570	78,568

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)
7. Employee benefits (Continued)

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

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Opening defined benefit obligations	208,767	158,498	138,081	110,087
Service cost	17,518	13,956	11,479	9,387
Interest cost	18,870	16,332	12,640	11,325
Members' contributions	4,709	3,690	2,947	2,090
Benefits paid	(13,277)	(4,782)	(4,854)	(2,652)
Re-measurement gain	26,412	21,065	23,311	7,826
Closing defined benefit obligations	<u>262,999</u>	<u>208,767</u>	<u>183,804</u>	<u>139,081</u>

(f) Changes in fair value of plan assets:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Opening fair value of plan assets	327,556	225,455	216,649	156,607
Members' contributions	11,343	9,429	6,865	5,707
Employer's contributions	8,757	7,566	5,304	4,764
Interest income on plan assets	28,132	21,998	18,739	15,249
Benefits paid	(13,277)	(4,782)	(4,854)	(2,652)
Re-measurement gain on asset for OCI	32,343	67,890	33,371	38,974
Closing fair value of plan assets	<u>395,454</u>	<u>327,556</u>	<u>276,374</u>	<u>218,649</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed In Jamaican Dollars)
7. Employee benefits (Continued)

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

	The Group		The Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Corporate bonds	13,326	13,007	9,313	8,603
Equity investments	140,254	127,902	98,021	84,584
Foreign currency bonds	68,911	92,656	48,161	61,283
Government of Jamaica securities	78,508	41,630	53,469	27,541
Real estate	28,000	26,000	10,171	17,197
Repurchase agreements	24,368	11,850	17,043	7,630
Unit trust	4,682	3,725	3,272	2,464
Others	41,389	10,778	28,924	7,129
Fair value of plan assets	<u>395,454</u>	<u>327,556</u>	<u>278,374</u>	<u>218,649</u>

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

	The Group	
	Defined Benefit Pension Plan	
	2016	2015
	\$'000	\$'000
Present value of defined benefit obligation	(262,999)	(208,767)
Fair value of plan assets	395,454	327,556
Surplus in the plan	<u>132,455</u>	<u>118,789</u>
Experience adjustments on plan liabilities	26,412	21,065
Experience adjustments on plan assets	<u>(32,943)</u>	<u>(67,890)</u>
	The Company	
	Defined Benefit Pension Plan	
	2016	2015
	\$'000	\$'000
Present value of defined benefit obligation	(183,804)	(138,081)
Fair value of plan assets	278,374	218,649
Surplus in the plan	<u>92,570</u>	<u>78,568</u>
Re-measurement loss on obligation for OCI	23,311	7,825
Re-measurement gain on obligation for OCI	<u>33,371</u>	<u>38,974</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)**
7. Employee benefits (Continued)
(i) Sensitivity analyses
1. Discount rate

	2016			
	Group		Company	
	1% decrease in Discount rate Assumption \$'000	1% increase in Discount rate Assumption \$'000	1% decrease in Discount rate Assumption \$'000	1% increase in Discount rate Assumption \$'000
Defined benefit obligation	301,327	232,611	209,895	163,041

	2015			
	Group		Company	
	1% decrease in Discount rate Assumption \$'000	1% increase in Discount rate Assumption \$'000	1% decrease in Discount rate Assumption \$'000	1% increase in Discount rate Assumption \$'000
Defined benefit obligation	245,278	181,576	162,015	120,196

2. Salary Assumption

	2016			
	Group		Company	
	1% decrease in Salary Assumption \$'000	1% increase in Salary Assumption \$'000	1% decrease in Salary Assumption \$'000	1% increase in Salary Assumption \$'000
Defined benefit obligation	244,669	284,313	171,103	196,528

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)**
7. Employee benefits (Continued)

(i) Sensitivity analyses (Continued)

2. Salary Assumption (Continued)

	2015			
	Group		Company	
	1% decrease in Salary Assumption \$'000	1% increase in Salary Assumption \$'000	1% decrease in Discount rate Assumption \$'000	1% increase in Discount rate Assumption \$'000
Defined benefit obligation	192,748	226,807	127,559	140,865

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

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

The Group and the Company expect to make contributions of \$11.4 million and \$6.06 million, respectively. (2015: \$10.20 million and \$4.96 million, respectively) to the defined benefit plan during the next financial year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

8. Investment in securities

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

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Benchmark Investment Notes:				
Fixed rates notes – 2019 (8.5%) (2015: 2017 to 2019, 7.5%-8.57%)	9,775	66,294	9,775	52,293
Variable Rates Notes – 2018-2023, 8.11%-8.24% (2015: 2017 to 2023, 7.67% - 7.795%)	22,895	22,891	4,529	4,462
Foreign Currency Investments:				
GOJ 10.625 % US\$ Global Bond, 2017 (nominal value US\$401,800)	-	52,994	-	52,994
Government of Belize 5% guaranteed mortgage notes 2036 (nominal value US\$53,600)	6,369	5,708	6,369	5,708
GOJ FR 5.25% US\$ Benchmark investment notes 2020-2038 (2015: 2020 5.25% (nominal value US\$109,000)	14,876	13,860	14,876	13,860
GOJ FR 5.25% and 7% US\$ Benchmark investment notes 2020 (2015 5.25% (nominal rate US\$150,000)	20,474	19,501	-	-
GOJ 8% Global Firm Bond 2019 (nominal value US\$195,976)	-	25,529	-	25,529
GOJ US\$ 8% Global Bond 2019 (nominal value US\$195,988)	-	25,592	-	-
GOJ US\$ 8% Global Bond 2039 (nominal value US\$510,000)	90,920	-	90,920	-
GOJ US\$ 8% Global Bond 2039 (nominal value US\$190,000)	31,086	-	-	-
	196,395	233,359	126,469	154,836

