

**GK**  
**20**  
**13**  
**ANNUAL REPORT**

Investing for Growth:  
Delivering on our Promise

# HONESTY INTEGRITY T R U S T

## **VISION**

To be a Global Consumer Group delivering long term consumer and shareholder value, through brand building and innovative solutions in food and financial services, provided by highly skilled and motivated people.

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## **MISSION**

To take the taste of Jamaican and other Caribbean foods to the world and world-class financial services to our region.

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# 5 Year Financial Review

|                                              | '000<br>2013 | '000<br>2012* | '000<br>2011* | '000<br>2010 | '000<br>2009 |
|----------------------------------------------|--------------|---------------|---------------|--------------|--------------|
| Number of Shares (including treasury shares) | 333,659      | 335,319       | 332,330       | 331,711      | 331,706      |
| Stockholders' Equity                         | 32,765,684   | 30,702,837    | 28,601,255    | 26,697,805   | 23,697,642   |
| Percentage increase over prior year          | 7%           | 7%            | 7%            | 13%          | 20%          |
| Market Capitalisation                        | 18,374,601   | 16,769,303    | 20,933,467    | 16,917,261   | 13,434,093   |
| Total Borrowings                             | 11,571,790   | 10,338,328    | 11,808,923    | 13,764,164   | 17,227,287   |

## PROFIT AND LOSS ACCOUNT

|                                                |            |            |            |            |            |
|------------------------------------------------|------------|------------|------------|------------|------------|
| <b>Turnover</b>                                | 67,257,502 | 61,340,268 | 58,216,732 | 55,318,408 | 57,406,415 |
| Percentage increase over prior year            | 9.6%       | 5.4%       | 5.2%       | -3.6%      | 7.4%       |
| <b>Profit before Taxation</b>                  | 5,075,199  | 4,102,404  | 4,032,443  | 3,259,648  | 3,653,867  |
| Percentage increase over prior year            | 23.7%      | 1.7%       | 23.7%      | -10.8%     | 47.4%      |
| <b>Profit after Taxation</b>                   | 3,794,064  | 3,786,332  | 2,992,473  | 2,396,256  | 2,722,823  |
| Percentage increase over prior year            | 0.2%       | 26.5%      | 24.9%      | -12.0%     | 52.9%      |
| <b>Net Profit Attributable to Stockholders</b> | 3,221,634  | 3,478,888  | 2,748,813  | 2,250,176  | 2,574,955  |
| Percentage increase over prior year            | -7.4%      | 26.6%      | 22.2%      | -12.6%     | 53.8%      |
| <b>Net Dividend - Amount</b>                   | 727,660    | 665,937    | 494,874    | 445,007    | 378,838    |
| Percentage increase over prior year            | 9.3%       | 34.6%      | 11.2%      | 17.5%      | 0.1%       |

## IMPORTANT RATIOS

|                                           |       |       |       |       |       |
|-------------------------------------------|-------|-------|-------|-------|-------|
| Return on Sales                           | 4.8%  | 5.7%  | 4.7%  | 4.1%  | 4.5%  |
| Debt to Equity Ratio                      | 35.3% | 33.7% | 41.3% | 51.6% | 72.7% |
| Return on Equity                          | 10.2% | 11.7% | 9.9%  | 8.9%  | 11.8% |
| Profit before Taxation/Sales              | 7.5%  | 6.7%  | 6.9%  | 5.9%  | 6.4%  |
| Dividend Cover - times                    | 4.43  | 5.22  | 5.55  | 5.06  | 6.80  |
| Shareholders Equity per Stock Unit - JA\$ | 98.20 | 91.56 | 86.06 | 80.49 | 71.44 |
| Earnings per Stock Unit - basic           | 9.66  | 10.42 | 8.33  | 6.83  | 7.82  |
| Productivity per Employee - US\$'000      | 17.48 | 21.13 | 17.56 | 14.03 | 15.76 |
| Number of Employees                       | 1,827 | 1,850 | 1,823 | 1,841 | 1,844 |
| Closing Stock Price - JSE :JA\$           | 55.07 | 50.01 | 62.99 | 51.00 | 40.50 |
| Closing Stock Price - TTSE :TT\$          | 3.45  | 3.53  | 4.29  | 3.60  | 3.00  |
| Closing Stock Price - BSE :BD\$           | -     | -     | -     | -     | 1.00  |
| Closing Stock Price - ECSE. :EC\$         | -     | -     | -     | -     | 3.75  |
| Price-Earnings Ratio                      | 5.70  | 4.80  | 7.56  | 7.47  | 5.18  |

\*Restated

# Notice Of Meeting

NOTICE is hereby given that the Annual General Meeting of GraceKennedy Limited will be held at 73 Harbour Street, Kingston, Jamaica on Wednesday, 28 May 2014 at 4:00 p.m. for the following purposes:-

- 1. To receive the Audited Group Accounts for the year ended 31 December 2013 and the Reports of the Directors and Auditors circulated herewith.**

To consider and (if thought fit) pass the following resolution:-

## **Resolution No. 1**

"THAT the Audited Group Accounts for the year ended 31 December 2013 and the reports of the Directors and Auditors circulated with the Notice convening the meeting be and are hereby adopted."

- 2. To declare the interim dividends paid on 27 March 2013, 30 September 2013 and 11 December 2013 as final for the year under review.**

To consider and (if thought fit) pass the following resolution:-

## **Resolution No. 2**

"THAT as recommended by the Directors, the interim dividends paid on 27 March 2013, 30 September 2013 and 11 December 2013 be and they are hereby declared as final and no further dividend be paid in respect of the year under review."

- 3. To elect Directors and fix their remuneration.**

The Directors retiring from office by rotation pursuant to Article 102 of the Company's Articles of Incorporation are Mrs. Mary Anne Chambers, Mr. Everton McDonald, Mr. Douglas Orane and Mrs. Gina Phillipps Black who, being eligible, offer themselves for re-election.

To consider and (if thought fit) pass the following resolutions:-

## **Resolution No. 3 (a)**

"THAT the Directors retiring by rotation and offering themselves for re-election be re-elected en bloc."

## **Resolution No. 3 (b)**

"THAT Mrs. Mary Anne Chambers, Mr. Everton McDonald, Mr. Douglas Orane and Mrs. Gina Phillipps Black be and they are hereby re-elected Directors of the Company."

- 4. To appoint Auditors and authorise the Directors to fix the remuneration of the Auditors.**

To consider and (if thought fit) pass the following resolution:

## **Resolution No. 4**

"THAT PricewaterhouseCoopers, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors of the Company pursuant to Section 154 of the Companies Act to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."

- 5. To fix the fees of the Directors.**

To consider and (if thought fit) pass the following resolution:-

## **Resolution No. 5**

"THAT the amount shown in the Accounts of the Company for the year ended 31 December 2013 as fees of the Directors for their services as Directors be and is hereby approved."

By Order of the Board  
Karen Chin Queue Akin (Mrs)  
Corporate Secretary

A photograph of two men in dark blue suits and red patterned ties standing in a modern office with large glass windows. The man on the left is gesturing with his hands while talking to the man on the right, who has his hands in his pockets. A red rectangular box is overlaid on the left side of the image, containing the text 'Stockholders' Report'.

## Stockholders' Report

**Donald G. Wehby**  
Group Chief Executive Officer

**Gordon V. Shirley, OJ**  
Chairman

## Stockholders' Report

We are very proud of the year that the GraceKennedy Group had in 2013, as our results showed resilience in the face of a challenging economic climate. The challenges only served to make us even more focused on achieving our goals. Driven by our commitment to our stakeholders, we attained positive outcomes with our team coming together to successfully navigate 2013. We have undoubtedly emerged a stronger company, even more determined to achieve our goals as set out in our 2020 vision.

Due to the economic challenges facing Jamaica and the resultant National and Private Debt Exchange programmes in which our company participated, there was significant impact on GraceKennedy and on the local economy in general. A one-time loss of \$293 million was recorded in the income statement arising from the exchange of instruments. Our Company decided that participation in both debt exchange programmes was in the best interest of our company and the right decision for Jamaica in the long-term.

Group revenues for 2013 were \$67.3 billion, representing a 9.6% increase over the prior year. This revenue increase was accompanied by a 23.7% increase in pre-tax profits. In 2012 the corporate income tax rate for unregulated companies was reduced from 33 1/3% to 25% effective January 1, 2013. This resulted in a significantly lower tax charge in 2012 as a result of a one-off change in our deferred

income tax. As a result of this one-off impact in 2012, despite the significant increase in pre-tax profits, 2013 net profits were flat when compared to 2012. Earnings per share declined by \$0.76 to \$9.66.

Total assets grew by 4.3% to total \$108.6 billion for 2013. This growth was financed largely by an increase in total equity of 7.4% to total \$34.2 billion. In keeping with our objective to improve shareholder returns, the total dividends paid in 2013 was \$2.18 per share, compared to \$2.00 in 2012, an increase of 9%.

The key areas of focus for our company during the year were strengthening our Jamaican businesses, growing our international footprint, specifically in the USA, Canada, the United Kingdom and our new markets in Western Africa and Continental Europe; improved capital management, and continued focus on our customers and our employees. These coupled with GraceKennedy Group's commitment to good corporate citizenship drove our activities during 2013.

The Foods Division experienced growth in revenue both domestically and internationally. The strong profit growth was driven largely by our international markets. Our Food brands recorded 5% growth over 2012, largely driven by strong growth in Canada, Europe and Africa. The year was highlighted by the excellent performance of our international subsidiaries,

encouraging evidence of progress being made in our goal of becoming a Global Consumer Group.

Our commitment to excellence was once again rewarded by the Jamaica Exporters Association in awarding Grace Foods International as Best Caricom Exporters and Champion Traders – Category II. Dairy Industries copped the JPS award from the Jamaica Manufacturing Association for best use of energy for the second year in a row.

The Financial Services Division experienced some fallout resulting from the aforementioned debt exchange programmes and structural changes. These changes impacted the profitability of our Insurance and Banking and Investment segments. We wish to acknowledge the effort of our teams. A claims review was undertaken in our Insurance segment, resulting in higher loss ratios and a decline in profits for the segment. The review was completed during 2013 and we do not expect further extraordinary claims losses in the insurance segment.

During the year our Insurance segment launched two highly innovative micro-insurance products, 'Livelihood Protection Policy' (LLP) which provides weather-based insurance and 'GKAmend' which provides personal accident insurance. Our Banking segment launched the exciting credit card rewards programme 'Rewards your Way.' During the year, First Global Bank Limited won Best Banking Customer Service Provider in Jamaica and Best Online Banking Platform in Jamaica from UK based Global Banking & Finance Review. Our Money Services segment launched FX Trader Business Solutions which allows Jamaican companies to send international payments in over 135 currencies around the world.

We continued to contribute actively to the development of our communities through our foundations in the areas of education, sports and nutrition. We are very proud of our Grace and Staff Community Development Foundation, which continues to impact the communities in which our companies are located.

We are very satisfied with our Internship Programme launched in 2013 which gave ten young graduates the opportunity to garner experience in the corporate world. We are now proud to advise that the internship process has been completed, and all ten participants have been hired by GraceKennedy.

The share repurchase programme, which was announced by the Board during the year, commenced in November 2013. The Board has implemented this programme as it believes that the Company's share price is below its true value and that investing in our own company is an effective use of capital as we see this as a good investment for long term returns.

The Company completed its transition to an independent Non-Executive Board Chair at the end of December 2013 with the appointment of the Hon. Gordon Shirley as Board

Chair with effect from January 1, 2014. We record our appreciation to the outgoing Chairman, the Hon. Douglas Orane, for his sterling leadership of the Board over the years and we are grateful that he continues to serve as a Board member.

We are excited about 2014 and launched the year under the theme "Investing for Growth, Delivering on our Promise." We are focused on the growth of our international business, strengthening and maintaining our domestic businesses, improved efficiency and better capital management. We will be working assiduously towards creating the conditions that make those goals reality. We also aim to get closer to our customers and consumers across our various markets and serving them better. We have every confidence in our excellent team, and firmly believe that we have the right infrastructure, the appropriate risk mitigation and the strategies in place to achieve our goals. We thank you for your continued support on this journey. We sincerely appreciate it.

As we strengthen our home base and look to build our company as a Global Consumer Group, we thank our employees for their dedication and commitment. We thank our consumers and customers, for their continued support. We urge you to keep expecting more from us and to keep challenging us to improve. We are grateful for the past 92 years and expect an even better future guided by the values of HONESTY, INTEGRITY AND TRUST.



Gordon V. Shirley, OJ  
Chairman



Donald G. Wehby  
Group Chief Executive Officer

February 28, 2014



## Management Discussion and Analysis

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# Management Discussion and Analysis (MD&A)

## Disclosure

The management of GraceKennedy is responsible for the integrity and objectivity of the information contained in the Management Discussion and Analysis (MD&A). The information presented was also reviewed by the Group's Audit Committee on behalf of the Board. Management believes the information presented herein, represents an objective review of the Group's past performance and future prospects.

## Who We Are

GraceKennedy Limited is a publicly listed company on the Jamaica and Trinidad & Tobago Stock Exchanges. The Company was launched on February 14, 1922. GraceKennedy Limited is the parent company of a Group of subsidiaries operating mainly in the food and financial services industries. The Group's operations are structured as follows:

- **GraceKennedy Foods (GK Foods):** This comprises the business of food manufacturing through our own factories as well as through external suppliers, the distribution of Grace and Grace owned brands internationally and domestically and the operation of retail outlets through our Hi-Lo Supermarket chain in Jamaica. The Group also manufactures and distributes third party brands internationally and domestically. GK Foods operates primarily in Jamaica, the Caribbean, Central America, North America, Europe and Africa.
- **GraceKennedy Financial Group (GKFG):** This comprises our Commercial Banking, General Insurance, Insurance Brokerage, Securities, Remittance, Cambio and Payment Services businesses. GKFG presently operates within the English-speaking Caribbean.

- **Hardware & Lumber Limited (H&L):** This is a publicly listed subsidiary on the Jamaica Stock Exchange engaged in the retailing and wholesaling of building materials, home improvement supplies, household items and agricultural products. H&L operates within Jamaica with ten Rapid True Value locations and six Agro Grace Retail Centres located island wide.

## Our Vision

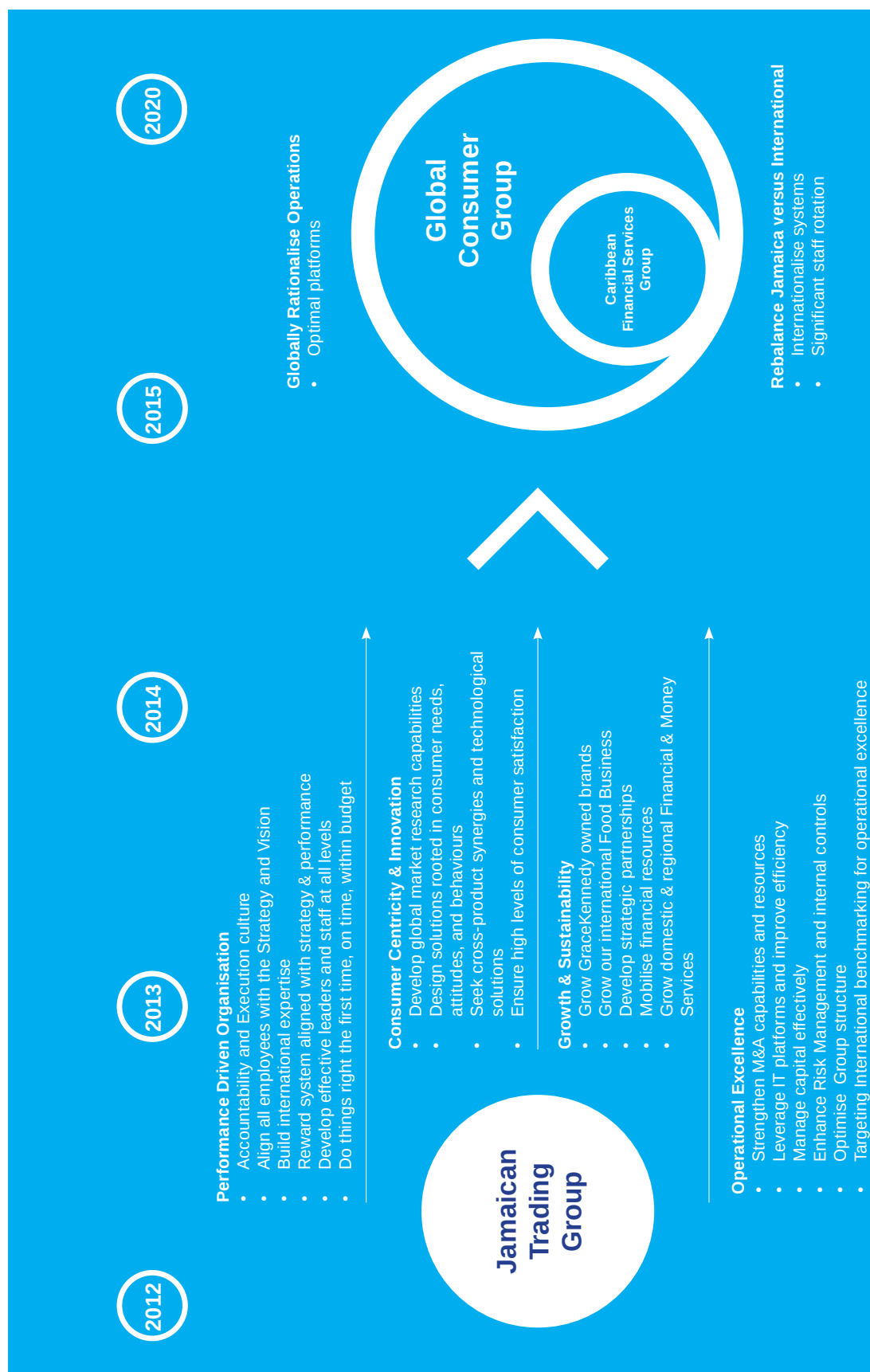
Our Vision is "To be a Global Consumer Group delivering long term consumer and shareholder value, through brand building and innovative solutions in food and financial services, provided by highly skilled and motivated people."

Our Vision embodies the focus of GraceKennedy's team, grounded in our firm commitment to our stakeholders:

- **Our staff:** We will promote teamwork, mutual respect, care, open communication, empowerment and accountability.
- **Our customers and consumers:** We will maintain high product and service standards as we honour our commitments.
- **Our shareholders:** We will provide our shareholders with competitive rates of return over the medium to long term.
- **Our communities:** We will be a socially responsible, caring and environmentally conscious corporate citizen.
- **Our creed:** We will operate with honesty, integrity and trust.

## Our Mission

Our Mission is "To take the taste of Jamaican and other Caribbean foods to the world and world-class financial services to our region."



## Performance Measurement

Our Executive Committee utilises the balanced scorecard tool to evaluate and monitor Group performance. The balanced scorecard as applied in GraceKennedy focuses on Financial, Customer, Internal Processes and Learning & Growth objectives.

- **Financial:** The focus of this aspect of our scorecard is to maximise shareholder value. The key metrics evaluated are “return on equity” and “productivity per employee”. The long term vision for the Group involves improving productivity levels and providing investors with a competitive return on equity.
- **Consumer:** Critical to our strategy is our customer and consumer focus which is central to the delivery of our products and services. The Group therefore monitors customer experience and service levels to ensure that we anticipate the needs of our customers and consumers and continue to delight them in all segments of our business.
- **Internal Processes:** The focus of this aspect of our scorecard is building brand awareness and strengthening risk management within the Group.
- **Learning & Growth:** Our team is critical to our success. This segment of the balanced scorecard monitors the relationship with our team. We therefore monitor retention and development of the team as well as staff satisfaction. An employee satisfaction survey is done every two years to monitor staff satisfaction and engagement.

## Key Expectations for 2013 – How We Did

We indicated our key expectations for 2013 in 2012's Annual Report and we are pleased to indicate that our expectations were largely met. The table outlines the status of these goals during 2013.