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

(b) Current – classified as available for sale:

Available for sale:	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
NWC Variable Rate Note 6.4% 2016	-	405	-	405
BOJ FR 7.5% Benchmark Investments 2017	57,060	25,111	43,040	25,111
	57,060	25,516	43,040	25,516
Investment Unit Trust	8,311	37,469	6,107	35,506
	65,371	62,985	49,147	61,022

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

8. Investment in securities (Continued)

(c) Movement in investment in securities:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
The movement for the year in available-for-sale financial assets is as follows:				
Balance at January 1	296,344	277,342	215,858	202,999
Additions	89,152	80,000	45,299	80,000
Foreign exchange gain	22,683	8,024	16,605	5,180
Movement in fair value of available-for-sale financial assets	7,408	(7,523)	6,798	(8,859)
Disposal of investments	(133,813)	(41,499)	(108,944)	(43,482)
Balance at December 31	<u>281,774</u>	<u>286,344</u>	<u>175,616</u>	<u>215,558</u>

9. Long-term receivables

These represent loans granted to employees. The loans are repayable by monthly installments and are for a period of 5 years. These loans carry an interest rate of 10% per annum. The current portion of these loans, due within twelve months from the end of the reporting period, amounted to \$8.71 million (2015: \$6.43 million) for the Group and \$8.73 million (2015: \$4.72 million) for the Company and is included in other receivables (Note 11).

10. Related party transactions/balances

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)
10. Related party transactions/balances (Continued)
(c) Dividend received during the year

During the year, dividend of \$90 million (2015: \$26 million) was received from the Company's subsidiary (Note 20).

(d) Compensation of key management personnel

The remuneration of management during the year were as follows:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Short-term benefits	44,852	39,880	27,246	24,257
Post employment benefits	2,752	2,405	1,638	1,450
	<u>47,604</u>	<u>42,285</u>	<u>28,884</u>	<u>25,707</u>

(e) Loans to related parties

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

11. Trade and other receivables

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cess receivable	21,432	23,173	18,761	20,461
Fees receivable	50,550	45,344	-	-
E-campus	6,336	5,940	6,336	5,940
Registrar service fee	14,288	14,935	-	-
Other	32,037	23,901	27,023	26,939
	<u>124,653</u>	<u>113,293</u>	<u>52,120</u>	<u>53,340</u>
Less: Allowance for doubtful debts	<u>(9,887)</u>	<u>(13,575)</u>	<u>(4,451)</u>	<u>(5,293)</u>
	<u>114,966</u>	<u>99,718</u>	<u>47,669</u>	<u>48,044</u>
Prepayments	11,007	9,456	6,235	6,645
	<u>125,973</u>	<u>109,174</u>	<u>53,904</u>	<u>54,689</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

11. Trade and other receivables (Continued)

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

Included in trade and other receivables however, are debtors with a carrying amount of approximately \$8.66 million (2015: \$7.27 million) for the Group and \$6.43 million (2015: \$7.23 million) for the Company which are past due at the reporting date for which the Group has not provided as there has not been a change in credit quality and the amounts are still considered recoverable.

Ageing of receivables that are past due but not impaired:

	The Group		The Company	
	2016	2015	2016	2015
	S'000	S'000	S'000	\$'000
180-365 days	1,877	2,956	1,158	2,916
Over 1 year	6,782	4,310	5,274	4,310
	<u>8,659</u>	<u>7,266</u>	<u>6,432</u>	<u>7,226</u>

Movement in allowance for doubtful debts on other receivables:

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

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

Cash receivable at the end of the year included \$7.26 million (2015: \$5.77 million), \$3.52 million (2015: \$5.31 million) and \$2.54 million (2015: \$4.72 million) for the Group and \$6.36 million (2015: \$5.1 million), \$2.85 million (2015: \$4.7 million) and \$2.23 million (2015: \$4.2 million) for the Company due from three brokers which represent 34% (2015: 24%), 15% (2015: 23%) and 12% (2015: 21%) for the Group and 34% (2015: 25%), 15% (2015: 23%) and 12% (2015: 21%) for the Company respectively for three brokers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

11. Trade and other receivables (Continued)

Ageing of impaired other receivables:

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

12. Government securities purchased under resale agreement

The Group entered into reverse repurchase agreements 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\$0.09 million for the Group and Company respectively (2015: US\$0.06 million for the Group and US\$0.08 million for the Company) and interest receivable of \$0.02 million for the Group and \$0.006 million for the Company (2015: \$0.02 million for the Group and \$0.006 million for the Company). The fair value of collateral held pursuant to reverse repurchase agreements is \$133.72 million for the Group and \$27.02 million for the Company (2015: \$50.08 million for the Group and \$16.66 million for the Company).

13. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks.

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

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash on hand and in banks	146,310	64,009	35,509	15,125

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

14. Share capital

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

At December 31

Increase in stated capital

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

15. Fair value reserve

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

	The Group		The Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Balance at January 1	<u>5,945</u>	<u>10,981</u>	<u>3,470</u>	<u>9,378</u>
Net gain/(loss) arising on revaluation of available-for-sale financial assets	12,708	(2,090)	12,098	(3,426)
Net gain reclassified to profit on sale of investment	(5,300)	(5,433)	(5,300)	(5,433)
Deferred tax adjustments on available-for-sale financial assets (Note 15)	(2,470)	2,507	(2,266)	2,853
	<u>4,938</u>	<u>(5,016)</u>	<u>4,532</u>	<u>(5,906)</u>
Balance at December 31	10,883	5,945	8,002	3,470

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (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:

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

18. Deferred tax

	The Group		The Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	2,501	9,658	1,918	9,234
Deferred tax liabilities	<u>(79,376)</u>	<u>(53,430)</u>	<u>(80,033)</u>	<u>(35,005)</u>
Net position at the end of the year	<u>(76,875)</u>	<u>(43,772)</u>	<u>(58,215)</u>	<u>(25,771)</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

18. Deferred tax (Continued)

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

Deferred tax assets

	The Group		
	Accrued Vacation \$'000	Tax Loss \$'000	Total \$'000
At January 1, 2015	1,325	19,803	21,128
Credited/(Charged) to income for the year	131	(11,601)	(11,470)
At December 31, 2015	1,456	8,202	9,658
Credited/(Charged) to income for the year	1,045	(8,202)	(7,157)
At December 31, 2016	2,501		2,501

	The Company		
	Accrued Vacation \$'000	Tax Loss \$'000	Total \$'000
At January 1, 2015	1,082	15,407	16,489
Charged to income for the year	(49)	(7,208)	(7,255)
At December 31, 2015	1,033	8,201	9,234
(Charged) to income for the year	785	(8,201)	(7,416)
At December 31, 2016	1,818	-	1,818

Deferred tax liabilities

	The Group					
	Capital Allowance in excess of Depreciation \$'000	Interest receivable \$'000	Unrealised gains in investment in securities \$'000	Retirement Benefit Asset \$'000	Property Revaluation Reserve \$'000	Total \$'000
January 1, 2015	5,764	(1,665)	(6,550)	(22,320)	-	(25,711)
Charged to income for for the year	(14,245)	(675)	-	(1,668)	-	(16,588)
Charged to equity for the year	-	-	-	(10,005)	-	(10,005)
Credited to fair value reserve (Note 15)	-	-	2,507	-	-	2,507
At December 31, 2015	(8,481)	(2,340)	(3,043)	(30,985)	-	(43,849)
Credited/(Charged) to income for the year	3,179	509	(867)	(2,376)	-	443
Charged to equity for the year	-	-	-	(2,177)	(21,742)	(23,919)
Charged to fair value reserve (Note 15)	-	-	(2,470)	-	-	(2,470)
December 31, 2016	(5,272)	(1,831)	(6,380)	(44,151)	(21,742)	(79,376)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)
18. Deferred tax (Continued)

	The Company					Total \$'000
	Capital Allowance in excess of Depreciation \$'000	Interest receivable \$'000	Unrealised gains in investment in securities \$'000	Retirement Benefit Asset \$'000	Property Revaluation Surplus \$'000	
January 1, 2015	5,159	(1,386)	(4,757)	(15,503)	-	(16,489)
Charged to income for the year	(10,480)	283	-	(970)	-	(11,753)
Charged to equity for the year	-	-	-	19,716	-	19,716
Credited to fair value reserve (Note 15)	-	-	2,953	-	-	2,953
At December 31, 2015	(5,321)	(1,681)	(1,804)	(26,189)	-	(55,005)
Credited/(Charged) to income for the year	3,440	(675)	(857)	(1,315)	-	2,333
Charged to equity for the year	-	-	-	13,353	(2,742)	(25,095)
Charged to fair value reserve (Note 15)	-	-	(2,266)	-	-	(2,266)
December 31, 2016	(1,481)	(1,005)	(4,537)	(50,857)	(2,742)	(50,033)

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

19. Payables and accruals

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Payables and accruals	212,330	108,585	78,603	89,349

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

20. Other operating income

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

21. Staff costs

	The Group		The Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Salaries and other employee benefits	251,224	195,699	142,338	111,298
Statutory contributions	20,581	16,881	12,319	9,433
Charge on pension plan (Note 7(c))	1,622	2,559	1,362	1,854
	273,437	215,139	156,019	122,585

22. Investment income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

23. Profit before taxation

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

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Income:				
Interest	27,282	26,067	17,506	20,122
Expenses:				
Directors' fees	9,894	8,818	7,212	6,236
Audit fees	4,257	3,942	2,566	2,376
Depreciation of property, plant and equipment	19,095	13,045	13,888	9,680
Amortisation of intangible assets	6,881	5,788	2,209	2,661