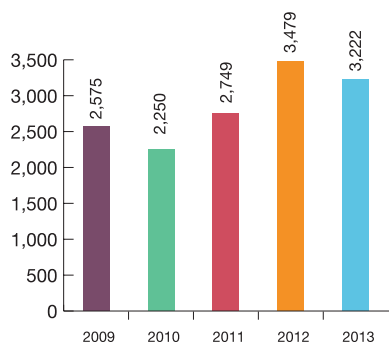
### 2013 Report Card

| Goals                                                          | Status                                                                                                                                                                             |
|----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Expansion of Food business in Europe & Western Africa          | This goal was achieved in 2013. Continental Europe recorded growth in revenue of 57%. Africa recorded growth in revenue of 91%.                                                    |
| Development of new markets on the West Coast of North America  | Resources have been put in place to develop these markets and conditions seem favourable for success. We expect growth in 2014 as we increase our understanding of these markets.  |
| New products and services from our Financial Services Division | The Financial Division launched new products and services with increased cross-selling. 2013 saw the launch of microinsurance products and foreign exchange business solutions.    |
| Strengthening of Jamaican operations                           | Our Jamaican operations experienced creditable growth driven by our Retail, Food Trading and Money Services segments. Revenue for Jamaica grew 6%.                                 |
| Improved capital management                                    | The Group is positioned appropriately to finance its key projects and provide shareholders with increased value. Evidence of this was our ability to increase our dividend payout. |

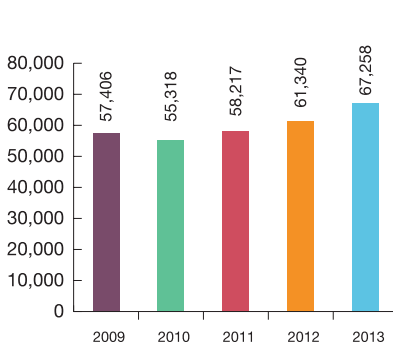
## Financial Performance

We proudly report that 2013 was a record year for your company, with profit before tax surpassing the \$5 billion mark for the first time. Revenues grew by 10% to total \$67.3 billion for the year. Profit before tax grew by 24% to total \$5.1 billion for the year. There was a marginal increase in net profit of 0.2% to total \$3.8 billion, substantially attributable to the one off change in deferred tax for 2012. Non-controlling interest represented an increasing share of net profit, growing by 86% to total \$572 million, while profit attributable to shareholders declined 7% to total \$3.2 billion.

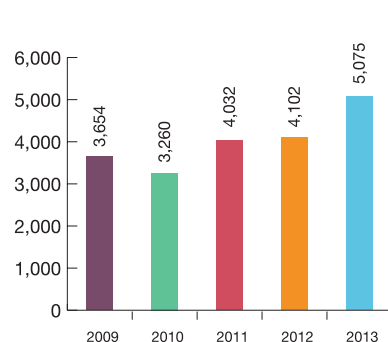
Net Profit Attributable to Stockholders (JA\$ Millions)



Revenue (JA\$ Millions)



Profit Before Tax (JA\$ Millions)



Revenues were generated from assets of \$108.6 billion, representing growth of 4%. These assets were financed by liabilities of \$74.4 billion and capital of \$34.2 billion. The Group's capital base increased by 7% for the year compared to a 3% increase in liabilities. Capital comprised shareholders' equity of \$32.8 billion and non-controlling interest of \$1.5 billion. Return on equity for 2013 was 10.2% compared with 11.3% for 2012.

## How We Earned

It is important to note that given the significance of our overseas operations to our overall Group performance, our revenues and expenses are especially influenced by the devaluation of the Jamaican dollar against the US dollar and the British pound. Revenues for GraceKennedy are earned through its business segments across the world. All segments recorded increases in revenue, with Money Services (up 14%), Food Trading (up 11%) and Retail and Trading (up 8%) being the strongest performers.

Expenses rose by 10% to total \$63.9 billion, largely driven by a rise in cost of inventory (up 10%), occupancy (up 21%) and staff-related expenses (up 10%). Excluding inventory and staff costs, the major increases in expenses were due to devaluation, additional information technology resources and energy. The increase in staff costs was driven by wages and salaries and pension-related costs.

The growth of our revenue and management of our expenses resulted in a positive outcome with operating

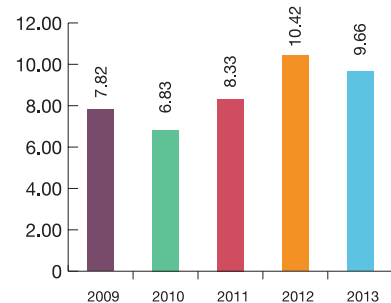
profit increasing by 20%. This growth was supported by a 65% increase in other income. This increase was largely attributable to foreign exchange gains, gain on sale of investments and fees and commission.

Noteworthy was the impact of the Government of Jamaica's debt exchange programmes (NDX and PDX) which resulted in a one-time loss of \$293 million being recorded in the income statement arising from the exchange of instruments. This primarily affected the financial services companies. While we believe that participation in this programme was in the best long-term interest of GraceKennedy's shareholders and Jamaica, we are strongly encouraging the government to continue to take the measures necessary to ensure fiscal discipline and sustainable long term national growth and development.

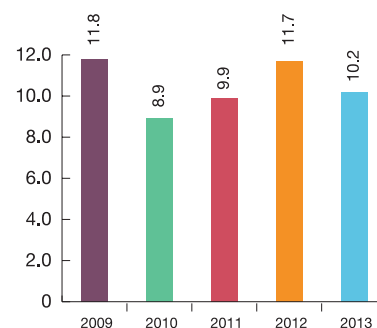
The tax expense increased by \$965 million over 2012 to \$1.28 billion due partly to the improved pre-tax profits but also significantly to one-off deferred tax adjustments and credits in 2012, which reduced that year's tax expense by a total of \$641 million of which \$498 million related to the reduction in the corporate income tax rate for unregulated companies from 33 1/3% to 25% effective January 1, 2013. This resulted in net profit for 2013 showing only a marginal increase compared to 2012 which had benefited from the low tax charge.

The Group's net profit was represented by non-controlling interest of \$572.4 million and profit attributable to shareholders of \$3.2

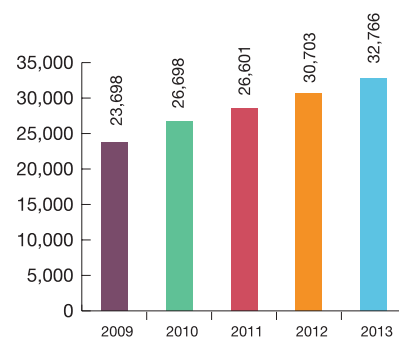
Earnings Per Stock Unit



Return on Equity



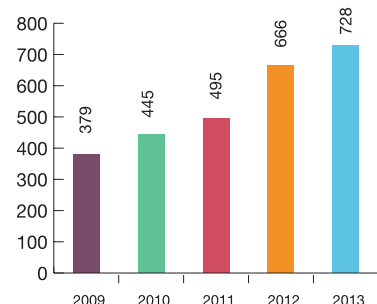
Shareholders' Equity (JA\$ Millions)



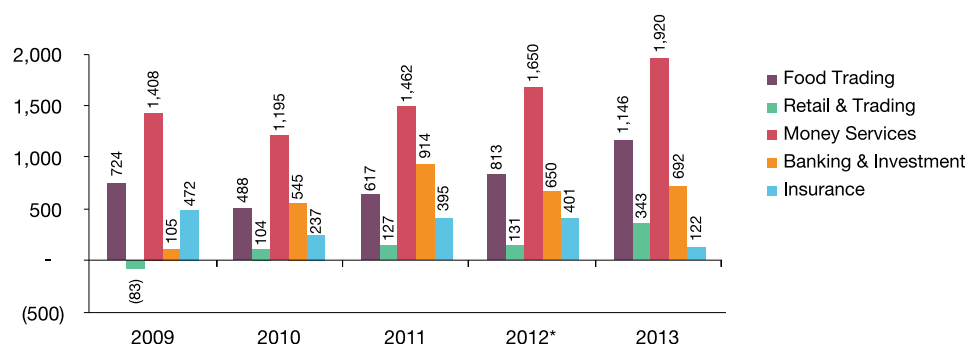
Market Capitalisation



Dividend (JA\$ Millions)



Contribution to Pre-Tax Profit by Segment (JA\$ Millions)



billion (down 7%). This outcome is attributable to stronger performance by subsidiaries in the Group which have minority shareholder(s), namely Hardware & Lumber and GraceKennedy Money Services Caribbean.

### Balance Sheet Review

The major contributors to growth in our asset base were investment securities (up 28% over prior year), inventories (up 27%) and loans receivable (up 17%). Inventory growth was supported by an increase in liabilities, specifically payables (up 13%) and working capital utilisation. The Group deployed cash to support the reduction in securities sold under repurchase agreements (down 10%) and increase in lending through our banking arms. Cash declined by 17% to total \$9.1 billion.

The Group increased its use of leverage in 2013, resulting in a debt to equity ratio of 35.3% compared to 33.7% in 2012. Bank and other loans grew by 12% to total \$11.6 billion while deposits grew by 13% to total \$17.8 billion. The growth in deposits is reflective of the Banking Division's drive to increase its deposit base.

Our equity base remains robust, growing by 7% for the year to total \$32.8 billion. Retained earnings totalling \$22.5 billion represented 69% of our equity. The remainder of our assets was financed by non-controlling interest which grew 26% to total \$1.5 billion.

### Shareholder Return

GraceKennedy's stock price recorded a 10% increase on the Jamaica Stock Exchange during 2013, opening at \$50.01, and closing the year at \$55.07. The Group

increased its dividend payment during the period by 9% or \$61.7 million to total \$727.7 million, resulting in a dividend yield of 4.4%.

The stock as at December 31, 2013 traded at a price earnings multiple of 5.7 times on the Jamaica Stock Exchange, an increase over the 2012 multiple of 4.75. The stock as at December 31, 2013 traded at 55% of its book value per share of \$98.72, compared to a price to book ratio of 51.2% in 2012.

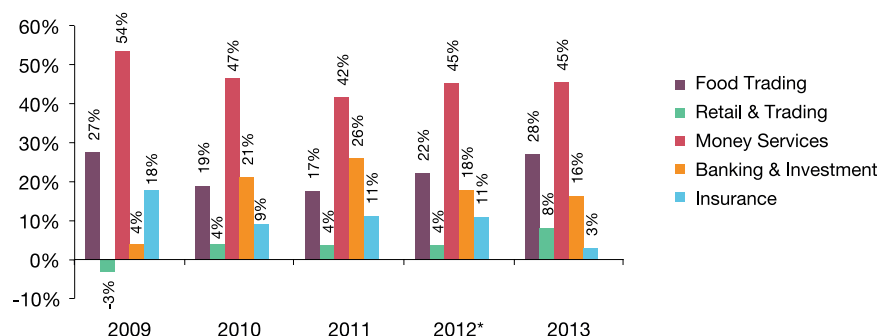
The share repurchase programme, which was announced by the Board during the year, commenced in November 2013. The Board has implemented this programme as it believes that the Company's share price is below its true value and that investing in our own company is an effective use of capital as we see this as a good investment for long term returns.

### Segment Analysis

All operating units achieved growth in revenues in 2013. Food Trading was the dominant contributor to revenues for the year. In terms of profitability, four out of five of our operating segments reported increased profits.

Our Retail and Trading segments, buoyed by the strong performance of Hardware & Lumber saw growth in profit before tax of 161%. Our Food Trading segment recorded an impressive growth in profitability of \$332.7 million or an increase of 41%. The growth in the Food segment was driven by our overseas entities, with revenues outside of Jamaica for this segment growing by 18% compared to 6% for Jamaica.

Contribution to Pre-Tax Profit by Segment (%)



Our Money Services segment recorded double digit growth of 16% in profits to total \$1.9 billion. This was driven by the development of markets outside Jamaica and an increased market share in Jamaica. Our Insurance segment recorded a decline in profitability, attributable to an increased loss ratio and the impact of the debt exchange. Our Banking & Investments segment grew profits by 6.5% despite the impact of the debt exchange programmes.

The GraceKennedy Group earns in two major categories: Foods and Financial Services. The Foods segment represents the lion's share of revenue, accounting for 66%,

declined by 6% due to reduction in freight, contractors, security and insurance expenses. The pension change resulted in staff costs declining by \$482 million, directly resulting from a pension credit of \$502.4 million.

Profit before tax, excluding this one-time pension adjustment, amounted to \$315.2 million, a still impressive increase of 151%. The performance was supported by the growth of the Retail, Hardware and Household (Rapid True Value) operations, which grew by 8.2%, while the Agriculture operations of H&L (Agro Grace) grew by 9%.



Grace Jerk Festival Atlanta 2013

similar to 2012. Profit before tax is earned in the following proportions:

- GraceKennedy Financial Group : 54%, down from 66% in 2012
- GK Foods: 23%, up from 20% in 2012
- Hardware & Lumber: 7%, up from 3% in 2012
- Corporate and other: 16% up from 11% in 2012

### Hardware & Lumber Limited

The performance of Hardware & Lumber (H&L) was exceptional for 2013, particularly given the operating environment. The company recorded growth of 575% in profit before tax to total \$814.4 million. The performance was attributable to creditable revenue growth, reduced financing costs and declines in administrative and direct expenses. The change in direct and administrative expenses is mainly attributable to a significant change in H&L's pension plan from a defined benefit to a defined contribution plan. Excluding this change, other expenses

The company's debt to equity ratio improved from 54% to 21% for the period, reducing the financial risk associated with the company. This was largely due to a 72% increase in equity and a 39% decline in long term debt. H&L increased its dividend paid by 140% to total \$0.30 per share. H&L's share price increased 79% to close 2013 at \$6.10.

### GK Foods

The Foods Division recorded 41% growth in profit before tax in the face of a rapidly changing set of conditions in our primary market, Jamaica, which resulted in significantly reduced consumer spending. Although this posed a formidable challenge, we were still able to grow revenues in Jamaica. The growth in the Foods Division was largely due to the strong performance of our international businesses in North America and Europe (including the United Kingdom). Specific business units turned in very strong performances favourably impacting our overall performance. Dairy Industries (Jamaica) Limited, GraceKennedy Ontario Inc and Grace Foods UK Limited in

the international market performed robustly, while our USA business, World Brands Services (Jamaica) and GK Belize performed reasonably in their respective market places.



"It's all Grace! It's all good!" Senior Brand Manager, Grace Foods Suwannee Stewart is pleased to have given packages to Bravo TV's reality star Chef Roblé (second left) and his Assistant Chefs Adam Banks and Robert McClure (far left).

## Domestic Market

The domestic market proved to be the most challenging due to an accelerated devaluation of the Jamaican currency which resulted in increased costs in raw and packaging materials. These increases were exacerbated by the rise in fuel and related transportation costs. Our consumers were also negatively impacted by these factors leading to a decline in their disposable income and therefore changes in their purchasing decisions. Our value brand, 'Caribbean Choice', developed and positioned to meet this changing demand, grew significantly over prior year. Our domestic business grew by 6% during the year.

Higher production costs resulted from the rapid devaluation of the Jamaican currency and costs associated with energy. GraceKennedy has embarked on an energy project in collaboration with The University of the West Indies with the objective of reducing these costs. Our conservation efforts resulted in Dairy Industries being given the JPS award by the Jamaica Manufacturing Association for best use of energy for the second year in a row.

## International Market

We continue to work towards our objective of being a Global Consumer Group through international expansion and further development of markets in Africa, North and South America and Europe. Revenues outside of Jamaica grew by 17.6%, driven by 21% growth in Canada, 17% growth in the United Kingdom and 14% growth in the United States of America.

We are encouraged by our performance in Continental Europe and Africa. We have seen increased listings in large multiples across Continental Europe. In Africa, the drivers of these encouraging sales are Canned Fish, Mighty Malt, Ginger Beer and Tropical Rhythms. In Canada, our Coconut Water drove sales and we are proud to say it is the number one coconut water in that market as defined

by market share. Our brands continue to maintain a strong presence in major retailers such as Walmart and Publix, across the East Coast of the United States of America. Our entry into markets such as Russia for the first time, and our expansion on the West Coast of the USA showed the growing diversity of our consumers and underscores the importance of a comprehensive understanding of these new cultures and taste profiles.

## Innovation

We had successes in innovation during the year and innovation will continue to be a major focus in 2014. Dairy Industries developed a new formulation of its yogurt line which was well received. The sauce plant in Corwen, Wales invested in improved machinery and systems to reduce the cost of products and increase the flexibility of operations. Grace Agro Processors, makers of the Fresh n' Ready product, has experienced growth in both its fresh vegetable product line and its pepper mash product which is used as a raw material in our own pepper sauces and is also sold to other manufacturers. It is important to highlight our partnership with over 500 Jamaican farmers who supply our local factories with inputs. Our commitment to excellence was once again demonstrated with an award from the Jamaica Exporters Association to Grace Foods International, as Best Caricom Exporters and Champion Traders – Category II. We also embarked on a project to strengthen our Hi-Lo supermarket business. This entails the remodelling of our key locations and increased focus on the customer experience.

## Brand Recognition

| Sales Growth | 2010  | 2011  | 2012 | 2013  | CAGR 4YR |
|--------------|-------|-------|------|-------|----------|
| Grace Brand  | 3.6%  | 12.5% | 6.9% | -1.2% | 5.3%     |
| Grace Owned  | 11.7% | 4.6%  | 2.6% | 2.7%  | 5.3%     |
| Total        | 5.8%  | 10.3% | 5.7% | -0.2% | 5.3%     |

A primary area of focus is to build more awareness of the Grace owned brands. The Group measures this by growth in branded sales globally in US dollars. This recognition is captured significantly in the performance of our GK Foods Division. Our brands have averaged 5.3% growth per annum over the last four years, driven by the popularity of our Grace Brand. The decline in sales growth for our Grace Brand in 2013 is attributable to devaluation, which would have primarily affected our sales in Jamaica.

**Highlights:** The information below is based on sales and profits in US dollars:

- Grace and Grace owned brands experienced improved margins in all geographical segments.
- Grace and Grace owned brands experienced volume growth in all major markets.
- Growth in volume was 4.8% overall, with the Grace Brand growing 7.4%. Grace owned brands grew by 1.7%.

### 2014 Goals for GK Foods

- Expansion in North America through acquisition and increased listing on the West Coast
- Successful implementation and rollout of Global Category Management
- Growth in our African distribution with groundwork for manufacturing and further strengthening of this geographical area
- Increased penetration into Continental Europe
- Focus on further strengthening our leading market position in Jamaica, through product innovation and increased efficiency

### GK Financial Group

The GraceKennedy Financial Group (GKFG) achieved growth in revenues of 7%, with profit before tax growing marginally by 1.2%. The challenges in 2013 included write-downs arising from the National and Private Debt Exchange programmes, and an extraordinary increase in claims reserves within our domestic insurance subsidiary arising from a claims review conducted in 2013.

#### Banking and Investments

Our Commercial Banking business recorded increased profit attributable to strong growth in loans and non-interest income. Our loan quality improved during the year, with non-performing loans as a percentage of total loans decreasing from 4.5% (as at end of December 2012) to 3.3% (as at end of December 2013). On the first business day of 2014, First Global Bank (FGB) launched a new core banking and Internet banking solution which should provide the platform for new customer innovation and solutions in the short to medium term.

During the year, UK-based Global Banking & Finance Review gave FGB two awards: Best Banking Customer Service Provider in Jamaica and Best Online Banking Platform in Jamaica. In 2013, FGB launched the credit card rewards programme 'Rewards your Way,' which allows customers to choose their rewards instead of being restricted to just one type.

The debt exchange programmes adversely affected our asset management business, First Global Financial Services (FGFS). However, due to consistently prudent financial management, the business remains profitable and well-capitalised. FGFS continues to diversify its income streams with a focus on non-interest income. The company showed growth in its pension management income and raised approximately J\$2B for clients in corporate finance deals.

#### Insurance

The Insurance segment reported increased revenues but lower profits compared with 2012. This was mainly due to a claims review which resulted in increased provisioning at Jamaica International Insurance Company (JIIC). Measures were taken to address this and we do not expect further extraordinary claims losses in 2014. During the year

JIIC launched two micro-insurance products, 'Livelihood Protection Policy' (LLP), which provides weather-based insurance to those whose income is severely affected by weather events and 'GKAmed', which provides personal accident insurance for persons who do not have traditional health insurance.

Our domestic brokerage business, Allied Insurance Brokers (AIB) recorded growth in employee benefits business and remains the leading insurance brokerage in Jamaica.

#### Money Services

This segment had a good year, recording 14% growth in revenues and a 16% increase in profit before tax. All areas of the segment - Remittance, Bill Payment and Cambio Services - contributed to the overall growth. Remittance transactions exceeded prior year volumes. A milestone achievement occurred in 2013 as the number of inbound remittance transactions from Canada surpassed one million.

Towards the end of the year, the Bill Payment operations received a noteworthy boost from the collaboration with the Postal Corporation of Jamaica Ltd. This provided greater convenience and access to customers who were able to, up to December 31, 2013, pay bills at 39 Post Offices island wide, with that number expected to grow in 2014. GKMS, through FX Trader, officially launched FX Trader Business Solutions which allows Jamaican companies to send international payments in over 135 currencies around the world. During the year we expanded our Caribbean footprint with the launch of operations in the British Virgin Islands. This remains a very important element of our growth strategy, which is to expand our money services across the Caribbean.

The issue of compliance remains at the forefront of our business. We made every effort to ensure that our operations are compliant with the requisite regulations and continue to ensure a safe and transparent environment for our Money Service operations, especially as it concerns remittances. During the year with the support of Western Union we implemented new initiatives to ensure increased safeguards. We remain committed to offering innovative service delivery channels and are excited about the opportunities that will be available to our customers.