24. Taxation

Recognised in profit or loss

(i) The charge for the year represents

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current tax	104,433	51,774	35,433	16,389
Deferred tax (Note 18)	6,714	20,050	5,083	19,008
	111,147	79,832	40,516	35,397

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

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Profit before tax	334,736	254,785	215,430	148,701
Tax at the domestic income tax rate of 33 1/3%	111,579	84,928	71,927	49,567
Tax effect of items that are not deductible in determining taxable profits	943	1,155	851	982
Effect of income not taxable	-	(7,878)	(30,000)	(15,914)
Other	(1,375)	1,627	(1,952)	762
	111,147	79,832	40,516	35,397

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

25. Profit of the group for the year

Reflected in the financial statements of the:

	The Group	
	2016	2015
	S'000	S'000
Parent company	174,984	113,304
Subsidiary	138,625	87,649
Less Dividend paid to parent company	(90,000)	(26,000)
	<u>223,589</u>	<u>174,953</u>

26. Earnings per stock unit

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

	The Group	
	2016	2015
Profit (\$'000)	223,589	174,953
Weighted average number of ordinary stock units	<u>701,250,000</u>	<u>701,250,000</u>
Basic earnings per stock unit	\$0.32	\$0.25

27. Segment reporting

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

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

The Group's operations are located solely in Jamaica.

	2016					
	Exchange operations	JCSD Services	Investment other	Trustees Services	Interest Eliminations	Group
	S'000	\$'000	\$'000	\$'000	\$'000	S'000
Revenue - external	533,207	229,176	51,808	238,098	(135,000)	917,589
Segment result/ Profit before taxation	179,791	98,520	51,808	139,617	(135,000)	334,736
Taxation						(111,147)
Profit for the year						<u>223,589</u>
Other information						
Depreciation and amortisation	16,097	7,340	-	2,339	-	25,776
Assets						
Segment assets	741,149	266,118	-	260,140	(148,255)	1,119,151
Liabilities						
Segment liabilities	147,741	126,519	-	122,134	(85,824)	311,070
Capital expenditure	40,239	7,872	-	2,607	-	50,918

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

27. Segment reporting (Continued)

	2015					
	Exchange Operations \$'000	JCSD Services \$'000	Investment other \$'000	Trustees Services \$'000	Interest Eliminations \$'000	Group \$'000
Revenue - external	419,476	186,085	42,424	133,730	(31,000)	750,715
Segment result/						
Profit before						
Taxation	114,564	64,404	42,424	64,383	(31,000)	254,785
Taxation						<u>(79,832)</u>
Profit for the year						<u>174,953</u>
Other information						
Depreciation and amortisation	12,341	5,795	-	697	-	18,833
Assets						
Segment assets	570,701	204,510	-	125,881	(109,754)	791,344
Liabilities						
Segment liabilities	116,769	59,578	-	39,894	(47,124)	169,417
Capital expenditure	9,339	5,038	-	2,417	-	16,794

28. Commitments

Capital commitments:

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)**

29. Financial instruments

(a) Capital risk management:

The capital structure of the Group consists of equity attributable to the shareholders of the parent company comprising issued capital, reserves, and retained earnings.

The Group's objectives when managing its capital structure, which is a broader concept than the equity on the face of the statement of financial position are:

- i) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
- ii) To maintain a strong capital base to support the business development.

The Group's overall strategy remains unchanged from 2015.

The subsidiary is subject to externally imposed capital requirements (capital in excess of \$50 million). The subsidiary has complied with this requirement (Note 16).

(b) Financial risk management objectives

The Group's Investment Committee is responsible for recommending to the Board of Directors, through the Audit and Finance Committee, uniform investment decisions, policies and procedures for the operations of the Group. The specific duties of the Investment Management Committee are to receive and review data on current market conditions and economic outlook; review various risk reports submitted including fair value, credit risk, liquidity risk, market risk, and review monthly report on portfolios and establish quarterly investment portfolio strategies. The Group does not enter into or trade financial investments, including derivative financial instruments for speculative purposes.

(c) Market risk

The Group's investment activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and prices. The Group manages its risk through extensive research and monitors the risk exposures on the local and international markets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

25. Financial Instruments (Continued)

(c) Market risk (Continued)

Foreign currency risk management

The Group undertakes certain investment transactions denominated in currencies other than the Jamaican dollar. Exchange rate exposures are managed within approved policy parameters and maintaining a manageable balance in the types of investments.

The following balances held in United States dollars are included in these financial statements:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Investment in securities	162,848	144,174	112,164	99,081
Government securities purchased under resale agreement	14,004	8,976	11,092	4,255
Cash and cash equivalents	99,243	19,693	680	9,850
	<u>276,095</u>	<u>170,845</u>	<u>124,146</u>	<u>112,186</u>

Sensitivity analysis

The Group's investment portfolio is exposed to the United States dollar. The Group's sensitivity to a 1% increase or 6% decrease in the Jamaican dollar against the United States dollar is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity of the 1% (2015: 1%) increase or 6% (2015: 8%) decrease in the Jamaican dollar against the United States dollar exposure would be a decrease in profit of the Group by J\$2.78 million (2015: \$1.71 million) million or J\$16.57 million (2015: JS13.67 million) increase; Company J\$1.24 million (2015: J\$1.12 million) decrease or JS7.45 million (2015: JS8.97 million) increase. The Group's sensitivity to foreign currency has increased during the current year mainly due to the increased holdings of investments, government securities purchased under resale agreements and cash and cash equivalents denominated in foreign currencies.