### 2014 Goals for GK Financial Group

- Leverage the investment in technology for the further benefit of all our stakeholders
- Caribbean expansion for our underwriting and brokerage business
- Successful roll out of our new product innovations for the Money Services, Banking and Insurance businesses
- Increased penetration by our Remittance business across the Caribbean

## Where We Earn

| Geographical Area (J\$'000) | 2009       | 2010       | 2011       | 2012       | 2013       |
|-----------------------------|------------|------------|------------|------------|------------|
| Jamaica                     | 39,761,869 | 37,396,067 | 38,879,849 | 40,598,571 | 43,040,726 |
| Europe                      | 8,099,574  | 7,993,787  | 8,972,939  | 9,330,781  | 11,164,868 |
| North America               | 6,353,666  | 6,408,850  | 7,096,447  | 7,793,387  | 9,041,952  |
| Caribbean and Other         | 3,189,656  | 3,510,273  | 3,255,124  | 3,576,260  | 3,931,001  |
| Africa                      | 1,650      | 9,431      | 12,373     | 41,269     | 78,955     |
| Total                       | 57,406,415 | 55,318,409 | 58,216,732 | 61,340,268 | 67,257,502 |

Our aim is to achieve at least 15% of our revenues from three different continents or regions namely: (1) North America (2) Europe (including the United Kingdom) and (3) Africa. The 2013 results indicate that we earned over 16% of our revenues in Europe, 13% in North America and 0.1% in Africa, with markets outside Jamaica representing 36% of revenue compared to 34% in 2012. GK Foods accounted for 85% of revenues outside Jamaica.

All markets recorded stronger growth in 2013 resulting in overall growth of 10%. This was driven by 20% (4% - 2012) growth in Europe and 17% (10%-2012) growth in North America. This is attributable to increased market penetration on the West Coast of the United States of America, Canada, the United Kingdom and Continental Europe. Our experience in Africa continues to be encouraging and this represents an avenue for growth in 2014. The Caribbean market recorded 6% growth in revenue compared to 5% in 2012. Jamaica recorded growth of 6% in 2013, which is a creditable performance given the environment. Our expansion outside of Jamaica was further strengthened by strong growth across the Caribbean. The rest of the Caribbean grew by 10% in 2013 compared to 7% in 2012.

## Our Team

The year in review included a reaffirmation of the company's commitment to excellence of service delivery whilst creating enduring employment relationships. As the generation shifts occur, we saw the need to acknowledge and facilitate the ability for employees to fulfil their personal needs and responsibilities, including family, educational advancement, wellness activities and volunteerism. One way of demonstrating this, was the introduction of a Flexi Work Arrangement Policy. We continue to invest in the training of our staff through various programmes inclusive of on the job training, continuing education, our Supervisory Development Programme (SDP) and our Senior Leadership Development Programme (SLDP).

### Satisfaction & Engagement

Our biennial Employee Satisfaction Survey in 2013, showed Group-wide improvement over the prior survey of 2011. As a follow up to the survey results of 2011, a GK Leaders' Employee Value Proposition, comprising six promises to our staff across the Group, was introduced to further demonstrate the company's appreciation of and to our team. The inaugural launch of initiatives will happen in

our companies across the world in 2014.

### Talent, Learning, Innovation & Global Mobility

We saluted 15 graduates from our Supervisory Development Programme and as is customary, GraceKennedy continued to invest in the development of young people via the re-launch of its Accelerated Development Programme (ADP) and its inaugural Internship Programme (IP).

The ADP exposed three potential management trainees to a cross-section of the Group's operations through a series of rotations, with a view to creating potential leaders. Ten university graduates were selected and placed in various areas across the Group for our Internship Programme. Both programmes ran successfully with 100 % of the participants placed in positions throughout the Company, in areas such as Risk Management, Compliance, Business Intelligence, Project Management, Marketing, Human Resources, Information Technology, Social Media, Banking and Insurance.

We hired our first employee in Ghana, which is a great milestone for us. It is evident that the demographic of the traditional GraceKennedy employee is beginning to change and there is rich diversity across the group with a strong male/female balance both at the employee and management levels. Our strategy towards regional and global expansion has created more emphasis on global mobility to ensure that we are robust and focused in preparing our people to move to existing and emerging markets within the region and as far away as Africa.

## Corporate Social Responsibility

GraceKennedy's mantra "We Care" symbolizes who we are as a corporate entity. This sentiment continues to be reflected in our corporate activities and our strong community involvement. Through our Foundations and community involvement, we seek to improve and enhance the lives of the individuals with whom we interact in locations where our companies operate. We are also firmly committed to sports, youth development, nation building, education and social intervention.

**Sports:** GraceKennedy continued, with great pride, our sponsorship of the largest secondary school sporting event in the Caribbean, the ISSA/GraceKennedy Boys' and Girls' Championships. We are proud of our contribution, which speaks to our investment in sport,

youth and nation building. We also continued with our sponsorship of cricket, mainly through our sponsorship of the school cricket competition, 'The Grace Shield'. We congratulate our Brand Ambassador Shelly-Ann Fraser-Pryce on her successes at the World Championship and it was our pleasure to renew our relationship with her as GraceKennedy Ambassador. During 2013, we signed Hansle Parchment as Brand Ambassador for our Grace Aloe Vera Drink.

GraceKennedy does not only promote sports programmes externally, but also develops an appreciation for sports and team spirit within the Group of Companies, through the staging of different inter-company events by the Sports, Arts and Culture Department (SPARC). The GraceKennedy Netball team emerged first in the Business House Mid-Season Rally in 2013 and our footballers made a brave attempt in the Business House Football Competition.

**Education:** In February 2013, First Global expanded its 'Music – Perfect Pitch for a Sound Education' programme, adding four new schools, to bring the total to ten schools. The pilot programme saw music being introduced into the curriculum of Grade 3 students in a bid to improve literacy and numeracy. At the end of the 2011/2012 school year, 90% of students had seen a marked improvement in their literacy and numeracy skills. In addition, each student was able to play at least one musical instrument.

First Global Bank and First Global Financial Services continued to provide the necessary musical instruments; equipment and materials needed, and also sponsored teacher training workshops, to hone the teachers' musical skills to effectively deliver this curriculum. The Ministry of Education partnered with the companies in this initiative, and provided the necessary training to the schools, as well as monitoring of the programme, and testing of the students. All ten schools involved in the programme have reported not only academic improvement but also improvement in attendance, behaviour and class participation. A number of these practices are being included in our national curriculum.

**GraceKennedy Foundation:** During 2013, the GraceKennedy Foundation continued to play its role with thoughtfulness as it pursued its mission of actively promoting 'well-being primarily by supporting educational and environmental programmes.' This was done through the provision of grants to a number of charitable organisations, scholarship and bursary programmes, the funding of two Professorial Chairs at The University of the West Indies and the Foundation's Annual Lecture Series.

The GK Foundation, recognising the importance of investing in early childhood education, provided grants to a number of entities. We wish to specifically highlight our donation to the largest primary school in the island, May Pen Primary, through a grant of text books and computers.

The Foundation's assistance was not limited only to schools, as a number of other organisations, including 'Choose Life International' and 'Survivors Unlimited' also received grants. Both organisations are having a tremendous impact on the psychological wellness of our youth.

The GraceKennedy Foundation partnered with NGO, 'Ena's Haven', on a year-long programme that focused on exposing inner-city youth to a number of environmental issues such as river training, forest preservation, beach clean-up, and recycling. It was truly a transformational experience for all the participants.

In 2013, the Foundation spent over \$13 million on its scholarship and bursary programme which benefitted students at the secondary and tertiary levels.

The GraceKennedy Foundation continued to fund two Chairs at The University of the West Indies: the James Moss-Solomon Sr. Chair in Environmental Management, held by Professor Dale Webber and the S. Carlton Alexander Chair in Management, held by Professor Ian Boxill. Their 2013 Annual Reports reflected their innovative and forward thinking work as they continued to explore new



President, First Global Bank, Maureen Hayden-Cater, with the Bank's 2013 Awards



President, First Global Financial Services, Steven Whittingham, looks and listens to the little ones at Seaward Primary



GraceKennedy Foundation Director, Philip Alexander, with students and teachers of McGrath High, along with Principal, C. Pantan, Caroline Mahfood Executive Director, GraceKennedy Foundation and Erica Fagan, Admin Assistant/Project Officer

ideas for growth and development in their respective fields.

The 2013 Annual Lecture entitled “Moral Dis-ease Making Jamaica III? Reengaging the Conversation” was presented by Dr. Anna Kasafi Perkins. She examined morality in 21st century Jamaica and encouraged us to consider how to prevent Moral Degenerative Syndrome (MDS) from becoming a terminal condition in our country.

## “Moral Dis-Ease Making Jamaica III? Reengaging the Conversation”

**Grace and Staff Community Development Foundation:** The lack of resources and increased need for social intervention programmes made the work of the Grace and Staff Community Development Foundation most relevant during 2013. The Foundation's resources were targeted at serving the widest cross section of the communities where GraceKennedy operates. Successful programmes were realised through the support and contributions of the



Judith Chung, GK Legal Counsel, interacts with a young one at a Grace and Staff Christmas treat.

staff of GraceKennedy, fundraising, international grants/donations, and the investment of time by volunteers. The work of the Foundation was enhanced by the grant from the USAID and the donations from Microsoft. Four centres (Barbican, Majesty Gardens, Tower Street and Spanish Town) were outfitted with state of the art computer labs complete with interactive white boards and multimedia equipment.

Major highlights were:

- The Foundation's community empowerment and organisational strengthening activities through workshops
- A Skills Certification course funded by Western Union as part of the Grace & Staff Workforce Development Programme
- The attendance of in excess of 300 students to our homework centres located in Spanish Town, Majesty Gardens, Tower Street and Barbican; classes ranged from primary to post-secondary education
- JCDC Festival Awards won by two of our students; the camera club has received nine awards since 2009 with this year's bronze medal the highest so far
- The GK Foundation-sponsored environmental project, which facilitated six field trips to raise awareness about the impact of the environment on society
- Counselling and Psychosocial Services provision to 219 persons

## Risk Management & Internal Controls

We recognise that risk is inherent in all business activities and that, while it is not possible to eliminate all risks in developing and executing business strategies, it is important that they are eliminated or managed, mitigated and controlled as appropriate. It is therefore critical that events, whether they are risks or opportunities, are properly identified, measured, eliminated or managed in order to minimise losses and maximise opportunities.

### GraceKennedy Risk Management Framework

In 2013, work continued to strengthen the GraceKennedy Risk Management Framework (RMF) that was redesigned to reflect the Group's desire to pursue Enterprise-Wide Risk Management. The RMF provides a common basis for the identification, assessment, management, monitoring and reporting of risk on a continuous basis. Elements of the RMF include:

- A Risk Policy that governs the management of the Risk Management Framework and outlines the risk management responsibilities of the GraceKennedy Board of Directors, Audit Committee and Management
- A GraceKennedy Risk Appetite Statement that defines the boundaries within which the Management, Executive Committee and Board of Directors will pursue the strategic objectives of the Group
- A governance framework that supports formal

reporting by company executives on topical risk and control issues, control self-assessments and the results of internal and external audit reports

- Monitoring mechanisms that help provide assurance to the Audit Committee and Board about the maintenance of internal controls
- The Risk Assessment Reporting Standard that identifies the mandatory requirements relating to risk assessment and mitigation
- The Risk Assessment Guidelines that outline how all areas of the business must identify, evaluate, manage, monitor, and report on risks on an on-going basis
- Tools and methodologies that allow for the nimble identification and reporting of material risks to the GraceKennedy Executive Committee, the Business Unit Audit Committees, the Group Audit Committee, and the Board of Directors
- Self-Audit Guidelines and accompanying tool kit that has been designed to encourage the Company's business and support units to proactively identify and act quickly on process and control weaknesses

### Risk Management Governance

The GraceKennedy Board is ultimately accountable for determining the Group's risk profile and ensuring that management has appropriate policies and internal controls in place. The Board has charged the Group Audit Committee with the responsibility for overseeing the Risk Management Programme on its behalf in accordance with its Terms of Reference. Management is responsible for identifying, assessing, quantifying, reporting, and managing all risks within their lines of business. They are accountable to the Board for designing, implementing, and monitoring of the risk policy and the process of risk management and integrating it into the day-to-day activities of the Group. They ensure alignment of business strategy with corporate culture, appetite, and policy through the Executive Risk Committee. The Enterprise Risk Management Committee is mandated to provide the Group's risk management team with guidance and support in continuing to develop GraceKennedy's Risk Management Framework and ERM Strategy.

### Milestones in 2013

The following were among the risk management initiatives pursued during the year:

- The creation of a more formal structure to share risk and audit best practices throughout the Group
- The identification and implementation of appropriate software to allow for aggregation and monitoring of risks across the Group
- The creation of a system that allows the business and support units to proactively monitor the effectiveness of controls
- The benchmarking of the quality of GraceKennedy's Enterprise Risk Management (ERM) Programme

## Risk Assessment

GraceKennedy operates in various geographical regions across several industries. Risk assessment is done both at the Group level and by the individual companies, where keen monitoring of identified risks is undertaken. The Group operates within the financial services sector as well as food manufacturing and distribution and retail trading. These areas each have their own unique risk considerations. The major risks affecting the Group are operational, insurance, credit, liquidity and market risk.

### Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Some examples of operational risk are fiduciary or disclosure breaches, technology failure and environmental risk. The Group's Risk Management Framework supports the mitigation of Operational Risk by establishing the standards for assessment, management, monitoring, and the provision of assurance that the risk and internal controls frameworks are operating as intended. Each subsidiary is required to implement a comprehensive Business Continuity Plan to ensure that in the event of a hazard that disrupts operations, the business will recover in the shortest possible time. The Group ensures that all employees are held accountable for managing the risk and internal control environment with regular audits by our Internal Audit Department. Employees are also empowered to raise concerns of breaches of policies and procedures through an independent whistleblowing protocol.

### Insurance Risk

Insurance risk for the GraceKennedy Group is attributable to policies sold by its general insurance underwriting subsidiary and is borne by that subsidiary. The risk under any one insurance contract is the possibility that the insured event occurs, as well as the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore, unpredictable. Factors that increase insurance risk include lack of risk diversification in terms of type and amount of risk, as well as geographical location. Management maintains an appropriate balance between commercial, personal policies and type of policies based on guidelines set by the Board of Directors. Insurance risk arising from the company's insurance contracts is, however, concentrated within Jamaica. Within the solvency requirements of the insurance regulators, an appropriate reinsurance programme has been established to reduce exposures in all classes of business thereby reducing capital exposure to an acceptable level, using very highly rated international reinsurers.

### Credit Risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Group's receivables from customers, agents, the amounts due from reinsurers, amounts due from insurance contract holders and insurance brokers, lending and investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the company to similar risks to loans and these are mitigated by the same control policies and processes.

### Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. This risk is adequately addressed through the monitoring and management of the relevant variables associated with liquidity through our Asset and Liability Committees and Treasury Departments.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Research and Treasury Departments throughout the Group which carry out extensive research and monitor the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

## Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Canadian dollar and the British pound.

Foreign exchange risk arises from future movements of the exchange rate associated with various currencies which impact commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk is managed by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The GraceKennedy Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

## Interest Rate Risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The GraceKennedy Group manages interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments and also manages the maturities of interest bearing financial assets and liabilities. The respective Boards within the Group set limits on the level of mismatch of interest rate re-pricing that may be undertaken.

## Group Internal Audit

Management and directors acknowledge their overall responsibility for maintaining and establishing systems of internal control for the Group and for reviewing the effectiveness of these controls. These controls which are designed to assist in the evaluation, management and mitigation of risk to achieve business objectives provide reasonable assurance against misstatement or loss.

As an integral part of the Group's corporate governance structure, the Group Internal Audit Department reports independently to the Board (through the Audit Committee) on the effectiveness of the governance structure and risk management framework and further provides independent, objective assurance by delivering an objective evaluation of the risk and internal control framework of the organisation. This includes reviews of the operational and financial

performance, key business and strategic risks as well as the compliance framework.

The Group's system of internal control is based on the control criteria framework of the Committee of Sponsoring Organizations of the Treadway Commission Internal Control Framework (COSO). Further, management continues to maintain these internal controls through self-audits and ongoing monitoring. Internal Audit meets regularly with the various subsidiary Audit Committees throughout the group as well as the Group Audit Committee, providing information on key risks identified during the course of the audits along with the implementation status of recommendations made.

GK's commitment to internal controls, ethics and integrity is reinforced through our GK Code of Ethics, Whistleblowing policy and Whistleblowing hotline.

Internal Audit continued to improve its quality and effectiveness during 2013 with the implementation of the recommendations made by the Institute of Internal Auditors arising from a 2012 quality assurance review.

The specific activities undertaken in the course of 2013 include:

- The formulation and agreement on the audit plan, strategy and scope of work with the Audit Committee. Internal Audit also ensured the annual internal audit plan is designed to assist in attaining the Group's strategic objectives
- The review of compliance with internal policies, procedures and standards, relevant external rules and regulations, as well as the assessment of the adequacy and effectiveness of the Group's internal control system; and
- The analysis and assessment of certain key business processes, as well as the submission of recommendations to improve their effectiveness and efficiency
- The review of the adequacy and effectiveness of management's processes for risk management, internal control and governance
- The review of the internal audit charter for possible modification and approval by the Audit Committee;
- The review of the means of safeguarding the Group's assets
- The coordination of audit efforts with those of the external auditors
- The conducting of reviews and provision of consultative support during the course of major system implementations, to evaluate the extent to which adequate controls are incorporated in the systems
- The provision of due diligence support on projects such as potential mergers and acquisitions

With an overriding vision to enhance partnerships in delivering business excellence, Group Internal Audit also provided support through various consulting engagements throughout the year. At the end of 2013, Group Internal Audit had conducted approximately 100 audits, which included several IT audits.

## Future Outlook

Certain statements contained in the Management Discussion & Analysis of financial condition and results of operations are forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industries, businesses and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in other sections of this Annual Report.

The strategic focus of the GraceKennedy Group continues to be driven by the organisation's goal of becoming a Global Consumer Group and a Regional Financial Group. The initiatives currently being pursued are aimed at keeping the company's promise of delivering long term consumer and shareholder value, through brand building and innovative solutions in food and financial services. The company will seek to achieve these through four pillars of success:

1. Growth and Sustainability
2. Customer Centricity and Innovation
3. Operational Excellence
4. Performance Driven Organisation

### Growth and Sustainability

In 2014, GraceKennedy will continue to grow its existing domestic and international businesses and will be seeking expansion opportunities in other countries.

Growth in the domestic food market will be achieved through an increased focus on the value proposition of our brand and products to consumers. Major efforts will be

placed on meeting the needs of our consumers with our existing offerings as well as the introduction of innovative new products and services.

Expansion in other food markets will be geared at increasing the reach and awareness of our brand beyond our core diaspora. As such, we will be seeking further opportunities in Western Africa, Europe, North and Central America. This will further strengthen the sustainability of our core business given the changes in our domestic market.

In financial services, GraceKennedy will be seeking to improve the accessibility and competitiveness of banking and financial services, through innovation and technology. The company will continue to strengthen and leverage its relationship with Western Union as we seek to expand into the non-English speaking Caribbean territories.

### Customer Centricity and Innovation

The GraceKennedy Group will be striving to better understand the evolving needs of our customers. In order to achieve this we will be exploring opportunities in the social media space in order to increase engagement and brand awareness globally amongst our core consumers. New programmes and studies will be conducted on a regular basis to inform our decision-making, both at the Divisional and Group levels. In addition to this, we will be seeking better ways to reward our customers for their loyalty to our GraceKennedy Brands and will launch a Group Loyalty Programme by 2014.

The GraceKennedy Financial Group's cross-selling effort has progressed well, with the business units meeting their commitments for the year. The mobile version of the application which will allow all team members more flexibility in making and managing referrals of new customers has been launched. As our customer base grows we will be seeking ways to improve our service level. In an attempt to serve you better, First Global Bank upgraded its internet banking platform, Global Access 2.0, on January 2, 2014. This improved system will help us to better serve the needs of our banking clients.



## Operational Excellence

To deliver the best products and services possible, the GraceKennedy Group is proactive in looking at ways to continuously improve our operations. Expanding the knowledge base of our team members and investing in technology has been a cornerstone of this effort. During 2013 we completed the implementation of the US\$6 million investment in a new banking solution for the First Global Group. On January 2, 2014 First Global Bank was fully operational with this new solution. First Global Financial Services started using this system at the start of 2013 and has begun to reap the rewards. This system will further provide agility to the IT division and improve business process management capabilities.

To support this culture of operational excellence, the capital management programme will be strengthened continually in order to ensure that our financial resources are directed to the benefit of all stakeholders.