The analysis is done on the same basis as 2015 and assumes that all other variables, in particular interest rate, remain constant.

Interest rate risk management

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. Interest rate sensitivity analysis has been determined based on the exposure to interest rates for the Group's investment in securities at the end of reporting period as these are substantially the interest sensitive instrument impacting financial results. For floating rate financial assets and financial liabilities, the analysis assumes the amount outstanding at year end was outstanding for the whole year. A 100 (2015: 100) basis points increase or 100 (2015: 150) basis points decrease for local currency and 100 (2015: 100) basis points increase or 50 (2015: 50) basis points decrease for United States currency represents management's assessment of the reasonable possible change in interest rates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)**
25. Financial instruments (Continued)
(c) Market risk (Continued)

Interest rate risk management (Continued)

Net effect on profit if market interest rates had been 100 or 100 basis points higher or lower for investment denominated in local currency and 100 or 50 basis points higher or lower for investments denominated in United States currency and all other variables were held constant is as follows:

	The Group		The Company	
	2016 S'000	2015 S'000	2016 S'000	2015 S'000
Effect on profit increase 100 (2015: 100) basis points (JS)	904	229	725	48
Effect on profit decrease 100 (2015: 150) basis points (JS)	(904)	(343)	(725)	(72)
Effect on profit increase 100 (2015: 100) basis points (US\$)	1,622	1,313	1,176	899
Effect on profit decrease 50 (2015: 50) basis points (US\$)	(811)	(657)	(588)	(449)

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

(d) Credit risk management

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)
28. Financial instruments (Continued)
(d) Credit risk management (Continued)

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

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial assets				
Available-for-sale financial assets	261,774	295,344	175,616	215,858
Long-term receivables	8,850	11,082	6,885	9,721
Trade and other receivables	114,980	98,718	47,689	48,044
Due from related parties	-	141	5,409	10,119
Government securities purchased under resale agreements	135,004	50,404	27,107	16,701
Cash and bank balances	143,310	64,009	35,509	15,125
	663,914	621,698	298,135	315,568

(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.

	Weighted Average effective interest rate %	The Group					Total \$'000
		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	
2016							
Financial assets							
Non-interest bearing	3.18	47,038	193,334	-	-	-	240,402
Interest bearing		110,934	22,793	12,602	12,376	-	158,907
Variable interest rate instruments	4.84	33	35,561	60,283	22,735	4,260	162,052
Fixed interest rate instruments	5.59	25	-	57,819	105,115	235,381	358,611
		158,030	251,688	157,684	140,529	242,641	950,632
Financial liabilities							
Non interest bearing		111,936	79				112,045

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)**
29. Financial instruments (Continued)
(a) Liquidity risk management (Continued)

		The Group						
		Weighted Average effective interest rate %	Less than 1 month \$'000	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2015								
Financial assets								
Non-interest bearing			41,317	165,850	-	-	-	210,177
Interest bearing	5.1		20,668	1,396	4,185	13,908	-	40,188
Variable interest rate instruments	5.28		23,438	30,477	1,852	23,475	1,274	88,515
Fixed interest rate instruments	7.2		12,530	4,388	15,775	215,636	3,583	257,912
			<u>105,983</u>	<u>202,121</u>	<u>21,613</u>	<u>250,019</u>	<u>13,857</u>	<u>596,793</u>
Financial liabilities								
Non-interest bearing			73,862	21,649	-	-	-	95,511
		The Company						
		Weighted Average effective interest rate %	Less than 1 month \$'000	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2016								
Financial assets								
Non-interest bearing			54,620	45,843	-	-	-	100,463
Interest bearing	8.16		7,565	22,302	11,529	9,953	-	51,179
Variable interest rate instruments	6.11		5	-	263	5,139	-	5,407
Fixed interest rate instruments	7.11		25	-	51,775	52,587	210,761	315,148
			<u>42,245</u>	<u>68,150</u>	<u>53,367</u>	<u>57,079</u>	<u>210,761</u>	<u>452,202</u>
Financial liabilities								
Non-interest bearing			63,424	10,923	-	-	-	74,347

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)**
29. Financial instruments (Continued)
(a) Liquidity risk management (Continued)

	The Company						Total \$'000
	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	
	2016						
Financial assets							
Non-interest bearing		5,275	76,874	-	-	-	84,149
Interest bearing	5.10	10,353	1,028	3,077	12,199	-	26,655
Variable interest rate instruments	5.44	5	25,400	699	5,396	-	31,499
Fixed interest rate instruments	5.09	12,520	4,369	11,920	162,440	9,583	190,831
		28,163	109,668	15,695	170,034	9,583	353,164
Financial liabilities							
Non interest bearing		49,517	21,649				71,166

(f) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions have been used to measure the Group's financial instruments that are carried at fair value:

- (i) Financial assets classified as available-for-sale are measured at fair value using interpolated yields derived from quoted prices of similar instruments or broker quotes from market makers.
- (ii) The carrying amount of liquid assets and other assets maturing within one year is assumed to approximate their fair value. This assumption is applied to liquid assets and the other short-term elements of all other financial assets and financial liabilities.

No significant unobservable inputs were applied in the valuation of the Group's financial instruments classified as available-for-sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Expressed in Jamaican Dollars)

25. Financial instruments (Continued)

(g) Fair value measurement recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). There were no Level 3 fair value investments.

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

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

	The Company			
	2016			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Available-for-sale financial instruments				
Debt securities	-	175,616	-	175,616

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)**

30. Dividends

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

- On May 5, 2016 a dividend of \$0.53 per ordinary share was paid to shareholders. The total dividend paid was 574.30 million. (2015: On June 8, 2015 a dividend of \$0.53 per ordinary share was paid to shareholders on July 10, 2015. The total dividend paid was 574.30 million.)
- On December 9, 2016 a dividend of \$0.13 per ordinary share was paid to shareholders on. The total dividend paid was \$90.90 million. (2015: On December 9, 2015 a dividend of \$0.47 per ordinary share was paid to shareholders on December 30, 2015. The total dividend paid was \$85.90 million.)

31. Compensation fund

The Jamaica Stock Exchange Limited Compensation Fund ("the Fund") was created by contributions of the Exchange's member-dealers for the purpose of compensating investors who may have suffered pecuniary loss as a result of a defalcation or fraudulent misuse of securities or document of title to securities. The Exchange fulfils its obligations under Sections 27 through 35 of the Securities Act by its administration of the Fund.

Section 27(2) of the Securities Act stipulates that "The assets of the Compensation Fund are the property of the recognised stock exchange but shall be –

- (a) Kept separate from all other property; and
- (b) Held in trust for the purposes specified in this part."

Accordingly, the assets and liabilities of the Fund are segregated from those of the Exchange and separate audited financial statements are produced for the Fund.

(a) Compensation fund financial position

(i) Compensation fund receipts

These are contributions by member dealers of the Stock Exchange, based on a percentage of the volume of business done by them through the Exchange, for maintaining the Contingency Reserve Fund. However, during the year there were no contributions by the member dealers as the Board was of the view that the reserve was adequate for the specific purpose.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Expressed in Jamaican Dollars)**

31. Compensation fund (Continued)

(a) Compensation fund financial position (Continued)

(ii) Contingency reserve

This fund is created out of surpluses for the purpose of providing some protection to the investing public should they suffer pecuniary loss as a result of defalcation or fraudulent misuse of securities or documents of titles to securities. Provisions in respect of the fund are in accordance with Sections 27 to 35 of The Securities Act.

At December 31, 2018, the fund had total assets of \$765.31 million (2015: \$719.99 million) and net equity of \$752.29 million (2015: \$706.40 million).

FINANCIAL & STATISTICAL HIGHLIGHTS

	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenue (\$)	856,781,000.00	750,715,000.00	379,758,000.00	347,802,000.00	548,397,000.00	+309,628,000.00	232,537,000	263,387,000	561,297,000
Expenses (\$)	582,853,000.00	495,930,000.00	383,788,000.00	349,614,000.00	360,960,000.00	272,030,000	230,239,000	283,248,000	302,306,000
Income Before Taxes (\$)	334,736,000.00	254,785,000.00	4,030,000.00	1,812,000.00	187,437,000.00	37,598,000	2,298,000	-19,861,000	258,991,000
Net Income After Tax (\$)	223,589,000.00	174,953,000.00	3,128,000.00	5,674,000.00	129,903,000.00	50,310,000	37,402,000	43,018,000	207,703,000
Compensation Fund (\$)	75,229,400.00	706,398,000.00	676,522,000.00	647,928,000.00	604,296,000.00	578,617,000	564,125,000	544,281,000	510,134,000
Members' Equity (\$)	808,081,000.00	621,927,000.00	561,023,000	552,757,000	571,460,000	467,734,000	434,609,000	423,931,000	436,956,000
Reported Share Volume (Millions)* (Units)	4,034.44	5,412.40	2,713.38	2,311.20	3,151.11	2,125.52	3,617.26	1,764.89	2,953.01
Daily Average Share Volume (Millions)* (Units)	16.07	21.40	10.80	9.21	12.60	8.43	10.66	6.98	11.81
Reported Dollar Value (Millions)* (\$)	53,516.89	72,077.50	14,801.45	17,364.21	66,294.86	22,241.92	21,020.82	12,189.89	67,026.87
Daily Average Dollars Value (Millions)* (\$)	213.21	284.89	58.93	69.18	265.18	88.26	69.6	48.12	268.10
JSE Combined Index as at December 31	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	192,276.64	150,692.13	76,353.39	80,633.55	92,101.22	95,297.20	85,220.82	83,321.96	80,152.02
JSE Junior Market Index as at December 31	2,593.71	1,791.05	687.96	757.86	647.78	748.86	379.92	150.01	
Member Organizations	12	12	12	11	11	11	11	11	11
New Listed Companies/Securities*	7/12	1/1	6/8	8/14	4/05	5/7	8/10	1	9
Total Listed Companies/Securities*	63/86	60/73	60/73	67	61	52	51	44	45
Total Shares Listed (Billions) (Main and Jnr)	71.41	61.29	62.35	61.20	51.04	51.51	47.65	47.16	47.49
Market Capitalization as at December 31: (Billion) (\$) (Main and Jnr)	800.00	683.51	322.93	519.57	612.74	691.44	564.72	544.88	597.28
JSE USD Equities Market Index as at December 31	164.50	161.06	135.35	92.86	67.86	78.57			
Market Capitalization as at December 31: (Million) (\$) (USD Equities)	142.13	132.58	76.58	38.34	28.02	32.44			