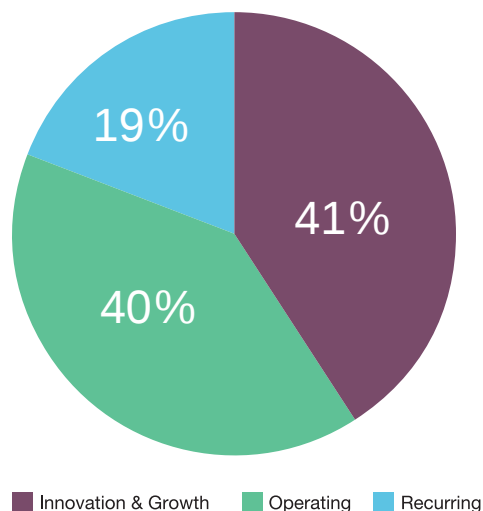
## Performance Driven Organisation

The Vision, Mission, and Core Values of the GraceKennedy Group guide our daily operations. We place high value on ensuring that a results-driven culture is deeply rooted in all levels of the organisation. In achieving this, we seek to empower all team members by providing the tools, information, supporting infrastructure and reward and recognition programmes necessary to get the job done and to foster this culture.

As the company grows internationally, GraceKennedy will continue to invest the resources needed to ensure that the Company has the right expertise and capabilities needed to execute on its strategy and meet its objectives. We will continue to operate and grow into other markets, guided by our Core Values of Honesty, Integrity and Trust.

## Capital Expenditure

### Expected Capital Expenditure 2014



For 2014 we expect to spend over US\$20 million as we invest for future growth. 40% of this spend is geared at improving our operational efficiency, while 41% of this amount will be geared towards growth through innovation. This reinvestment is to ensure that we remain relevant to our consumers and customers and improve our profitability.

## Key Expectations for 2014

In line with our Vision and Strategy of becoming a Global Consumer Group, there will be much emphasis on international expansion through mergers and acquisitions, product innovation and customer centricity. As such, these are our expectations:

- GraceKennedy will continue to expand its core business whether through greenfield projects, joint ventures, mergers and acquisitions or through strategic partnerships. In pursuing these initiatives we will reallocate capital appropriately to ensure maximum returns to all stakeholders.
- The domestic food market is expected to show improved levels of growth with the introduction of new products and the increased competitiveness of our existing product lines. We strive to better serve our consumers' needs in the changing economic environment.
- Our International Foods Business is also expected to show growth as we increase our foothold in new and existing markets. Our customer base and product offerings will be more diversified through initiatives geared at expanding outside of our traditional diaspora base.
- The Financial Division will be introducing new products and services and will seek more innovative ways of serving our customers.
- Improved efficiency in overall operations should take place as we seek to constantly find ways to improve this area. The continued use of available technology will be crucial in helping us attain this goal. Focus on our capital management framework will provide support in achieving both our short term and long term goals.

GraceKennedy is very optimistic about 2014 as we see this as a critical phase in the transformation of the GraceKennedy Group. Last year's challenges proved to us that we remain strong, even in challenging times. We will face the coming year and all it brings with the same zeal and determination for which our company is known. We remain committed to our consumers, our customers, our staff, our shareholders and our communities and look forward to using this year to move even closer to our Vision of becoming a Global Consumer Group.

## GraceKennedy (Belize) Ltd. Recognized by Carib Brewery



GK Belize was recognized at Carib Brewery's 2013 Distributors Conference held in May 2013 in Trinidad. GK Belize was presented with two awards. The first was for the execution of Trade & Brand initiatives and the second was an "Extra Mile" recognition.

The recognition came as a result of GK Belize's creativity and execution of the marketing initiatives to launch both Mackeson Stout and Carib Beer in the Belize market within its first year. GKB's team was also commended on the level of commitment to the brands, reflective of the number of programmes that were executed in a short time.

GK Belize was appointed the exclusive distributor for Carib Brewery for Belize in 2012.

## GraceKennedy Hosts Investor Briefing In Trinidad

On Tuesday, September 10, 2013, GraceKennedy staged an Investor Briefing with stockbrokers and agents from major entities in Trinidad and Tobago. The Briefing held at the Hyatt Regency Hotel, saw 35 financial representatives from some 15 firms in Trinidad and Tobago. Presentations were made on the company's performance against its vision and strategy, as well as the outlook moving forward.

Among the questions raised by invitees was that of how GraceKennedy intended to continue growing given Jamaica's challenging economic conditions. Other areas of interest raised by the group were the company's move into Africa, potential

new markets, the challenge in terms of the cost of inputs as well as future mergers and acquisitions. Feedback from the agents was encouraging, showing that the company enjoys a positive image in Trinidad and Tobago.

GraceKennedy's Trinidad and Tobago (GKTT) operations started some 20 years ago when GraceKennedy Remittance Services (GKRS) began money transfer operations there. That aspect of the business has grown significantly since then, through the partnership with Western Union. GKTT now comprises Western Union, FX Trader and Bill Express.

**BillExpress**  
The bill payment place from GraceKennedy

**FXTrader**  
MONEY EXCHANGE - CAMBIO  
The foreign exchange place from GraceKennedy

**WESTERN UNION WU**  
sending money for border

# Board of Directors



**Gordon V. Shirley, OJ**

Chairman, GraceKennedy Limited. Chairman, President & Chief Executive Officer of the Port Authority of Jamaica. Member of GraceKennedy's Corporate Governance & Nomination Committee

**Donald G. Wehby**

GraceKennedy Group Chief Executive Officer

**Courtney O. St. A. Campbell, JP**

Chief Executive Officer, GraceKennedy Financial Group Division

**Mary Anne V. Chambers**

Retired bank executive, former Ontario Cabinet Minister (Canada) and a resident of Canada. A member of GraceKennedy's Audit Committee and Corporate Governance & Nomination Committee

**G. Raymond Chang, OJ**

Director of CI Financial Corporation, Canada and a resident of Canada. Chairman of GraceKennedy's Compensation Sub-Committee and a member of the Audit Committee and Corporate Governance & Nomination Committee

**Joseph P. Esau**

Consultant on new project financing and mergers and acquisitions, and a resident of Trinidad & Tobago. A member of GraceKennedy's Corporate Governance & Nomination Committee



**Frank A. R. James**

GraceKennedy Group Chief Financial Officer

**Parris Lyew-Ayee, Jr**

Director of the Mona GeoInformatics Institute and Senior Lecturer at The University of the West Indies, Jamaica. A member of GraceKennedy's Audit Committee and Corporate Governance & Nomination Committee

**Everton L. McDonald**

Financial Consultant and retired Public Accountant. Chairman of GraceKennedy's Audit Committee, a member of the Corporate Governance & Nomination Committee and Compensation Sub-Committee

**Gina M. Phillipps Black**

Attorney-at-law and partner in the law firm, Myers Fletcher & Gordon. Chair of GraceKennedy's Corporate Governance & Nomination Committee

**Michael K.A. Ranglin**

Chief Executive Officer, GK Foods Division

**Douglas R. Orane, CD, JP**

Retired company executive, member of GraceKennedy's Corporate Governance & Nomination Committee and Compensation Sub-Committee and Chairman of the Board of Trustees of the GraceKennedy Pension Schemes

# Directors & Corporate Data

As at March 1, 2014

## Directors

Gordon V. Shirley, OJ  
Chairman

Donald G. Wehby  
Group Chief Executive Officer

Courtney O. St. A. Campbell, JP  
Mary Anne V. Chambers  
G. Raymond Chang, OJ  
Joseph P. Esau  
Frank A. R. James  
Parris A. R. Lyew-Ayee, Jr  
Everton L. McDonald  
Douglas R. Orane, CD, JP  
Gina M. Phillipps Black  
Michael K. A. Ranglin

## Auditors

PricewaterhouseCoopers  
Scotiabank Centre, Duke Street  
Kingston, Jamaica

## Attorneys

DunnCox  
48 Duke Street  
Kingston, Jamaica

## Bankers

The Bank of Nova Scotia Jamaica Limited  
Citibank N.A.  
FirstCaribbean International Bank (Jamaica) Ltd.  
First Global Bank Limited  
National Commercial Bank Jamaica Limited

## Corporate Secretary

Karen Chin Quee Akin  
73 Harbour Street  
Kingston, Jamaica

## Registered Office

73 Harbour Street  
Kingston, Jamaica

## Registrar & Transfer Office

GraceKennedy Limited  
73 Harbour Street  
Kingston, Jamaica

## Websites

[www.gracekennedy.com](http://www.gracekennedy.com)  
[www.gracefoods.com](http://www.gracefoods.com)

# Senior Management

As at March 1, 2014

## CORPORATE OFFICE

Donald G. Wehby  
Group Chief Executive Officer

Frank A. R. James  
Group Chief Financial Officer

Karen Chin Quee Akin  
Chief Corporate Secretary/Senior Legal Counsel

Courtney O. St. A. Campbell, JP  
Chief Executive Officer, GK Financial Group

Michael K. A. Ranglin  
Chief Executive Officer, GK Foods

Cassida A. Jones  
Group Chief Human Resources Officer

Andrew Messado  
Group Comptroller

Cathrine Kennedy  
Chief Risk Officer

Debra Dodd  
Chief Audit Executive

Stephen Phillibert  
Head of Corporate Planning & Strategy

Simone Clarke-Cooper  
Corporate Communication Manager

## GK FOODS

Michael K. A. Ranglin  
Chief Executive Officer, GK Foods

Gregory B. Solomon  
Senior General Manager – International Business West

Ryan Mack  
Senior General Manager – International Business East

Gilroy Graham  
Senior General Manager – Domestic Business

Andrea Coy  
Senior General Manager – Global Category Management

Andrew Ho  
Head of Strategy & Support Services

Anthony Lawrence, J.P.  
Global Brand Manager

Naomi Holness  
Senior Human Resources Business Partner

Stanley Beckford  
Chief Risk Officer

Renee Nathan  
(Acting) Divisional Chief Financial Officer

Angeline Gillings  
Chief Global Category Officer

Dianne Robinson  
Chief Supply Chain Officer

Zak Mars  
Chief Innovation Officer

## Dairy Industries (Jamaica) Limited

Simon Roberts  
General Manager

**GK Foods & Services Limited**

Gilroy Graham  
Managing Director

Dave Mitchell  
General Manager – Grace Food  
Processors (Canning) Division

Carl Barnett  
General Manager – Grace Food  
Processors Division

Michael K. A. Ranglin  
Executive Director - Grace Foods  
International Division

Omar Barrientos  
Chief Executive Officer – Hi-Lo Food  
Stores Division

Oral Richards  
General Manager – Hi-Lo Food  
Stores Division

Andrew Wildish  
(Acting) General Manager – National  
Processors Division

Tamara Garel  
General Manager – World Brands  
Services Division

Taji Alleyne  
General Manager - Grace Agro  
Processors Division

**GraceKennedy (Belize) Limited**

Marcello Blake  
General Manager

**GraceKennedy (Ontario) Inc.**

Lucky Lankage  
President

**Grace Foods & Services Company**

Gilroy Graham  
General Manager

**Grace Foods (USA) Inc.**

Gregory Solomon  
President

Derrick Reckord  
Vice President

**Grace Foods UK Ltd**

Ryan Mack  
Managing Director

Alan Polding  
General Manager

Jerome Miles  
General Manager – Export East

**Chadha Oriental Foods Limited**

Ryan Mack  
Managing Director

**Enco Products Limited**

Andy Coult  
General Manager

**Funnybones Food Service Limited**

Andy Coult  
General Manager

**GK FINANCIAL GROUP**

Courtney O. St. A. Campbell, JP  
Chief Executive Officer, GK Financial  
Group

Andrew C. Levy  
Regional Director – Insurance  
Services

Andrew Leo-Rhynie  
Vice President – Strategy

**Allied Insurance Brokers Limited**

Amanda Beepat  
Managing Director

**EC Global Insurance Company Limited**

Leathon B. Khan  
General Manager

**First Global Holdings Limited**  
Courtney O. St. A. Campbell, JP  
Chief Executive Officer

**First Global Bank Limited**  
Maureen Hayden-Cater  
President

**First Global Financial Services Limited**

Steven Whittingham  
President

**First Global Insurance Brokers Limited**

Paul Mitchell  
Managing Director

**First Global Leasing Limited**

Errol Mighty  
General Manager

**GraceKennedy Financial Group Limited**

Courtney O. St. A. Campbell, JP  
Chief Executive Officer

**GraceKennedy Remittance Services Limited**

Michelle Allen  
Managing Director

**GraceKennedy Remittance Services (Guyana) Limited**

Coleen Patterson  
Country Manager

**GraceKennedy (Trinidad & Tobago) Limited**

Donald Edwards  
Country Manager

**Jamaica International Insurance Company Limited**

Grace Burnett  
Managing Director

**Signia Financial Group Inc**

Paul Ashby  
Chief Executive Officer

**Trident Insurance Company Limited**

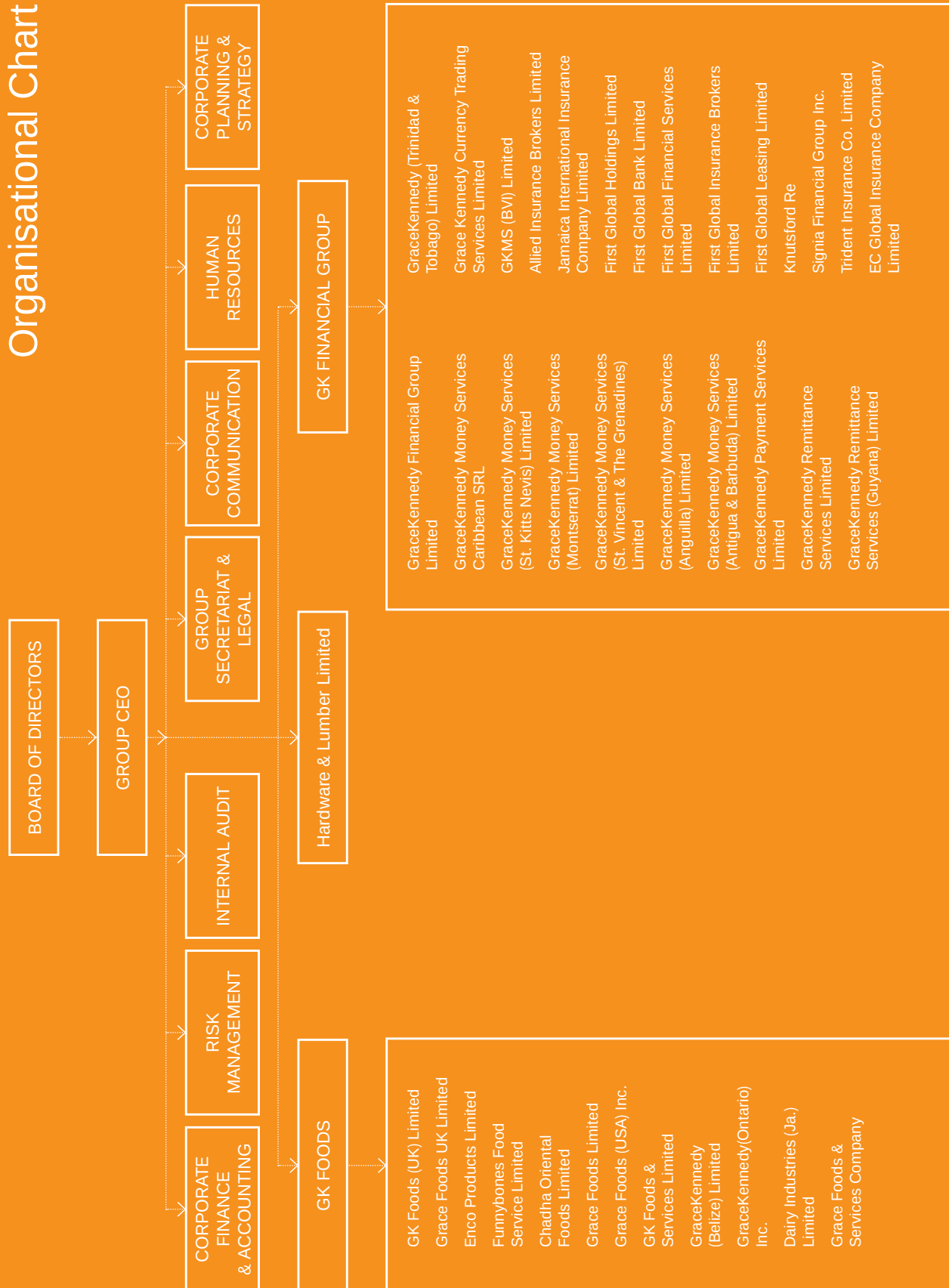
H. C. Algernon Leacock  
Managing Director

# Executive Management



**Donald Wehby** Group Chief Executive Officer | **Courtney Campbell, JP** Chief Executive Officer, GraceKennedy Financial Group  
**Karen Chin Quee Akin** Chief Corporate Secretary/Senior Legal Counsel | **Frank James** Group Chief Financial Officer  
**Cassida Jones** Group Chief Human Resources Officer | **Ryan Mack** Senior General Manager – International Business East  
**Michael Ranglin** Chief Executive Officer, GK Foods Division

# Organisational Chart



## Shareholdings of Directors

As at December 31, 2013

| Ordinary Stock Units of no par value |                   |
|--------------------------------------|-------------------|
| Douglas R. Orane*                    | 7,103,144         |
| Donald G. Wehby*                     | 2,920,646         |
| Michael Ranglin                      | 522,699           |
| Frank A. R. James                    | 283,680           |
| Courtney Campbell                    | 255,642           |
| Gordon V. Shirley                    | 142,575           |
| Joseph Esau*                         | 82,575            |
| Mary Anne Chambers                   | 22,575            |
| G. Raymond Chang                     | 22,575            |
| Everton McDonald                     | 22,575            |
| Gina Phillipps Black                 | 22,575            |
| Parris Lyew-Ayee                     | 10,610            |
| <b>Total</b>                         | <b>11,411,871</b> |

\*Includes stockholdings of connected persons

## Stockholders' Profile

|                                                            | 31/12/2013<br>Stock Units | %              |
|------------------------------------------------------------|---------------------------|----------------|
| Private Individuals                                        | 96,188,243                | 28.83%         |
| Insurance Companies,<br>Trust Companies & Pension<br>Funds | 99,745,274                | 29.89%         |
| Private Companies                                          | 38,521,967                | 11.55%         |
| Public Listed Companies                                    | 5,655,941                 | 1.70%          |
| Investment Companies/<br>Unit Trusts                       | 45,232,826                | 13.56%         |
| Others                                                     | 28,562,829                | 8.56%          |
| Directors & Senior<br>Managers                             | 11,990,715                | 3.59%          |
| Nominee Companies                                          | 7,761,154                 | 2.33%          |
|                                                            | <b>333,658,949</b>        | <b>100.00%</b> |

## Shareholdings of Executive Committee Members

As at December 31, 2013

| Ordinary Stock Units of no par value |                  |
|--------------------------------------|------------------|
| Donald G. Wehby*                     | 2,920,646        |
| Michael Ranglin                      | 522,699          |
| Frank A. R. James                    | 283,680          |
| Courtney Campbell                    | 255,642          |
| Ryan Mack                            | 212,540          |
| Cassida Jones                        | 195,027          |
| Karen Chin Quee Akin                 | 171,277          |
| <b>Total</b>                         | <b>4,561,511</b> |

\*Includes stockholdings of connected persons

## Top Ten (10) Stockholders

As at December 31, 2013

| NAME                                      | ORDINARY<br>STOCK<br>UNITS | %             |
|-------------------------------------------|----------------------------|---------------|
| 1. NCB Insurance Co. Ltd.<br>A/C WT109    | 18,137,652                 | 5.44%         |
| 2. GraceKennedy Limited<br>Pension Scheme | 15,064,157                 | 4.51%         |
| 3. Luli Limited                           | 14,874,208                 | 4.46%         |
| 4. National Insurance Fund                | 13,930,113                 | 4.17%         |
| 5. Sagicor Pooled Equity Fund             | 13,165,608                 | 3.95%         |
| 6. Xaymaca Limited                        | 9,063,461                  | 2.72%         |
| 7. Douglas Orane                          | 6,807,166                  | 2.04%         |
| 8. Michele Marie Stewart                  | 6,565,572                  | 1.97%         |
| 9. FCIB (Barbados) Limited<br>A/c C1191   | 6,367,499                  | 1.91%         |
| 10. Jamaica Producers Group<br>Limited    | 5,242,550                  | 1.57%         |
|                                           |                            | <b>32.73%</b> |

# GraceKennedy Foundation

1. Professor Elsa Leo-Rhynie - Chairman
2. Mr. Philip Alexander
3. Mr. Noel Greenland
4. Ms. Cathrine Kennedy
5. Mr. Fred Kennedy
6. Mrs. Fay McIntosh
7. Mr. James Moss-Solomon
8. Mr. Radley Reid
9. Professor Elizabeth Thomas-Hope
10. Mrs. Hilary Wehby
11. Mrs. Caroline Mahfood - Secretary/Executive Director

## Grace & Staff Community Development Foundation Board of Directors

As at Feb 3, 2014

- |                           |                    |
|---------------------------|--------------------|
| 1. James Moss Solomon     | Director/ Chairman |
| 2. Philip Alexander       | Director           |
| 3. Lloyd Anthony Lawrence | Director           |
| 4. Simon Roberts          | Director           |
| 5. Caryn Spencer          | Director           |
| 6. Noel Greenland         | Director           |
| 7. Caroline Mahfood       | Director           |
| 8. Nadarni Headlam        | Director           |
| 9. Simone Clarke-Cooper   | Director           |
| 10. Andrea Coy            | Director           |
| 11. Dave Mitchell         | Director           |
| 12. Frank James           | Director           |
| 13. Joan-Marie Powell     | Director           |
| 14. Lorna Reynolds-Minott | Director           |

# Directors' Report

Year ended 31 December 2013

## 1. Operating Results

|                                                      | \$'000     |
|------------------------------------------------------|------------|
| Revenues                                             | 67,257,502 |
| Profit Before Taxation                               | 5,075,199  |
| Net Profit After Tax                                 | 3,794,064  |
| Net Profit After Tax<br>Attributable to Stockholders | 3,221,634  |

## 2. Dividends

The following dividends were paid during the year:

- \$0.70 per ordinary stock unit was paid on 27 March 2013
- \$0.78 per ordinary stock unit was paid on 30 September 2013
- \$0.70 per ordinary stock unit was paid on 11 December 2013

The Directors recommend that the interim dividends paid on 27 March 2013, 30 September 2013 and 11 December 2013 be declared as final for the year under review.