*Includes Junior Market

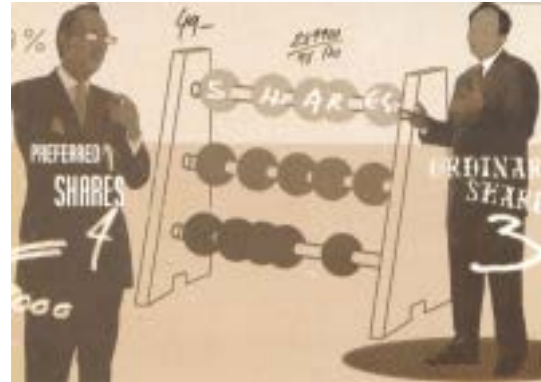
△ Restated

∅ 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.



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.

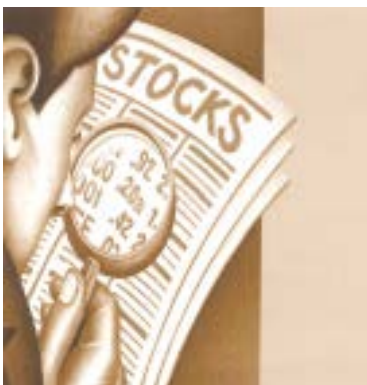
The number of shares which a company is authorized to issue is set out in its Articles of Incorporation and can only be increased with the consent of shareholders in a General Meeting.

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



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

Scenes from the JSE's Conference 2016



Mr. Robin Levy, General Manager-JCSD, Deputy General Manager-JSE presents the 2016 Venture Capital Pitch Room winners of Venture Capital Pitch Room with their cheque, at the 2016 Conference.



SportsMax CEO, Oliver McIntosh, Jermaine Deans; Deputy General Manager, JN Fund Managers Ltd. and the late Brian George, CEO of Supreme Venture Limited share a light moment.

Scenes from the JSE's Toronto Tour



Mr. Robin Levy, General Manager-JCSD, Deputy General Manager-JSE with members of the Canadian Stock Exchange team.



Members of the Canadian Stock Exchange listens attentively to Mr. Jermaine Deans; Deputy General Manager, JN Fund Managers Ltd.

(Cont'd on next page)

JSE Corporate Highlights

Scenes from the JSE's Listing Ceremonies



Executive members of Key Insurance Company Limited gather at the listing board during their listing ceremony.



The ISP Finance Services Limited team and The General Manager-JSE, at the ISP listing.



Members of Jamaica Producers Group Limited and The General Manager-JSE are all smiles.

It was a grand occasion for members of the JMMB Group of Companies at their renaming ceremony.



JSE Corporate Highlights

Scenes from the JSE's AGM



JSE's General Manager, Mrs. Street Forrest delivering her presentation on JSE 2016 performance.



JSE team ready to welcome shareholders.

Scenes from the JSE's Mandeville Luncheon



Members of the Mandeville business community at the JSE Business Luncheon.



Mrs. Patrice Smith-Lindo, IDB/MIF Project Manager speaking to the Mandeville business community at the JSE Business Luncheon.



Members of the audience asking questions.

JSE Corporate Highlights

Scenes from the JSE's Mandeville Outreach Forum



The audience listens keenly.



President of the Mandeville Chamber of Commerce, Garfield Green talks with his community.



Mr. Horace Walters, Trading Manager at Barita Investments Limited, Mandeville speaking to the audience at the JSE Investor Forum at the Mandeville Hotel.



The winning team of the Barita Investments Limited Trading Game.



A member of the audience receiving a prize from Mrs. Charlette Eddie-Nugent, JSE Communications Officer at the Mandeville Outreach Forum.

Jamaica Stock Exchange Yearly Trading Summary Main Market (1990-2016)

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)
1990	7,321,285	44	57,960	230,782	2,539.36					8,691	9	
1991	22,214,715	44	144,258	1,156,609	7,681.50					24,072	9	
1992	76,974,281	48	395,606	4,687,337	25,745.88					49,791	9	
1993	41,879,310	48	567,454	8,346,770	13,099.68					55,519	9	
1994	58,018,064	50	741,754	5,155,463	16,676.74					43,144	10	
1995	50,755,753	51	3,565,607	11,560,485	14,266.99					42,600	10	
1996	66,116,257	50	560,528	4,629,395	16,615.99					23,189	8	
1997	79,619,594	49	905,387	4,594,108	19,846.66					18,623	8	
1998	79,038,726	47	604,545	2,064,243	20,593.33					13,748	8+	
1999	104,041,538	44	520,531	2,218,714	21,892.58					9,256	6	
2000	160,135,746	44	694,897	3,441,081	28,893.24	26,894.76	883.67			21,066	6	
2001	222,006,166	42	2,845,199	5,948,358	33,835.59	32,508.99	1,015.26			20,979	10	
2002	292,297,900	40	1,604,591	7,636,877	45,396.21	46,142.81	1,450.34			26,999	10	
2003	512,884,380	41	4,290,433	24,237,330	67,586.72	55,629.64	1,697.87			35,954	10	
2004	879,297,296	40	5,194,558	35,994,853	112,655.51	116,218.38	3,176.62			86,875	11	
2005	839,852,762	41	2,498,028	40,746,681	104,510.38	104,941.62	2,859.62					
2006	822,862,351	44	5,639,412	37,040,992	100,678.00	107,213.42	2,942.88					
2007	876,690,610	44	2,433,488	29,047,425	107,968.00	106,782.82	2,928.98			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	3,359,339	48,449,577	192,276.64	201,139.49	6,403.77	2,096.06	204,960.10	30,698	12	800,864,403

+ 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 (2010-2016)

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

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	52,636,671	3,359,339	1,809,980	1,549,359	7,211,077	101,721,227

CORPORATE INFORMATION

Registered Office:	The Jamaica Stock Exchange, Jamaica Central Securities Depository & JCSD Trustee Services 40 Harbour Street P.O. Box 1084 Kingston. Telephone: (876) 967 -3271-2 Fax: (876) 967 -3277
Bankers	National Commercial Bank Cnr. Duke & Barry Streets Kingston.
Attorneys -at -law	Livingston, Alexander & Levy 72 Harbour Street , Kingston
Auditors	Ernst & Young 8 Olivier Road Kingston 8
Website Address	www.jamstockex.com
E -Mail Address	communications@jamstockex.com

Brokerages & Contact Information

BARITA INVESTMENTS LTD.

15 St. Lucia Way
Kingston 5
Phone: 926-2681/926-6673
Fax: 929-8432
email: barita@cwjamaica.com

SCOTIA INVESTMENTS JAMAICA LTD.

7 Holborn Road
Kingston 10
Phone: 960-6699/960-6700-2
Fax: 960-6705/ 968-7607
email: investmentinfo@scotiabank.com

JMMB SECURITIES LTD.

6 Haughton Terrace
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Phone: 920-5039/920-4720
Fax: 960-8106
email: info@jmmbsecurities.com

GK CAPITAL MANAGEMENT

58 Hope Road
Kingston
Phone: 932-3290
Fax: 927-9273
E-mail: GKCapitalgkco.com
Website: www.GK-Capital.com

MAYBERRY INVESTMENTS LTD.

1 ½ Oxford Road
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Phone: 929-1908
Fax: 929-1501/ 920-2103
email: sales@mayberry.com

SAGICOR INVESTMENTS LTD.

60 Knutsford Boulevard
Kingston 5
Phone: 929-5583-4
Fax: 926-4385
email: info@sagicor.com

JN Fund Managers Limited

2 Belmont Road, Kingston 5, Jamaica
Phone: (876) 929-2289
Fax: (876) 926-4375
Website: <http://www.jnfunds.com/>

M/VL STOCKBROKERS LTD.

2-6 Grenada Crescent
Kingston 5
Phone: 960-1570/926-4319
Fax: 960-1571
email: info@mvl.com.jm

NCB CAPITAL MARKETS LTD.

32 Trafalgar Road, 3rd floor,
Kingston 10
Phone: 960-7108
Fax: 960-7649/ 920-4313
Toll Free: 1-88-4-WEALTH
email: info@ncbcapitalmarkets.com

STOCKS AND SECURITIES LTD.

33 ½ Hope Road
Kingston 10
Phone: 929-3400
Fax: 929-4825
email: info@sslinvest.com

**VICTORIA MUTUAL WEALTH
MANAGEMENT LTD.**

53 Knutsford Boulevard
Kingston 5
Phone: 960-5000-3
Fax: 960-4972
email: spalmer@vmbs.com

PROVEN WEALTH LTD.

26 Belmont Road
Kingston 5
Phone: 908-3800
Fax: 754-3802
email: info@weareproven.com

BCW CAPITAL

82 Knutsford Boulevard
Kingston 5
Phone: 754-BCW1 (2291)
Fax: 906- 3545
email: info@bcwcapital.com

NOTES

PROXY FORM

Please affix
\$100 postage
stamp in this
box

I/We

of.....

being a Member of the Jamaica Stock Exchange, hereby appoint

.....

of.....

or failing him/her

of.....

as my/our proxy, to vote for me/us on my/our behalf at the Annual General Meeting of the said company to be held on the 22nd day of June, 2017 and any adjournment thereof.

Signed this..... Day of2016

.....
Signature

NOTES:

- 1. This Form of Proxy must be received by the Secretary of the Company not less than 48 hours before the time appointed for the Meeting.**
- 2. If the appointer is a Corporation, this Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized in writing.**
- 3. The proxy form will attract stamp duty of J\$100 which may be paid by affixing stamps or stamp duty impressed by the Stamp Office.**