## 3. Directors

The Directors as at 31 December 2013 were as follows:-

Hon. Douglas Orane, CD - Chairman  
Mr. Donald Wehby – Group Chief Executive Officer  
Mr. Courtney Campbell  
Mrs. Mary Anne Chambers  
Hon G. Raymond Chang, OJ  
Mr. Joseph Esau  
Mr. Frank James  
Mr. Everton McDonald  
Dr. Parris Lyew-Ayee  
Mrs. Gina Phillipps Black  
Mr. Michael Ranglin  
Hon. Gordon Shirley, OJ

During the year under review the following were the Board changes:

- Dr. Parris Lyew-Ayee was appointed to the Board on 6 March 2013. He was subsequently elected by the shareholders at the last Annual General Meeting on 29 May 2013.
- Mr. Gordon Sharp retired from the Board on 23 July 2013.
- Hon. Douglas Orane stepped down as Chairman on 31 December 2013 and he was succeeded by the Hon. Gordon Shirley who was appointed Chairman effective 1 January 2014.

In accordance with Article 102 of the Company's Articles of Incorporation, Mrs. Mary Anne Chambers, Mr. Everton McDonald, Mr. Douglas Orane and Mrs. Gina Phillipps Black will retire by rotation and being eligible offer themselves for re-election.

## 4. Auditors

Messrs. PricewaterhouseCoopers, the present Auditors, will continue in office pursuant to Section 154 of the Companies Act, 2004.

5. The Directors wish to express their appreciation to the management and staff for the work done during the year.

By Order of the Board  
28 February 2014  
Gordon V. Shirley, OJ  
Chairman

# Group Audit Committee Report

Year ended 31 December 2013

The Group Audit Committee assists in overseeing the financial controls and reporting of GraceKennedy Limited and any and all its subsidiary companies (collectively called the Group). The Group Audit Committee also monitors whether the Group complies with financial covenants and legal and regulatory requirements governing financial disclosure matters and risk management. In fulfilling its responsibility to oversee management's implementation of the Group's financial reporting and risk management processes, the Group Audit Committee is guided by the Terms of Reference for the Committee, as approved by GraceKennedy Limited (the Board), to whom it reports, and assisted by the Chief Audit Executive and the Group Internal Audit Department.

In performing its work, the Committee considers the following:-

1. Reliability and integrity of the accounting principles and practices, financial statements and other financial reporting;
2. Internal audit functions of the Group;
3. Risk management functions and processes of the Group;
4. Qualifications, independence and performance of the external auditors of the Group;
5. System of internal controls and procedures established by management and reviewing their effectiveness;
6. The Group's compliance with legal and regulatory requirements.

The Committee met eight times in 2013. In keeping with its mandate, the Committee received regular updates from the Chief Audit Executive, head of the Group Internal Audit Department, regarding compliance and other issues that have a material impact on the Group's financial statements and operational policies.

In 2012, a Quality Assessment Review of the Group Internal Audit Department was done by the Institute of Internal Auditors out of the USA. During 2013, the recommendations arising from the review were implemented.

During the year, the Committee reviewed reports covering financial, operational and compliance audits. Recommendations for improvements and/or adjustments were made to management and the Board, which were accepted, and were either implemented or are in the process of being implemented. The Committee, during the course of its activities, also received reports from various members of management on significant accounting and tax, legal, regulatory, risk, fraud and whistleblowing-related matters, as well as matters pertaining to information security.

Management has the primary responsibility for the timely preparation and accuracy of the financial statements and the reporting process, including the systems of internal control. The Group Audit Committee, in conducting its oversight role, has reviewed and discussed the quarterly unaudited results and the annual audited financial statements with the company's management and the external auditors.

The Committee has also discussed with the Group's management, the internal auditors and the external auditors, the adequacy of the internal accounting controls and has received the assurance of the external auditors that the processes have produced financial statements giving a true and fair view of the financial affairs of the Group.

The scope of work of the external auditors was reviewed and an assessment of their independence and qualifications was also conducted. Based on this review and discussions with them, together with the Committee's reviews of the internal audit reports, the Committee has recommended to the Board that the Group audited financial statements for the year ended December 31, 2013 be approved for presentation to the shareholders of GraceKennedy Limited.

Arising from the Audit Tender undertaken during the year, the Committee recommended and the Board accepted the appointment of the incumbents, PricewaterhouseCoopers (PwC), as the Group's independent auditors for five years, commencing with the 2013 audit.

With the reappointment, has come a renewed commitment from PwC to provide a robust, independent audit that meets the requirements of all stakeholders, but in a more cost effective way.

In keeping with the Committee's emphasis on continuing education, members of the Group's Audit Committees attended an annual Directors' workshop, which included sessions highlighting, inter alia, emerging trends in governance information security and cybercrime. Staff of the Group Internal Audit Department and the Chairman of the Group Audit Committee also attended the annual Institute of Internal Auditors' International Conference.

Dr. Parris Lyew-Ayee, Director as of March 2013, was appointed a member of the Committee in May 2013.

In July 2013, Mr. Gordon K.G. Sharp retired from the Board and consequently from the Audit Committee, of which he was Chairman.

We wish to thank him most sincerely for his vibrant leadership of, and sterling contribution to the Committee.

The Audit Committee  
E. L. McDonald (Chair)  
M. A. V. Chambers (Mrs.)  
G. R. Chang  
P. Lyew-Ayee  
G. V. Shirley

February 27, 2014

# Report Of Corporate Governance & Nomination Committee

Year ended 31 December 2013

GraceKennedy is committed to high standards of corporate governance and sees this as critical to strong business performance and investor confidence. GraceKennedy's corporate governance policies and procedures take account of established governance standards including the applicable rules of the Jamaica Stock Exchange, the GraceKennedy Corporate Governance Code, and the GraceKennedy Code of Ethics & Guidelines for Business Conduct.

While it is acknowledged that no single set of guidelines or rules will cover every circumstance required for good governance, the employees and Directors within the Group are required to at all times apply the highest standards of legal and ethical behaviour grounded in the principles of honesty, integrity and trust, that guide our Group.

This report sets out GraceKennedy's approach to governance and explains how this Committee is structured and operates and what was accomplished in the year under review.

## Composition of the Board

The Corporate Governance & Nomination Committee comprises all the Non-Executive Directors of the Company. At the commencement of the year there were eight (8) Non-Executive and four (4) Executive Directors.

During the year there were a number of Board changes that included the retirement of Mr. Gordon Sharp from the Board on July 23, 2013

after serving for over thirty-five (35) years as a Board Member. Mr. Sharp was, at the time of his retirement, also Chairman of the Audit Committee and a member of the Corporate Governance & Nomination Committee. Mr Sharp was succeeded in his role as Chairman of the Audit Committee by Mr. Everton McDonald effective July 24, 2013. Dr. Parris Lyew-Ayee Jr was appointed a member of the Board effective March 6, 2013.

The Board Chairmanship smoothly transitioned from the Hon. Douglas Orane to the Hon. Gordon Shirley effective January 1, 2014. Mr. Orane continues to serve with distinction as a member of the Board. The Committee, on behalf of the Board, again wishes to record its appreciation to Mr. Sharp for his valuable contribution as a Board and Committee member and Chairman of the Audit Committee and to Mr. Orane for his outstanding leadership as Chairman of the Board for over fifteen (15) years.

Consequent on his appointment as Chairman of the Board, Director Gordon Shirley stepped down as Chair of the Corporate Governance & Nomination Committee effective December 31, 2013 and was succeeded in this position by Director Gina Phillipps Black effective January 1, 2014.

The Committee undertook a formal, rigorous and transparent nomination procedure for the appointment of Director Lyew-Ayee to the Board and for the selection of the new Board Chairman and Corporate Governance & Nomination

Committee Chair, based upon which, recommendations for these appointments were made to the Board.

At 31 December 2013 the Board comprised twelve (12) Directors, eight (8) Non-Executive and four (4) Executive Directors. Director Douglas Orane was up until July 1, 2012 an Executive Director of the Company.

The Corporate Governance & Nomination Committee members are all of the Non-Executive Directors, that is, Mrs Mary Anne Chambers, Hon. G. Raymond Chang, Mr. Joseph Esau, Dr. Parris Lyew-Ayee, Mr. Everton McDonald, Hon. Douglas Orane, Mrs. Gina Philipps Black and Hon. Gordon Shirley.

The Compensation Sub-Committee of the Corporate Governance & Nomination Committee comprised Directors G. Raymond Chang (Chair), Everton McDonald and Gordon Shirley. Mr. Douglas Orane was co-opted to the Committee at its meeting on December 6, 2013 for the period ending December 31, 2014.

The Audit Committee of the Board is also comprised of Non-Executive Directors only. The members of the Committee are Directors Everton McDonald (Chairman), Mary Anne Chambers, G. Raymond Chang, Parris Lyew-Ayee and Douglas Orane.

### Independence of Directors

Save and except for Director Douglas Orane, who was up until July 1, 2012 an Executive Director of the Company, all of the Non-Executive Directors are considered to be independent. Independence is based on criteria agreed by the Board and includes:

- a Director that has not within the last three years been an employee of the Company or Group;
- a Director that has not within the last three years had a 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;
- a Director that has not within the last three years received additional remuneration from the Company (apart from a director's compensation) nor participated in the Company's performance-related pay scheme;
- a Director whose spouse, child(ren) or dependent(s) are not advisors, Directors or senior employees of the Company;
- a Director who does not represent a significant shareholder.

The Board is not aware of any relationships or circumstances affecting the Directors' independent judgment.

### Responsibilities of the Committee

The Corporate Governance & Nomination Committee is charged with responsibility for:

- (i) promoting and overseeing corporate governance best practices within the Company and the Group;
- (ii) reviewing nominations for the appointment of new directors on the Board and making recommendations to the Board for appointments or reappointments;
- (iii) making recommendations in relation to Board Committees structure and appointments;
- (iv) leading the Board in its annual Board and Directors' performance evaluations and Chairman/CEO performance evaluations;
- (v) CEO, Executive Directors and Senior Executive succession planning;
- (vi) approval of the compensation and benefits applicable to the CEO and Senior Executives based on recommendations of the Compensation Sub Committee;
- (vii) Directors' training.

During the year the Committee held four (4) meetings and carried out the following significant activities to promote and fulfil the practice of strong corporate governance principles:

- conducted an evaluation of the Board, inclusive of overall board review, self-assessments and peer reviews;
- developed and implemented a Board training and professional development programme including Board Training Workshop attended by Directors and Senior Management, not only of the main Board, but also the local subsidiaries in the Group that covered a range of governance and risk topics and a presentation on the duties and obligations of Directors; specially arranged trade visits and factory tours and the holding of the Annual Board Retreat on issues of governance and business strategies;
- reviewed potential candidates for appointment to the GraceKennedy Board and the Boards of its subsidiaries taking into account the skill needs of the existing Boards that are likely to arise from retirements over the next few years;
- recommended changes to the Board Committees consequent on changes to the Corporate Board Membership; and
- reviewed the succession plan for Senior Executives within the Group to ensure robustness and to allow for seamless transitions.

Significantly, the Committee oversaw the process for the timely and smooth transition in several board leadership positions. This included the continuation of the transition in Board chairmanship leading to the appointment of an independent non-executive Chair for the first time in the Company's history at the end of the year. Shareholders will recall that this process began with a separation of the roles of Chairman and CEO on June 30, 2011 with the retirement

of Mr Douglas Orane as CEO and his appointment as Executive Chair for a period of one year. At the end of the year, on June 30, 2012, Mr Orane was appointed to the position of Non-Executive Board Chairman for the period July 1, 2012 to December 31, 2013. During the year, the outgoing Chairman and incoming Chairman met frequently to discuss and effect the smooth transition. The Committee also, at the same time, led the deliberations for the appointment of a Corporate Governance Chair to replace Director Gordon Shirley on his assumption of the role of Board Chair and also the identifying of an Audit Committee Chair to replace Mr. Gordon Sharp who would retire from the Board on July 23, 2013.

The Committee reviewed and approved submissions from the Compensation Sub-Committee concerning the Company's compensation scheme for the year. The Compensation Sub-Committee also reviewed the Company's incentive schemes with management, to ensure they were being applied in accordance with the approved remuneration policies.

### Board Participation, Remuneration and Evaluation

The members of the Board participated actively in meetings of the Board and Committees with full attendance in most cases. Details of the independence of Directors and Directors' attendance at meetings are set out in the table below:

|                                                      |                                         |                                                   | No. of meetings attended out of total meetings applicable |                                                      |                    |                                   |
|------------------------------------------------------|-----------------------------------------|---------------------------------------------------|-----------------------------------------------------------|------------------------------------------------------|--------------------|-----------------------------------|
| Director                                             | Executive (E)/<br>Non-Executive<br>(NE) | Independent<br>(I)/<br>Non<br>Independent<br>(NI) | Board                                                     | Corporate<br>Governance<br>& Nomination<br>Committee | Audit<br>Committee | Compensation<br>Sub-<br>Committee |
| Courtney Campbell                                    | E                                       | NI                                                | 8/8                                                       | n/a                                                  | n/a                | n/a                               |
| Mary Anne Chambers                                   | NE                                      | I                                                 | 8/8                                                       | 4/4                                                  | 8/8                | n/a                               |
| G. Raymond Chang                                     | NE                                      | I                                                 | 4/8                                                       | 3/4                                                  | 5/8                | 1 / 2                             |
| Joseph Esau                                          | NE                                      | I                                                 | 7/8                                                       | 4/4                                                  | n/a                | n/a                               |
| Frank James                                          | E                                       | NI                                                | 8/8                                                       | n/a                                                  | n/a                | n/a                               |
| Parris Lyew-Ayee*<br>(Appointed on March 6,<br>2013) | NE                                      | I                                                 | 6/6                                                       | 3/3                                                  | 5/5                | n/a                               |
| Everton McDonald                                     | NE                                      | I                                                 | 8/8                                                       | 4/4                                                  | 8/8                | 2/2                               |
| Douglas Orane                                        | NE                                      | NI                                                | 8/8                                                       | 4/4                                                  | n/a                | n/a                               |
| Gina Phillipps Black                                 | NE                                      | I                                                 | 8/8                                                       | 4/4                                                  | n/a                | n/a                               |
| Michael Ranglin                                      | E                                       | NI                                                | 8/8                                                       | n/a                                                  | n/a                | n/a                               |
| Gordon Shirley                                       | NE                                      | I                                                 | 8/8                                                       | 4/4                                                  | 8/8                | 1/1                               |
| Donald Wehby                                         | E                                       | NI                                                | 8/8                                                       | 4/4                                                  | n/a                | n/a                               |
| Gordon Sharp* (Retired<br>on July 23, 2013)          | NE                                      | I                                                 | 3/3                                                       | 2/2                                                  | 4/4                | 1/1                               |

Non-Executive Directors do not have service contracts and under the Articles of Incorporation of the Company, retire by rotation (approximately every three years), and are eligible for re-election.

The Company's Corporate Governance Code and the PSOJ Corporate Governance Codes provide that levels of remuneration of Board members should be sufficient to attract and retain and motivate persons of high quality. During the year under review Directors' fees were paid as follows to Non-Executive Directors:

| <b>BOARD FEES</b><br><b>(Payable to Non-Executive Directors only)</b> |             |
|-----------------------------------------------------------------------|-------------|
| <b>ANNUAL RETAINERS</b>                                               |             |
| All Directors                                                         | \$1,614,170 |
| Additional Retainer Board Chair                                       | \$2,962,575 |
| Additional Retainer Corporate Governance & Nomination Committee Chair | \$375,259   |
| Additional Retainer Audit Committee Chair                             | \$987,525   |
| Additional Retainer Compensation Sub-Committee Chair                  | \$250,147   |
| <b>PER MEETING ATTENDANCE FEES</b>                                    |             |
| Board Meetings                                                        | None        |
| Audit Committee meetings                                              | \$143,000   |
| Other Committee meetings                                              | \$47,670    |

In addition, Non-Executive members of the Board were each granted an amount of \$847,439 for the year 2013 with the proviso that the net amount after tax should be used exclusively for the purchase of GraceKennedy shares on the open market. This grant was made on condition that the Non-Executive Directors were to hold the shares so acquired for a period of no less than three years.

The annual evaluation of the Board was undertaken and the results have informed the Committee and the Board of additional skills required by the Board and areas for enhanced Board performance and efficiency.

As a Board we remain committed to governing effectively, with strong controls in accordance with best business practices, collectively responsible for promoting the long term success of the Company.

Gina Phillipps Black  
Chair  
Corporate Governance & Nomination Committee  
February 28, 2014



## Dr. Parris Lyew-Ayee, Jr, Appointed to the Board of GraceKennedy Limited

On March 6, 2013, Dr. Parris Lyew-Ayee, Jr was appointed to GraceKennedy's Board of Directors.

Dr. Lyew-Ayee is Senior Lecturer and Director of the Mona Geoinformatics Institute of The University of the West Indies, Jamaica. He also heads The University's Department of Geography and Geology. He is the author of several refereed journal articles, chapters in books and technical reports. His research specialties span a wide range of topics, among them geographic information systems, global positioning satellite systems, remote sensing, natural hazards simulation and disaster response coordination. Among his career achievements are the spearheading of the Caribbean's first GPS Navigation System commercially released in 2008, and leading the development of the Natural Hazard Locator System (NHLS), and Natural Hazards Simulator for Jamaica. He is the recipient of numerous

awards, and was named by the PSOJ as one of the "50 Under Fifty Business Leaders Shaping Jamaica's future." He is the youngest Director on the GraceKennedy Board.

Dr. Lyew-Ayee holds a D.Phil. from the School of Geography and the Environment, University of Oxford, UK, as well as a BSC in Earth Science from the University of the West Indies, Mona. He is also a member of several professional organizations and societies.

In announcing Dr. Lyew-Ayee's appointment, former Chairman Hon. Douglas Orane expressed confidence that the new appointee would serve well on the GraceKennedy Board. "Dr. Lyew-Ayee has an outstanding record, not only in his field of work, but also in his contribution to his country. He is a great innovator with a brilliant, analytical mind. We look forward to his contribution as a member of the Board," he said.

## GraceKennedy Donates J\$1Million to the UWI P.E.T Recycling Project



(L-R) The late S. Carlton Alexander's grand-daughter and GraceKennedy employee, Zoe Alexander; Vice Chancellor, The University of the West Indies- Prof. Nigel Harris; Group CEO, GraceKennedy- Don Wehby; Chair, GraceKennedy Foundation- Prof. Elsa Leo-Rhynie; (Hidden Pro VC & Principal – Prof. Archibald McDonald); Director, GraceKennedy Foundation – Cathrine Kennedy. (Background) – Prof. Dale Webber

“...we are even more impressed by the brilliant minds behind the initiatives implemented and the ground-breaking work being done.”

The GraceKennedy Foundation, along with parent company, GraceKennedy, in November of 2013 made a combined donation of J\$1 million to the expansion of the UWI P.E.T. Plastic Recycling Project. The Pilot Project launched some five years ago by the first holder of the GraceKennedy Chair in Environmental Management, Dr. Elizabeth Thomas-Hope, was being implemented in Corporate Area schools. However, with the much needed infusion of capital from GraceKennedy the project took on even greater scope - to even more schools, as well as GraceKennedy businesses.

The revelation was made at the GraceKennedy Foundation press conference at the University of the West Indies entitled, “Research and Innovation”. The press conference also served to highlight progress in research being conducted by Prof Ian Boxill who holds the S. Carlton Alexander Chair in Business Management Studies, and Prof Dale Webber who holds the James S. Moss-Solomon Snr. Chair in Environmental Management. Noting how impressed he was with the work being done by Professors Boxill and Webber,

GraceKennedy Group CEO Don Wehby said, “We are not only happy with the significant progress that has been made in research and innovation in the areas of business and the environment through our Chairs, but we are even more impressed by the brilliant minds behind the initiatives implemented and the ground-breaking work being done.”

The GraceKennedy Foundation was created in 1982, with a vision to have a positive impact on the quality of people's lives. This it does primarily by supporting educational and environmental programmes and processes. The S. Carlton Alexander Chair in Management Studies was introduced in 1990. The company, in recognizing the importance of preserving the environment, introduced the James S. Moss-Solomon Chair in Environmental Management in 1992. The GraceKennedy Foundation funds the Chairs at a combined cost of J\$10 million annually.

## GraceKennedy, Through Grace and Staff, shows Central Kingston Centenarians “We Care”

GraceKennedy Group CEO Don Wehby made good on his promise to Leon Williams of Parade Garden, by co-sponsoring a party in the centenarian's honour at the Grace and Staff-operated homework centre at 74 Tower Street on November 8, 2013.

The promise was made by Mr Wehby when he met Mr Williams while participating in the 2012 Christmas Outreach Programme during which the Group CEO and other

GraceKennedy employees presented the golden agers in several Corporate Area communities with gift bags containing Grace products.

In keeping with a tradition of sharing GraceKennedy resources with the wider community, the party also honoured four other centenarians who live in the Central Kingston Community. The event also saw the involvement of other members of the Central Kingston community including the Gold Street Police, Food

For the Poor, Art Printery Limited and A1 Plumbing & Maintenance Services.

In addressing the festive occasion, Mr Wehby commended the centenarians for their longevity. He noted that most persons who were blessed with a long life had a tendency to love their God, prayed regularly and were thankful for their blessings. He also said they tended to have good values and were usually very polite, a trait he said the younger generation would do well to emulate.



**1.** “Good To See You My Friend” - Group CEO Don Wehby greets Leon Williams (left). Mr Williams, who is 102 years old, was one of five centenarians living in the Central Kingston community who on November 8, 2013 were recognised for living beyond 100 years.

**2.** Centenarians Celebrate! Central Kingston Centenarians (in foreground left to right) Leon Williams, Ruby Hall, Arthur Walker, and Alberta McDonald, as well as Virginia Hall (standing 2nd right) await the moment to cut their celebratory cake. Sharing the special moment (from left) are Sgt Carl Simpson; Supt. i/c of Kingston Central Victor Hamilton; Wayne Andrew Tai of A1 Plumbing & Maintenance Services Ltd.; Group CEO of GraceKennedy Ltd. Don Wehby; DSP i/c. CSSB Kingston Central Lena McBean; and Director Recipient Services, Food For the Poor, Susan Moore.

## GraceKennedy Group Launches First Formal Internship Programme with Ten Interns



Former GraceKennedy interns turned GraceKennedy staff members – (l-r), Allison Griffiths, Ishia Higgins, Monique Thomas, Warren Cornwall, Kaydene DeSilva, Kerisha Scott, Damion Davy, Mizan Mitchell, Ornella McLeod and Martina Bryce.

In delivering a speech at the Mona School of Business and Management in September of 2012, GraceKennedy Group CEO Don Wehby announced, that the company would be launching a formal internship programme in 2013. The programme was implemented on March 4, 2013.

The Group CEO said the programme was implemented as, "All too often, employers wanted applicants with experience. But how could someone just out of University get experience in the first place without opportunity? We wanted to give them that opportunity."

Ten interns were assigned throughout GraceKennedy's businesses: Ishia Higgins, Damion Davy, Mizan Mitchell, Allison Griffiths, Monique Thomas, Kerisha Scott, Martina Bryce, Ornella McLeod, Warren Cornwall and Kaydene DeSilva. The requirements were that they possessed a first degree with First or Upper Second Class Honours, and had no prior work experience.

The Group CEO said that the programme spoke to the GraceKennedy Group's commitment to Jamaica and its youth.

## GraceKennedy Signs Hansle Parchment as its Ambassador and the Face of its Grace Foods Aloe Vera Beverage



Grace Foods CEO, Michael Ranglin, with Shelly-Ann



Michael Ranglin congratulates Hansle on "sealing the deal"

Subsequent to signing track and field athlete Shelly-Ann Fraser-Pryce as its Ambassador in 2008, GraceKennedy signed Olympic hurdler Hansle Parchment as its second Ambassador on June 14, 2013. The signing took place at GraceKennedy's Headquarters on Harbour Street. In addition to his role as GraceKennedy Ambassador, Hansle was also signed as the 'face' of the Grace Foods' Aloe Vera beverage.

"We saw Hansle's potential even before his amazing performance in last year's Olympics. So we started discussions with him at that time. We are really pleased to see how tremendously he has grown in the last couple of years as an athlete and as a person," said GraceKennedy Group CEO, Don Wehby. "When we signed Shelly-Ann as our first Ambassador, it was because we felt that she embodied all the values of the GraceKennedy brand – honesty, integrity, commitment, to name a few.



We had that feeling early on about Hansle too," he continued.

Regarding Hansle representing Grace Foods' Aloe beverage, GK Foods CEO, Michael Ranglin stated, "a winning athlete and a winning product add up to a winning combination, and we look forward to the gains to be made with Hansle as the face for that beverage."

Hansle, a Psychology student at The University of the West Indies, won the bronze medal in the final of the 110m hurdles at the London Olympics in 2012, achieving a new Jamaican record in the process. "We know his future is bright. His dedication and drive tell us all we needed to know. He could very well be our first hurdles Olympic champion. We are proud to have him as our Ambassador, and excited about the results of this collaboration," Mr. Wehby said.

## GraceKennedy Ontario Records Sweet Success with Grace Organic Coconut Sugar

In 2013 GraceKennedy (Ontario) Inc. saw a record year in sales, profits and growth of the Grace brands. This is due largely in part to sales from one its newest products – Grace Organic Coconut Sugar.

“The introduction of Grace Organic Coconut Sugar was by far at the top of our great achievements for 2013,” said Simone Wong, Customer Service Representative, GK Ontario Inc. She explained that the launch of this product into the Canadian market was a phenomenal success, adding that it is now available for purchase in many of the mainstream chain stores, and in a great variety of the independent ethnic stores across the country, competing as a viable and safe sugar substitute. She added, “Coconut Sugar has been a favourite as a traditional sweetener in the South and South-East Asian regions for thousands of years, where the coconut palm is in abundance. This product was once only sold in specialty Asian stores, then gradually companies were selling it in natural food markets and online. It has now become more accessible to mainstream markets, and has gained popularity as a health food, and among people with diabetes.”



“The introduction of Grace Organic Coconut Sugar was by far at the top of our great achievements for 2013.”

Given the rising demand, GraceKennedy Ontario has taken decisive steps to strengthen the Coconut category by launching new Coconut products with the aim of becoming the category leader in Canada.

## Grace Jamaica Jerk Festival, New York, was a Delicious Success!



The 3rd Annual Grace Jamaican Jerk Festival was successfully staged on Sunday, July 21, 2013 at the Roy Wilkins Park in Queens, New York. The event, often referred to as the mecca of Caribbean culture delivered on everything from delicious jerk foods to high-energy entertainment and activities. Of particular note at the 2013 staging was the presence of ‘Caribbean Chef of the Year’ Brian Lumley, who showcased his culinary prowess in the Jerk Cook-off Pavilion at the Festival. In addition to the mouth-watering food, the over ten thousand patrons in attendance also got their fill of great entertainment with artistes Shaggy and Christopher Martin delivering scintillating sets.

The Grace Jamaican Jerk Festival has earned the reputation as “The Biggest Caribbean Food Festival in the USA” with a reputation for delivering an enjoyable experience of the highest quality to patrons as well as a rewarding experience to sponsors. Staged annually in Queens, New York and Sunrise, Florida, the festival appeals to all ethnicities and key demographics, particularly Caribbean nationals.



GraceKennedy Ltd.  
Audited Financial  
Statements 2013



## ***Independent Auditors' Report***

To the Members of  
GraceKennedy Limited

### **Report on the Consolidated and Company Stand Alone Financial Statements**

We have audited the accompanying consolidated financial statements of GraceKennedy Limited and its subsidiaries, set out on pages 50 to 164, which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying financial statements of GraceKennedy Limited standing alone, which comprise the statement of financial position as at 31 December 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Consolidated and Company Stand Alone Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated and company stand alone financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and company stand alone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and company stand alone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and company stand alone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and company stand alone financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and company stand alone financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica  
T: (876) 922 6230, F: (876) 922 7581, [www.pwc.com/jm](http://www.pwc.com/jm)

C.D.W. Maxwell P.W. Pearson E.A. Crawford J.W. Lee P.E. Williams L.A. McKnight L.E. Augier A.K. Jain B.L. Scott B.J. Denning  
G.A. Reece P.A. Williams R.S. Nathan



**Members of GraceKennedy Limited  
Independent Auditors' Report  
Page 2**

***Opinion***

In our opinion, the consolidated financial statements of GraceKennedy Limited and its subsidiaries, and the financial statements of GraceKennedy Limited standing alone give a true and fair view of the financial position of GraceKennedy Limited and its subsidiaries and the GraceKennedy Limited standing alone as at 31 December 2013, and of their financial performance and cash flows for the year then ended, so far as concerns the members of GraceKennedy Limited, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

**Report on Other Legal and Regulatory Requirements**

As required by 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 kept, so far as appears from our examination of those records, and the accompanying consolidated and company stand alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

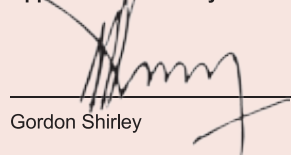
A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers'.

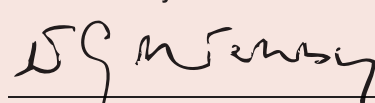
Chartered Accountants  
28 February 2014  
Kingston, Jamaica

**GraceKennedy Limited**  
Consolidated Statement of Financial Position  
31 December 2013  
(expressed in Jamaican dollars unless otherwise indicated)

|                                                                  | Note | 2013<br>\$'000     | Restated<br>2012<br>\$'000 | Restated<br>2011<br>\$'000 |
|------------------------------------------------------------------|------|--------------------|----------------------------|----------------------------|
| <b>Assets</b>                                                    |      |                    |                            |                            |
| Cash and deposits                                                | 5    | 9,131,888          | 10,989,655                 | 12,326,328                 |
| Investment securities                                            | 6    | 20,883,838         | 16,308,785                 | 12,650,832                 |
| Pledged assets                                                   | 6    | 27,140,200         | 29,431,618                 | 28,368,098                 |
| Receivables                                                      | 7    | 9,094,326          | 8,507,124                  | 8,492,584                  |
| Inventories                                                      | 8    | 8,345,097          | 6,569,375                  | 6,524,177                  |
| Loans receivable                                                 | 9    | 16,238,507         | 13,881,176                 | 11,911,040                 |
| Taxation recoverable                                             |      | 582,985            | 911,888                    | 916,802                    |
| Investments in associates                                        | 10   | 1,028,966          | 899,027                    | 796,905                    |
| Investment properties                                            | 40   | 365,000            | -                          | -                          |
| Intangible assets                                                | 11   | 2,425,230          | 2,106,404                  | 1,893,029                  |
| Fixed assets                                                     | 12   | 6,946,936          | 7,250,809                  | 6,893,248                  |
| Deferred tax assets                                              | 13   | 953,864            | 1,421,327                  | 1,245,314                  |
| Pension plan asset                                               | 14   | 5,506,469          | 5,842,256                  | 7,523,921                  |
| <b>Total Assets</b>                                              |      | <b>108,643,306</b> | <b>104,119,444</b>         | <b>99,542,278</b>          |
| <b>Liabilities</b>                                               |      |                    |                            |                            |
| Deposits                                                         |      | 17,768,017         | 15,768,039                 | 13,693,757                 |
| Securities sold under agreements to repurchase                   |      | 25,074,089         | 27,711,820                 | 26,451,721                 |
| Bank and other loans                                             | 15   | 11,571,790         | 10,338,328                 | 11,808,923                 |
| Payables                                                         | 16   | 15,226,874         | 13,510,563                 | 12,252,825                 |
| Taxation                                                         |      | 291,182            | 300,557                    | 268,278                    |
| Provisions                                                       | 17   | 6,839              | 6,839                      | 7,243                      |
| Deferred tax liabilities                                         | 13   | 1,268,515          | 1,727,001                  | 2,650,283                  |
| Other post-employment obligations                                | 14   | 3,202,616          | 2,887,948                  | 2,702,493                  |
| <b>Total Liabilities</b>                                         |      | <b>74,409,922</b>  | <b>72,251,095</b>          | <b>69,835,523</b>          |
| <b>Equity</b>                                                    |      |                    |                            |                            |
| <b>Capital and reserves attributable to the company's owners</b> |      |                    |                            |                            |
| Share capital                                                    | 18   | 643,074            | 808,079                    | 593,968                    |
| Capital and fair value reserves                                  | 19   | 4,356,384          | 4,695,304                  | 4,794,309                  |
| Retained earnings                                                |      | 22,544,646         | 20,714,969                 | 19,174,975                 |
| Banking reserves                                                 | 20   | 2,077,782          | 2,000,704                  | 1,942,967                  |
| Other reserves                                                   |      | 3,143,798          | 2,483,781                  | 2,095,036                  |
|                                                                  |      | 32,765,684         | 30,702,837                 | 28,601,255                 |
| <b>Non - Controlling interests</b>                               | 21   | 1,467,700          | 1,165,512                  | 1,105,500                  |
| <b>Total Equity</b>                                              |      | <b>34,233,384</b>  | <b>31,868,349</b>          | <b>29,706,755</b>          |
| <b>Total Equity and Liabilities</b>                              |      | <b>108,643,306</b> | <b>104,119,444</b>         | <b>99,542,278</b>          |

Approved for issue by the Board of Directors on 28 February 2014 and signed on its behalf by:

  
Gordon Shirley Chairman

  
Donald Wainby Group Chief Executive Officer

**GraceKennedy Limited**  
Consolidated Income Statement  
Year ended 31 December 2013  
(expressed in Jamaican dollars unless otherwise indicated)

|                                                                                                      | Note | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
|------------------------------------------------------------------------------------------------------|------|----------------|----------------------------|
| <b>Revenues</b>                                                                                      | 23   | 67,257,502     | 61,340,268                 |
| <b>Expenses</b>                                                                                      | 24   | (63,913,042)   | (58,178,779)               |
|                                                                                                      |      | 3,344,460      | 3,161,489                  |
| Other income                                                                                         | 25   | 1,710,632      | 1,035,734                  |
| <b>Profit from Operations</b>                                                                        |      | 5,055,092      | 4,197,223                  |
| Interest income – non-financial services                                                             |      | 302,471        | 349,613                    |
| Interest expense – non-financial services                                                            |      | (542,539)      | (618,439)                  |
| Share of results of associated companies                                                             | 10   | 260,175        | 174,007                    |
| <b>Profit before Taxation</b>                                                                        |      | 5,075,199      | 4,102,404                  |
| Taxation                                                                                             | 27   | (1,281,135)    | (316,072)                  |
| <b>NET PROFIT</b>                                                                                    |      | 3,794,064      | 3,786,332                  |
| <b>Attributable to:</b>                                                                              |      |                |                            |
| Owners of GraceKennedy Limited                                                                       | 28   | 3,221,634      | 3,478,888                  |
| Non-Controlling interests                                                                            | 21   | 572,430        | 307,444                    |
|                                                                                                      |      | 3,794,064      | 3,786,332                  |
| <b>Earnings per Stock Unit for profit attributable to the owners of the company during the year:</b> | 30   |                |                            |
| <b>Basic</b>                                                                                         |      | \$9.66         | \$10.42                    |
| <b>Diluted</b>                                                                                       |      | \$9.65         | \$10.41                    |

**GraceKennedy Limited**  
Consolidated Statement of Comprehensive Income  
Year ended 31 December 2013  
(expressed in Jamaican dollars unless otherwise indicated)

|                                                                       | Note | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
|-----------------------------------------------------------------------|------|----------------|----------------------------|
| <b>Profit for the year</b>                                            |      | 3,794,064      | 3,786,332                  |
| <b>Other comprehensive income:</b>                                    |      |                |                            |
| <i>Items that will not be reclassified to profit or loss:</i>         |      |                |                            |
| Gains on revaluation of land and buildings                            |      | 101,856        | 351,914                    |
| Remeasurements of post-employment benefit obligations                 |      | (486,252)      | (1,314,175)                |
|                                                                       |      | (384,396)      | (962,261)                  |
| <i>Items that may be subsequently reclassified to profit or loss:</i> |      |                |                            |
| Foreign currency translation adjustments                              |      | 682,573        | 399,775                    |
| Fair value losses                                                     |      | (569,456)      | (346,111)                  |
| Share of other comprehensive income of associated companies           |      | 6,813          | 45,356                     |
|                                                                       |      | 119,930        | 99,020                     |
| <b>Other comprehensive income for the year, net of tax</b>            |      | (264,466)      | (863,241)                  |
| <b>Total comprehensive income for the year</b>                        |      | 3,529,598      | 2,923,091                  |
| <b>Attributable to:</b>                                               |      |                |                            |
| Owners of GraceKennedy Limited                                        |      | 2,940,017      | 2,585,160                  |
| Non - Controlling interests                                           | 21   | 589,581        | 337,931                    |
|                                                                       |      | 3,529,598      | 2,923,091                  |

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 27.

**GraceKennedy Limited**  
Consolidated Statement of Changes in Equity  
Year ended 31 December 2013  
(expressed in Jamaican dollars unless otherwise indicated)

|                                                             | Note   | Attributable to owners of the parent |                      |                                        |                          |                         | Non-Controlling Interest | Total Equity |
|-------------------------------------------------------------|--------|--------------------------------------|----------------------|----------------------------------------|--------------------------|-------------------------|--------------------------|--------------|
|                                                             |        | Number of Stock Units '000           | Share Capital \$'000 | Capital and Fair Value Reserves \$'000 | Retained Earnings \$'000 | Banking Reserves \$'000 | Other Reserves \$'000    |              |
| <b>Balance at 1 January 2012 (as previously reported)</b>   |        | 330,255                              | 593,968              | 4,794,309                              | 19,911,616               | 1,942,967               | 2,095,036                | 30,614,405   |
| Effect of changes in accounting standard                    |        |                                      | -                    | -                                      | (736,641)                | -                       | -                        | (907,650)    |
| <b>Balance at 1 January 2012 (restated)</b>                 |        | 330,255                              | 593,968              | 4,794,309                              | 19,174,975               | 1,942,967               | 2,095,036                | 29,706,755   |
| Profit for the year as restated                             |        | -                                    | -                    | -                                      | 3,478,888                | -                       | -                        | 3,786,332    |
| Other comprehensive income for the year as restated         |        | -                                    | -                    | 22,098                                 | (1,304,571)              | -                       | 388,745                  | (863,241)    |
| Total comprehensive income for 2012                         |        | -                                    | -                    | 22,098                                 | 2,174,317                | -                       | 388,745                  | 2,923,091    |
| Transactions with owners                                    |        |                                      |                      |                                        |                          |                         |                          |              |
| Issue of shares                                             | 18 (a) | 2,989                                | 86,173               | -                                      | -                        | -                       | -                        | 86,173       |
| Issue of treasury shares                                    | 18 (b) | 1,677                                | 133,910              | (53,505)                               |                          |                         |                          | 80,405       |
| Purchase of treasury shares                                 | 18 (b) | (120)                                | (5,972)              | -                                      | -                        | -                       | -                        | (5,972)      |
| Employee share option scheme:                               |        |                                      |                      |                                        |                          |                         |                          |              |
| Value of services received                                  | 18 (h) | -                                    | -                    | -                                      | 22,217                   | -                       | -                        | 22,828       |
| Transfer of non-controlling interests                       |        | -                                    | -                    | -                                      | (464)                    | -                       | -                        | (49,575)     |
| Dividends paid by subsidiaries to non-controlling interests | 21     | -                                    | -                    | -                                      | -                        | -                       | -                        | (229,419)    |
| Dividends paid                                              | 29     | -                                    | -                    | -                                      | (665,937)                | -                       | -                        | (665,937)    |
| Total transactions with owners                              |        | 4,546                                | 214,111              | (53,505)                               | (644,184)                | -                       | -                        | (761,497)    |
| Transfers between reserves:                                 |        |                                      |                      |                                        |                          |                         |                          |              |
| From capital reserves                                       |        | -                                    | -                    | (67,598)                               | 67,598                   | -                       | -                        | -            |
| To banking reserves                                         |        | -                                    | -                    | -                                      | (57,737)                 | 57,737                  | -                        | -            |
| <b>Balance at 31 December 2012 (restated)</b>               |        | 334,801                              | 808,079              | 4,695,304                              | 20,714,969               | 2,000,704               | 2,483,781                | 31,868,349   |
| Profit for the year                                         |        |                                      |                      |                                        | 3,221,634                |                         |                          | 3,794,064    |
| Other comprehensive income for the year                     |        | -                                    | -                    | (462,534)                              | (479,100)                | -                       | 660,017                  | (264,466)    |
| Total comprehensive income for 2013                         |        | -                                    | -                    | (462,534)                              | 2,742,534                | -                       | 660,017                  | 3,529,598    |
| Transactions with owners                                    |        |                                      |                      |                                        |                          |                         |                          |              |
| Issue of shares                                             | 18 (a) | 2                                    | 100                  | -                                      | -                        | -                       | -                        | 100          |
| Repurchase of shares                                        | 18 (a) | (1,662)                              | (99,580)             | -                                      | -                        | -                       | -                        | (99,580)     |
| Purchase of treasury shares                                 | 18 (b) | (1,220)                              | (65,525)             | -                                      | -                        | -                       | -                        | (65,525)     |
| Employee share option scheme:                               |        |                                      |                      |                                        |                          |                         |                          |              |
| Value of services received                                  | 18 (h) | -                                    | -                    | -                                      | 15,495                   | -                       | -                        | 15,749       |
| Dividends paid by subsidiaries to non-controlling interests | 21     | -                                    | -                    | -                                      | -                        | -                       | -                        | (287,647)    |
| Dividends paid                                              | 29     | -                                    | -                    | -                                      | (727,660)                | -                       | -                        | (727,660)    |
| Total transactions with owners                              |        | (2,880)                              | (165,005)            | -                                      | (712,165)                | -                       | -                        | (1,164,563)  |
| Transfers between reserves:                                 |        |                                      |                      |                                        |                          |                         |                          |              |
| To capital reserves                                         |        | -                                    | -                    | 123,614                                | (123,614)                | -                       | -                        | -            |
| To banking reserves                                         |        | -                                    | -                    | -                                      | (77,078)                 | 77,078                  | -                        | -            |
| <b>Balance at 31 December 2013</b>                          |        | 331,921                              | 643,074              | 4,356,384                              | 22,544,646               | 2,077,782               | 3,143,798                | 34,233,384   |

**GraceKennedy Limited**  
Consolidated Statement of Cash Flows  
Year ended 31 December 2013  
(expressed in Jamaican dollars unless otherwise indicated)

|                                                                    | Note | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
|--------------------------------------------------------------------|------|----------------|----------------------------|
| <b>SOURCES/(USES) OF CASH:</b>                                     |      |                |                            |
| <b>Operating Activities</b>                                        | 31   | (792,398)      | 6,595,689                  |
| <b>Financing Activities</b>                                        |      |                |                            |
| Loans received                                                     |      | 5,090,832      | 4,018,156                  |
| Loans repaid                                                       |      | (5,708,426)    | (5,871,887)                |
| Dividends paid by subsidiary to non-controlling interests          | 21   | (287,647)      | (229,419)                  |
| Repurchase of shares                                               | 18   | (99,580)       | -                          |
| Purchase of treasury shares                                        | 18   | (65,525)       | (5,972)                    |
| Sale of treasury shares                                            | 18   | -              | 80,405                     |
| Issue of shares                                                    | 18   | 100            | 86,173                     |
| Interest paid – non financial services                             |      | (510,083)      | (572,602)                  |
| Dividends                                                          | 29   | (727,660)      | (665,937)                  |
|                                                                    |      | (2,307,989)    | (3,161,083)                |
| <b>Investing Activities</b>                                        |      |                |                            |
| Additions to fixed assets <sup>(a)</sup>                           | 12   | (717,615)      | (792,664)                  |
| Proceeds from disposal of fixed assets                             |      | 161,938        | 65,771                     |
| Additions to investments <sup>(b)</sup>                            |      | (7,327,066)    | (7,336,141)                |
| Cash outflow on purchase of non-controlling interest in subsidiary |      | -              | (49,575)                   |
| Proceeds from sale of investments <sup>(b)</sup>                   |      | 7,802,456      | 3,028,203                  |
| Additions to intangibles                                           | 11   | (462,022)      | (228,701)                  |
| Interest received – non financial services                         |      | 302,471        | 349,613                    |
|                                                                    |      | (239,838)      | (4,963,494)                |
| Decrease in cash and cash equivalents                              |      | (3,340,225)    | (1,528,888)                |
| Cash and cash equivalents at beginning of year                     |      | 9,575,048      | 10,958,017                 |
| Exchange and translation gains on net foreign cash balances        |      | 369,467        | 145,919                    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                    | 5    | 6,604,290      | 9,575,048                  |

The principal non-cash transactions include:

<sup>(a)</sup> Acquisition of fixed assets under finance lease of \$2,056,000 (2012: \$2,321,000), (Note 12).

<sup>(b)</sup> Investments exchanged under the National Debt Exchange and Private Debt Exchange programmes of \$22,846,885,000 (2012: \$Nil).

**GraceKennedy Limited**

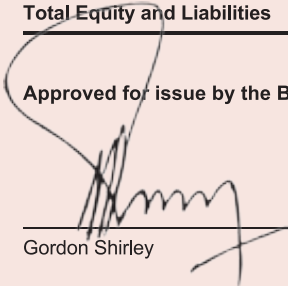
## Company Statement of Financial Position

31 December 2013

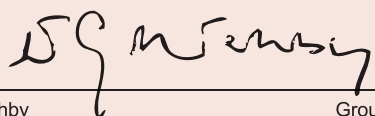
(expressed in Jamaican dollars unless otherwise indicated)

|                                     | Note | 2013<br>\$'000    | Restated<br>2012<br>\$'000 | Restated<br>2011<br>\$'000 |
|-------------------------------------|------|-------------------|----------------------------|----------------------------|
| <b>Assets</b>                       |      |                   |                            |                            |
| Cash and deposits                   | 5    | 1,605,227         | 1,885,346                  | 2,084,739                  |
| Investment securities               | 6    | 5,262,815         | 4,346,337                  | 3,208,013                  |
| Receivables                         | 7    | 1,192,234         | 1,055,558                  | 935,756                    |
| Inventories                         | 8    | 2,071,950         | 1,430,444                  | 1,417,852                  |
| Loans receivable                    | 9    | 1,569,419         | 1,177,452                  | 749,094                    |
| Subsidiaries                        | 34   | 82,922            | 473,294                    | 2,387,927                  |
| Taxation recoverable                |      | 62,376            | 200,602                    | 182,855                    |
| Investments in associates           | 10   | 185,173           | 185,173                    | 185,173                    |
| Investments in subsidiaries         |      | 10,681,070        | 10,681,089                 | 10,597,705                 |
| Intangible assets                   | 11   | 105,940           | 99,236                     | 84,250                     |
| Fixed assets                        | 12   | 219,697           | 238,539                    | 245,851                    |
| Pension plan asset                  | 14   | 5,506,469         | 7,169,685                  | 8,257,691                  |
| <b>Total Assets</b>                 |      | <b>28,545,292</b> | <b>28,942,755</b>          | <b>30,336,906</b>          |
| <b>Liabilities</b>                  |      |                   |                            |                            |
| Bank and other loans                | 15   | 3,397,782         | 2,786,394                  | 4,038,856                  |
| Payables                            | 16   | 1,790,265         | 1,365,023                  | 1,446,052                  |
| Subsidiaries                        | 34   | 240,081           | 1,000,710                  | 1,238,114                  |
| Provisions                          | 17   | 6,221             | 6,221                      | 6,221                      |
| Deferred tax liabilities            | 13   | 1,096,490         | 1,566,680                  | 2,497,790                  |
| Other post-employment obligations   | 14   | 1,311,018         | 1,212,257                  | 1,141,825                  |
| <b>Total Liabilities</b>            |      | <b>7,841,857</b>  | <b>7,937,285</b>           | <b>10,368,858</b>          |
| <b>Equity</b>                       |      |                   |                            |                            |
| Share capital                       | 18   | 643,074           | 808,079                    | 593,968                    |
| Capital and fair value reserves     | 19   | 244,591           | 306,292                    | 373,242                    |
| Retained earnings                   |      | 19,815,770        | 19,891,099                 | 19,000,838                 |
| <b>Total Equity</b>                 |      | <b>20,703,435</b> | <b>21,005,470</b>          | <b>19,968,048</b>          |
| <b>Total Equity and Liabilities</b> |      | <b>28,545,292</b> | <b>28,942,755</b>          | <b>30,336,906</b>          |

Approved for issue by the Board of Directors on 28 February 2014 and signed on its behalf by:


 Gordon Shirley

Chairman


 Donald Wehby

Group Chief Executive Officer

**GraceKennedy Limited**  
Company Income Statement  
Year ended 31 December 2013  
(expressed in Jamaican dollars unless otherwise indicated)

|                               | Note | 2013<br>\$'000   | Restated<br>2012<br>\$'000 |
|-------------------------------|------|------------------|----------------------------|
| <b>Turnover</b>               | 23   | 13,641,116       | 13,249,138                 |
| Cost of goods sold            | 24   | (10,743,484)     | (10,234,700)               |
| <b>Gross Profit</b>           |      | 2,897,632        | 3,014,438                  |
| Other income                  | 25   | 3,922,285        | 3,450,279                  |
| Administration expenses       | 24   | (5,196,418)      | (4,631,925)                |
| <b>Profit from Operations</b> |      | 1,623,499        | 1,832,792                  |
| Interest income               |      | 366,261          | 412,061                    |
| Interest expense              |      | (265,784)        | (292,044)                  |
| <b>Profit before Taxation</b> |      | 1,723,976        | 1,952,809                  |
| Taxation                      | 27   | (89,705)         | 525,870                    |
| <b>NET PROFIT</b>             | 28   | <b>1,634,271</b> | <b>2,478,679</b>           |

**GraceKennedy Limited**

Company Statement of Comprehensive Income

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

|                                                                       | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
|-----------------------------------------------------------------------|----------------|----------------------------|
| <b>Profit for the year</b>                                            | 1,634,271      | 2,478,679                  |
| <b>Other comprehensive income:</b>                                    |                |                            |
| <i>Items that will not be reclassified to profit or loss:</i>         |                |                            |
| Gains on revaluation of land and buildings                            | 39             | 8,600                      |
| Remeasurement of post-employment benefit obligations                  | (995,128)      | (939,155)                  |
|                                                                       | (995,089)      | (930,555)                  |
| <i>Items that may be subsequently reclassified to profit or loss:</i> |                |                            |
| Fair value losses                                                     | (61,740)       | (22,045)                   |
|                                                                       | (61,740)       | (22,045)                   |
| <b>Other comprehensive income for the year, net of tax</b>            | (1,056,829)    | (952,600)                  |
| <b>Total comprehensive income for the year</b>                        | 577,442        | 1,526,079                  |

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 27.

**GraceKennedy Limited**

## Company Statement of Changes in Equity

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

|                                                         | Note   | Number of<br>Stock<br>Units<br>'000 | Share<br>Capital<br>\$'000 | Capital and<br>Fair Value<br>Reserves<br>\$'000 | Retained<br>Earnings<br>\$'000 | Total<br>\$'000 |
|---------------------------------------------------------|--------|-------------------------------------|----------------------------|-------------------------------------------------|--------------------------------|-----------------|
| <b>Balance at 1 January 2012 (as previously stated)</b> |        | 330,255                             | 593,968                    | 373,242                                         | 19,188,356                     | 20,155,566      |
| Effect of changes in accounting standard                |        | -                                   | -                          | -                                               | (187,518)                      | (187,518)       |
| <b>Balance at 1 January 2012 (restated)</b>             |        | 330,255                             | 593,968                    | 373,242                                         | 19,000,838                     | 19,968,048      |
| Profit for the year as restated                         |        | -                                   | -                          | -                                               | 2,478,679                      | 2,478,679       |
| Other comprehensive income for the year                 |        | -                                   | -                          | (13,445)                                        | (939,155)                      | (952,600)       |
| Total comprehensive income for 2012                     |        | -                                   | -                          | (13,445)                                        | 1,539,524                      | 1,526,079       |
| Transactions with owners                                |        |                                     |                            |                                                 |                                |                 |
| Issue of shares                                         | 18 (a) | 2,989                               | 86,173                     | -                                               | -                              | 86,173          |
| Issue of treasury shares                                | 18 (b) | 1,677                               | 133,910                    | (53,505)                                        | -                              | 80,405          |
| Purchase of treasury shares                             | 18 (b) | (120)                               | (5,972)                    | -                                               | -                              | (5,972)         |
| Employee share option scheme:                           |        |                                     |                            |                                                 |                                |                 |
| Value of services received                              |        | -                                   | -                          | -                                               | 16,674                         | 16,674          |
| Dividends paid                                          | 29     | -                                   | -                          | -                                               | (665,937)                      | (665,937)       |
| Total transactions with owners                          |        | 4,546                               | 214,111                    | (53,505)                                        | (649,263)                      | (488,657)       |
| <b>Balance at 31 December 2012 (restated)</b>           |        | 334,801                             | 808,079                    | 306,292                                         | 19,891,099                     | 21,005,470      |
| Profit for the year                                     |        | -                                   | -                          | -                                               | 1,634,271                      | 1,634,271       |
| Other comprehensive income for the year                 |        | -                                   | -                          | (61,701)                                        | (995,128)                      | (1,056,829)     |
| Total comprehensive income for 2013                     |        |                                     |                            | (61,701)                                        | 639,143                        | 577,442         |
| Transactions with owners                                |        |                                     |                            |                                                 |                                |                 |
| Issue of shares                                         | 18 (a) | 2                                   | 100                        | -                                               | -                              | 100             |
| Purchase of shares                                      | 18 (a) | (1,662)                             | (99,580)                   | -                                               | -                              | (99,580)        |
| Purchase of treasury shares                             | 18 (b) | (1,220)                             | (65,525)                   | -                                               | -                              | (65,525)        |
| Employee share option scheme:                           |        |                                     |                            |                                                 |                                |                 |
| Value of services received                              |        | -                                   | -                          | -                                               | 13,188                         | 13,188          |
| Dividends paid                                          | 29     | -                                   | -                          | -                                               | (727,660)                      | (727,660)       |
| Total transactions with owners                          |        | (2,880)                             | (165,005)                  | -                                               | (714,472)                      | (879,477)       |
| <b>Balance at 31 December 2013</b>                      |        | 331,921                             | 643,074                    | 244,591                                         | 19,815,770                     | 20,703,435      |

**GraceKennedy Limited**  
 Company Statement of Cash Flows  
 Year ended 31 December 2013  
 (expressed in Jamaican dollars unless otherwise indicated)

|                                                             | Note | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
|-------------------------------------------------------------|------|----------------|----------------------------|
| <b>SOURCES/(USES) OF CASH:</b>                              |      |                |                            |
| <b>Operating Activities</b>                                 | 31   | 1,061,221      | 3,200,273                  |
| <b>Financing Activities</b>                                 |      |                |                            |
| Loans received                                              |      | 1,221,552      | 478,935                    |
| Loans repaid                                                |      | (1,399,460)    | (1,814,248)                |
| Repurchase of shares                                        | 18   | (99,580)       | -                          |
| Purchase of treasury shares                                 | 18   | (65,525)       | (5,972)                    |
| Sale of treasury shares                                     | 18   | -              | 80,405                     |
| Issue of shares                                             | 18   | 100            | 86,173                     |
| Interest paid                                               |      | (235,431)      | (293,537)                  |
| Dividends                                                   | 29   | (727,660)      | (665,937)                  |
|                                                             |      | (1,306,004)    | (2,134,181)                |
| <b>Investing Activities</b>                                 |      |                |                            |
| Additions to fixed assets <sup>(a)</sup>                    | 12   | (41,251)       | (49,535)                   |
| Proceeds from disposal of fixed assets                      |      | 7,650          | 5,352                      |
| Additions to investments <sup>(b)</sup>                     |      | (596,093)      | (1,194,181)                |
| Loans receivable, net                                       |      | (391,967)      | (428,358)                  |
| Proceeds from sale of investments <sup>(b)</sup>            |      | 9,379          | 228,088                    |
| Investment in subsidiary                                    |      | -              | (83,574)                   |
| Proceeds from disposal of subsidiary                        |      | 15,310         | 8,872                      |
| Additions to intangibles                                    | 11   | (105,547)      | (77,919)                   |
| Interest received                                           |      | 301,248        | 318,314                    |
|                                                             |      | (801,271)      | (1,272,941)                |
| Decrease in cash and cash equivalents                       |      | (1,046,054)    | (206,849)                  |
| Cash and cash equivalents at beginning of year              |      | 1,551,163      | 1,699,294                  |
| Exchange and translation gains on net foreign cash balances |      | 155,666        | 58,718                     |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>             | 5    | 660,775        | 1,551,163                  |

The principal non-cash transactions include:

<sup>(a)</sup> Acquisition of fixed assets under finance lease of \$18,771,000 (2012: \$11,496,000), (Note 12).

<sup>(b)</sup> Investments exchanged under the National Debt Exchange and Private Debt Exchange programmes of \$1,806,954,000 (2012: \$Nil).

**GraceKennedy Limited**

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

**1. Identification**

GraceKennedy Limited (the company) is a company limited by shares, incorporated and domiciled in Jamaica. The registered office of the company is located at 73 Harbour Street, Kingston, Jamaica.

The company is a publicly listed company having its primary listing on the Jamaica Stock Exchange, with further listing on the Trinidad and Tobago Stock Exchange.

The Group is organised into two divisions namely, GK Foods and GK Financial Group. The GK Foods division comprises all the food related companies while GK Financial Group comprises all the financial services companies in the Group. For the purpose of segment reporting the Group reports its results under the five segments described below.

The principal activities of the company, its subsidiaries and its associated companies (the Group) are as follows:

**Food Trading -**

Merchandising of general goods and food products, both locally and internationally; processing and distribution of food products; and the operation of a chain of supermarkets.

**Retail and Trading -**

Merchandising of agricultural supplies, home improvement supplies, and hardware and lumber.

**Banking and Investments -**

Commercial banking; investment management; lease and trade financing; stock brokerage; pension management; property rental; and mutual fund management.

**Insurance -**

General insurance and insurance brokerage.

**Money Services -**

Operation of money transfer services, cambio operations and bill payment services.

**2. Significant Accounting Policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented, unless otherwise stated.

**(a) Basis of preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain fixed and financial assets, investment properties and financial liabilities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**Standards, interpretations and amendments to published standards effective in the current year**

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has put into effect the following IFRS, which are immediately relevant to its operations.

- IAS 1, 'Presentation of financial statements' (effective for annual periods beginning on or after 1 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Group has implemented the amendment and has adjusted the statement of comprehensive income for the current and prior years.
- IAS 19 (revised), 'Employee benefits' (effective for annual periods beginning on or after 1 January 2013). The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See Note 42 for the impact of adopting the revised standard.

## 2. Significant Accounting Policies (Continued)

### (a) Basis of preparation (Continued)

#### Standards, interpretations and amendments to published standards effective in the current year (continued)

- IFRS 10, 'Consolidated financial statements' (effective for annual periods beginning on or after 1 January 2013) The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes control as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The Group adopted IFRS 10 effective 1 January 2013. There was no impact from the adoption.
- IFRS 11, 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2013). This standard focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Group adopted IFRS 11 effective 1 January 2013. There was no impact from the adoption.
- IFRS 12, 'Disclosures of interests in other entities' (effective for annual periods beginning on or after 1 January 2013) includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles. The Group adopted IFRS 12 effective 1 January 2013 which resulted in expanded disclosures in the financial statements.
- IFRS 13, 'Fair value measurement', (effective for annual periods beginning on or after 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Group adopted IFRS 13 effective 1 January 2013 which resulted in expanded disclosures in the financial statements.

#### Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorization of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the International Accounting Standards Board.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 2. Significant Accounting Policies (Continued)

### (b) Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**GraceKennedy Limited**

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

**2. Significant Accounting Policies (Continued)****(b) Basis of consolidation (continued)**

| Entity                                                               | Country of incorporation and place of business | Nature of business    | Proportion of ordinary shares held by the parent company % | Proportion of ordinary shares held by the Group % | Proportion of ordinary shares held by non-controlling interests % |
|----------------------------------------------------------------------|------------------------------------------------|-----------------------|------------------------------------------------------------|---------------------------------------------------|-------------------------------------------------------------------|
| First Global Leasing Limited                                         | Jamaica                                        | Lease financing       | 100                                                        | 100                                               | -                                                                 |
| GraceKennedy Financial Group Limited and its subsidiaries –          | Jamaica                                        | Holding company       | 100                                                        | 100                                               | -                                                                 |
| Allied Insurance Brokers Limited                                     | Jamaica                                        | Insurance brokerage   | -                                                          | 100                                               | -                                                                 |
| Jamaica International Insurance Company Limited                      | Jamaica                                        | General Insurance     | -                                                          | 100                                               | -                                                                 |
| First Global Holdings Limited and its subsidiaries–                  | Jamaica                                        | Holding company       | 25                                                         | 100                                               | -                                                                 |
| First Global Bank Limited                                            | Jamaica                                        | Banking               | -                                                          | 100                                               | -                                                                 |
| First Global Financial Services Limited                              | Jamaica                                        | Investment management | -                                                          | 100                                               | -                                                                 |
| Grace Foods International Limited                                    | Jamaica                                        | Dormant               | 100                                                        | 100                                               | -                                                                 |
| GK Foods & Services Limited                                          | Jamaica                                        | Food trading          | 100                                                        | 100                                               | -                                                                 |
| GraceKennedy Logistics Services Limited                              | Jamaica                                        | Dormant               | 100                                                        | 100                                               | -                                                                 |
| GraceKennedy Money Services Caribbean SRL and its subsidiary –       | Barbados                                       | Holding company       | -                                                          | 75                                                | 25                                                                |
| GraceKennedy Remittance Services Limited and its subsidiaries –      | Jamaica                                        | Money services        | -                                                          | 75                                                | 25                                                                |
| Grace Kennedy Currency Trading Services Limited                      | Jamaica                                        | Money services        | -                                                          | 75                                                | 25                                                                |
| GraceKennedy Payment Services Limited                                | Jamaica                                        | Money services        | -                                                          | 75                                                | 25                                                                |
| GraceKennedy Money Services (Anguilla) Limited                       | Anguilla                                       | Money services        | -                                                          | 75                                                | 25                                                                |
| GraceKennedy Money Services (Antigua & Barbuda) Limited              | Antigua & Barbuda                              | Money services        | -                                                          | 75                                                | 25                                                                |
| GraceKennedy Money Services (Montserrat) Limited, Montserrat         | Montserrat                                     | Money services        | -                                                          | 75                                                | 25                                                                |
| GraceKennedy Money Services (St. Kitts) Limited                      | St. Kitts                                      | Money services        | -                                                          | 75                                                | 25                                                                |
| GraceKennedy Money Services (St. Vincent and the Grenadines) Limited | St. Vincent and the Grenadines                 | Money services        | -                                                          | 75                                                | 25                                                                |
| GKMS (BVI) Limited                                                   | British Virgin Islands                         | Money services        | -                                                          | 75                                                | 25                                                                |
| Grace, Kennedy Remittance Services (Guyana) Limited                  | Guyana                                         | Money services        | -                                                          | 75                                                | 25                                                                |
| GraceKennedy (Trinidad & Tobago) Limited, Trinidad and Tobago        | Trinidad and Tobago                            | Money services        | -                                                          | 75                                                | 25                                                                |
| Horizon Shipping Limited                                             | Jamaica                                        | Dormant               | 100                                                        | 100                                               | -                                                                 |
| Hardware and Lumber Limited (58.1%)                                  | Jamaica                                        | Retail & Trading      | 58.1                                                       | 58.1                                              | 41.9                                                              |
| International Communications Limited                                 | Jamaica                                        | Dormant               | 100                                                        | 100                                               | -                                                                 |
| Port Services Limited (97.2%)                                        | Jamaica                                        | Dormant               | 90.7                                                       | 97.2                                              | 2.8                                                               |
| First Global Insurance Brokers Limited, Turks and Caicos Islands     | Turks & Caicos                                 | Insurance brokerage   | -                                                          | 100                                               | -                                                                 |
| Grace Foods Limited, St. Lucia                                       | St. Lucia                                      | Brand owner           | 100                                                        | 100                                               | -                                                                 |
| GraceKennedy (Belize) Limited                                        | Belize                                         | Food trading          | 100                                                        | 100                                               | -                                                                 |
| GraceKennedy (Ontario) Inc.,                                         | Canada                                         | Food trading          | 100                                                        | 100                                               | -                                                                 |

**GraceKennedy Limited**

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

**2. Significant Accounting Policies (Continued)****(b) Basis of consolidation (continued)**

| Entity                                                         | Country of<br>incorporation<br>and place of<br>business | Nature of business | Proportion<br>of<br>ordinary<br>shares<br>held by<br>the parent<br>company<br>% | Proportion<br>of<br>ordinary<br>shares<br>held by<br>the Group<br>% | Proportion<br>of ordinary<br>shares<br>held by<br>non-<br>controlling<br>interests<br>% |
|----------------------------------------------------------------|---------------------------------------------------------|--------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Grace, Kennedy (Caribbean) Limited                             | Turks & Caicos                                          | Dormant            | -                                                                               | 100                                                                 | -                                                                                       |
| Grace, Kennedy (Guyana) Inc.                                   | Guyana                                                  | Dormant            | 100                                                                             | 100                                                                 | -                                                                                       |
| Grace, Kennedy (U.S.A.) Inc. and its subsidiary –              | USA                                                     | Food trading       | 100                                                                             | 100                                                                 | -                                                                                       |
| Grace Foods (USA) Inc.                                         | USA                                                     | Food trading       | -                                                                               | 100                                                                 | -                                                                                       |
| GraceKennedy Trade Finance Limited                             | Belize                                                  | Dormant            | 100                                                                             | 100                                                                 | -                                                                                       |
| GraceKennedy (St. Lucia) Limited and its subsidiaries –        | St. Lucia                                               | Holding company    | 100                                                                             | 100                                                                 | -                                                                                       |
| Graken Holdings Limited                                        | Turks & Caicos                                          | Dormant            | -                                                                               | 100                                                                 | -                                                                                       |
| GraceKennedy Remittance Services (Turks and Caicos) Limited    | Turks & Caicos                                          | Dormant            | -                                                                               | 100                                                                 | -                                                                                       |
| GK Foods (UK) Limited, United Kingdom and its subsidiaries –   | United Kingdom (UK)                                     | Food trading       | -                                                                               | 100                                                                 | -                                                                                       |
| Grace Foods UK Limited                                         | UK                                                      | Food trading       | -                                                                               | 100                                                                 | -                                                                                       |
| Enco Products Limited                                          | UK                                                      | Food trading       | -                                                                               | 100                                                                 | -                                                                                       |
| Funnybones Foodservice Limited                                 | UK                                                      | Food trading       | -                                                                               | 100                                                                 | -                                                                                       |
| Chadha Oriental Foods Limited                                  | UK                                                      | Food trading       | -                                                                               | 100                                                                 | -                                                                                       |
| Grace, Kennedy Remittance Services (Trinidad & Tobago) Limited | Trinidad and Tobago                                     | Dormant            | 100                                                                             | 100                                                                 | -                                                                                       |
| Knutsford Re                                                   | Turks & Caicos                                          | Insurance          | -                                                                               | 100                                                                 | -                                                                                       |

The special purpose entity consolidated is the company's employee investment trust.

During the year GKMS (BVI) Limited was formed and commenced operations. GK Foods Limited and GraceKennedy Ghana Limited were also formed but have not yet been capitalised.

The Group liquidated GraceKennedy (UK) Limited during the year.

## 2. Significant Accounting Policies (Continued)

### (c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognize the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associated companies' in the income statement.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

In the company's statement of financial position, investment in associates is shown at cost.

The Group's associated companies are as follows:

|                                     | Financial Reporting<br>Year-end | Country of<br>Incorporation | Nature of<br>Business | Group's percentage<br>interest |      |
|-------------------------------------|---------------------------------|-----------------------------|-----------------------|--------------------------------|------|
|                                     |                                 |                             |                       | 2013                           | 2012 |
| CSGK Finance Holdings Limited       | 31 December                     | Barbados                    | Banking               | 40.0                           | 40.0 |
| Dairy Industries (Jamaica) Limited  | 31 December                     | Jamaica                     | Food trading          | 50.0                           | 50.0 |
| EC Global Insurance Company Limited | 31 December                     | St. Lucia                   | Insurance             | 30.0                           | 30.0 |
| Trident Insurance Company Limited   | 30 June                         | Barbados                    | Insurance             | 30.0                           | 30.0 |
| Telecommunications Alliance Limited | 31 December                     | Jamaica                     | Dormant               | 49.0                           | 49.0 |

The results of associates with financial reporting year-ends that are different from the Group are determined by prorating the results for the audited period as well as the period covered by management accounts to ensure that a year's result is accounted for where applicable.

### (d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

### (e) Foreign currency translation

#### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Jamaican dollars, which is the Group's functional and presentation currency.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement in other income.

## 2. Significant Accounting Policies (Continued)

### (e) Foreign currency translation (continued)

Foreign exchange gains and losses are presented in the income statement within 'other income'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are recognised in other comprehensive income.

#### Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

### (f) Fixed assets

All fixed assets are initially recorded at cost. Freehold land and buildings are subsequently shown at market valuation based on biennial valuations by external independent valuers, less subsequent depreciation of buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount. All other fixed assets are carried at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Increases in carrying amounts arising on revaluation are credited to other comprehensive income and shown in capital reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against capital reserves directly in equity; all other decreases are charged to the income statement.

Depreciation is calculated on the straight line basis to allocate assets' cost or revalued amounts to their residual values over their estimated useful lives, as follows:

|                                                             |               |
|-------------------------------------------------------------|---------------|
| Freehold buildings and leasehold buildings and improvements | 10 - 60 years |
| Plant, machinery, equipment, furniture and fixtures         | 3 - 10 years  |
| Vehicles                                                    | 3 - 5 years   |

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

## 2. Significant Accounting Policies (Continued)

### (f) Fixed assets (continued)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining profit. When revalued assets are sold, the amounts included in capital and fair value reserves are transferred to retained earnings.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

### (g) Intangible assets

#### Goodwill

Goodwill is recorded at cost and represents the excess of the value of consideration paid over the Group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the acquire and the fair value of the non-controlling interest in the acquire. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

#### Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the software, which is 3 years.

#### Distribution channel agreements

Distribution channel agreements are recorded at cost and represent the value of the consideration paid to acquire rights to distribute beverages in specified routes. These costs are amortised over the estimated useful life of the agreements, which is 10 years.

#### Policy contracts

Policy contracts are amortised over their estimated useful life which is 15 years and are carried at cost less accumulated amortisation. The cost of policy contracts comprises its purchase price and professional fees directly attributed to acquiring the asset.

#### Brands

Brands are recorded at cost and represent the value of the consideration paid to acquire several well established and recognised beverage and ethnic food brands. These costs are amortised over the estimated useful life of the brands, which ranges from 5 to 20 years.

#### Customer relationships

Customer relationships are recorded at cost and represent the value of the consideration paid to acquire customer contracts and the related customer relationships with several outlet operators and insurance clients. These costs are amortised over the estimated useful life of the relationships, which is between 10 to 15 years.

## 2. Significant Accounting Policies (Continued)

### (h) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The accounting policy for trade and insurance receivables is dealt with in Note 2 (o). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled with 12 months, otherwise they are classified as non-current.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified as such in the statement of financial position.

Financial assets classified as loans and receivables either meet the definition of loans and receivables at the date of acquisition, or at the date of reclassification from another category (fair value through profit or loss or available-for-sale), under the provisions of IAS 39 (Amendment). Financial assets which have been reclassified to this category, meet the definition of loans and receivables as a result of the market for these securities becoming inactive during the financial year.

A provision for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that the full amounts due will not be collected according to the original contractual terms. When a loan has been identified as impaired, the carrying amount of the loan is reduced, by recording specific provisions for credit losses, to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

The provision for credit losses also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the statement of financial position date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. The Bank of Jamaica regulations require that interest on non-performing bank loans be taken into account on the cash basis. IFRS requires the increase in the present value of impaired loans due to the passage of time to be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries in part or in full of amounts previously written-off are credited to credit loss expense in the income statement.

Statutory and other regulatory loan loss reserve requirements that exceed IFRS provisions which are charged to the income statement are dealt with in a non-distributable loan loss reserve as an appropriation of retained earnings.

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in investment securities on the statement of financial position.

#### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

## 2. Significant Accounting Policies (Continued)

### (h) Financial assets (continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments previously recognised in other comprehensive income are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of revenue, other income and finance income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

### (i) Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of the underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group transacts derivatives to manage its own exposure to foreign exchange risk and interest rate risk.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each statement of financial position date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Assets and liabilities are set off where the contracts are with the same counterparty, a legal right of set off exists and the cash flows are intended to be settled on a net basis.

Gains and losses from the changes in the fair value of derivatives are included in the income statement.

### (j) Investments in subsidiaries

Investments in subsidiaries are stated at cost.

### (k) Impairment of non-financial assets

Fixed assets and other assets, excluding goodwill, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

### (l) Income taxes

Taxation expense in the income statement comprises current and deferred tax charges.

Current tax charges are based on taxable profit for the year, which differs from the profit before tax reported because it excludes items 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 at tax rates that have been enacted or substantively enacted at statement of financial position date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## 2. Significant Accounting Policies (Continued)

### (l) Income taxes (continued)

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted or substantively enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited to other comprehensive income or equity, in which case, deferred tax is also dealt with in other comprehensive income or equity.

### (m) Employee benefits

#### Pension obligations

The Group participates in a defined contribution plan whereby it pays contributions to a privately administered fund. Once the contributions have been paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and are included in staff costs.

#### Pension plan assets

The Group also operates a defined benefit plan. The scheme is generally funded through payments to a trustee-administered fund as determined by periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the statement of financial position date and the fair value of plan assets, together with adjustments for actuarial gains/losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of Government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

For defined contribution plans, the Group pays contributions to a privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### Other post-employment obligations

Some Group companies provide post-employment health care benefits, group life, gratuity and supplementary plans for their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

#### Equity compensation benefits

The Group operates an equity-settled, share-based compensation plan. Share options are granted to management and key employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of non-market vesting conditions. Options are granted at the market price of the shares on the date of the grant and are exercisable at that price. Options are exercisable beginning one year from the date of grant and have a contractual option term of six years. When options are exercised, the proceeds received net of any transaction costs are credited to share capital.

#### Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

## 2. Significant Accounting Policies (Continued)

### (m) Employee benefits (continued)

#### Incentive plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's owners after certain adjustments. The Group recognises a provision where contractually obliged or where there is past practice that has created a constructive obligation.

### (n) Inventories

Inventories are stated at the lower of average cost and net realisable value. In the case of the company, cost represents invoiced cost plus direct inventory-related expenses. For the subsidiaries, costs are determined by methods and bases appropriate to their operations. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

### (o) Trade and insurance receivables

Trade and insurance receivables are carried at original invoice amount (which represents fair value) less provision made for impairment of these receivables. A provision for impairment of these receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the income statement. Impairment testing of trade receivables is described in Note 3.

### (p) Cash and cash equivalents

Cash and cash equivalents are carried on the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within bank and other loans on the statement of financial position.

### (q) Payable

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are initially recognised at fair value and subsequently stated at amortised cost.

### (r) Insurance business provisions

#### Claims outstanding

Provision is made to cover the estimated cost of settling claims arising out of events which have occurred by the statement of financial position date, including claims incurred but not reported, less amounts already paid in respect of these claims. Provision for reported claims is based on individual case estimates.

#### Insurance reserves

Provision is made for that proportion of premiums written in respect of risks to be borne subsequent to the year end under contracts of insurance entered into on or before the statement of financial position date. Provision is also made to cover the estimated amounts in excess of unearned premiums required to meet future claims and expenses on business in force.

#### Reinsurance ceded

The insurance subsidiary cedes insurance premiums and risk in the normal course of business in order to limit the potential for losses arising from longer exposures. Reinsurance does not relieve the originating insurer of its liability. Reinsurance assets include the balances due from both insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses and ceded unearned premiums. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross in the statement of financial position unless the right of offset exists.

#### Deferred policy acquisition costs

The costs of acquiring and renewing insurance contracts, including commissions, underwriting and policy issue expenses, which vary with and are directly related to the contracts, are deferred over the unexpired period of risk carried. Deferred policy acquisition costs are subject to recoverability testing at the time of policy issue and at the end of each accounting period.

## 2. Significant Accounting Policies (Continued)

### (s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed; for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (t) Deposits

Deposits are recognised initially at the nominal amount when funds are received. Deposits are subsequently stated at amortised cost using the effective yield method.

### (u) Securities purchased/sold under resale/repurchase agreements

The purchase and sale of securities under resale and repurchase agreements are treated as collateralised lending and borrowing transactions. The related interest income and expense are recorded on the accrual basis.

### (v) Borrowings

Bank loans and overdrafts are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

### (w) Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (x) Leases

#### As lessee

Leases of fixed assets where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligations. The interest element of the finance charge is charged to the income statement over the lease period. The fixed asset acquired under finance leasing contracts is depreciated over the useful life of the asset.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

#### As lessor

When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned income. Lease income is recognised over the term of the lease so as to reflect a constant periodic rate of return.

### (y) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the company's owners.

## 2. Significant Accounting Policies (Continued)

### (z) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax or applicable sales tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### (i) Sales of goods – wholesale

The Group manufactures and sells a range of general and food items in the wholesale market. Sales of goods are recognised when a Group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied. The general and food items are often sold with volume discounts; customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made with a credit term of up to 90 days, which is consistent with the market practice.

#### (ii) Sales of goods – retail

The Group operates a chain of retail outlets for selling general and food items, hardware and agro products. Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit. It is the Group's policy to sell its products to the retail customer with a right to return within 30 days. Accumulated experience is used to estimate and provide for such returns at the time of sale. The Group does not operate any loyalty programmes.

#### (iii) Sales of services

The Group sells insurance and financial services to the general public. These services are provided on a time and fixed-price contract, with contract terms generally ranging from less than one year to three years. Revenue is generally recognised at the contractual rates. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management. Fees and commission income are generally recognised on an accrual basis when the service has been provided. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective interest on the loan. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

#### (iv) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

#### (v) Dividend income

Dividend income is recognised when the right to receive payment is established.

### (aa) Dividends

Dividends are recorded as a deduction from equity in the period in which they are approved.

### (ab) Investment properties

Investment properties, principally comprising land and buildings, are held for long-term rental yields and capital appreciation and are treated as long-term investments. They are measured initially at cost, including related transaction costs and are subsequently carried at fair value.

## **2. Significant Accounting Policies (Continued)**

### **(ab) Investment properties (continued)**

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income during the financial period in which they are incurred. Fair value gains or losses are recorded in income.

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**3. Insurance and Financial Risk Management**

The Group's activities expose it to a variety of insurance and financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. It provides policies for overall risk management, as well as principles and procedures covering the specific areas of risk. The Board has established committees/departments for managing and monitoring risks, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk, as follows:

**(i) Audit Committee**

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Group Risk Management and Internal Audit. The Group Risk Management Committee establishes a framework within which the opportunities and risks affecting the Group may be measured, assessed, and effectively controlled. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

**(ii) Corporate Governance Committee**

The Corporate Governance Committee assists the Board in enhancing the Group's system of corporate governance by establishing, monitoring and reviewing the principles of good governance with which the Group and its directors will comply. The Committee promotes high standards of corporate governance based on the principles of openness, integrity and accountability taking into account the Group's existing legal and regulatory requirements. It establishes such procedures, policies and codes of conduct to meet these aims as it considers appropriate. Qualified individuals are identified and recommended by the Board to become members. It also leads the Board of Directors in its annual review of the Board's performance.

**(iii) Asset and Liability Committees/Investment Committees**

The Asset and Liability Committees (ALCO) are management committees responsible for monitoring and formulating investment portfolios and investment strategies within the Insurance, Banking and Investment, and Corporate divisions. The ALCO is also responsible for monitoring adherence to trading limits, policies and procedures that are established to ensure that there is adequate liquidity as well as monitoring and measuring capital adequacy for regulatory and business requirements. To discharge these responsibilities, the ALCO establishes asset and liability pricing policies to protect the liquidity structure as well as assesses the probability of various liquidity shocks and interest rate scenarios. It also establishes and monitors relevant liquidity ratios and statement of financial position targets. Overall, the Committee ensures compliance with the policies related to the management of liquidity risk, interest rate risk, and foreign exchange risk.

**(iv) Corporate Finance Department**

The Corporate Finance Department is responsible for managing the Group's assets and liabilities and the overall capital structure. It is also primarily responsible for the funding and liquidity risks of the Group. Corporate Finance identifies, evaluates and manages financial risks in close co-operation with the Group's operating business units.

The most important types of risk are insurance risk, credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

### 3. Insurance and Financial Risk Management (Continued)

#### (a) Insurance risk

The Group issues contracts that transfer insurance risk. This section summarises the risk and the way it is managed by the Group.

Insurance risk for the Group attributable to policies sold by its general insurance underwriting subsidiary, is borne by that subsidiary. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore, unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claim payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that increase insurance risk include lack of risk diversification in terms of type and amount of risk and geographical location.

Management maintains an appropriate balance between commercial and personal policies and type of policies based on guidelines set by the Board of Directors. Insurance risk arising from the Group's insurance contracts is, however, concentrated within Jamaica.

The Group has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Where applicable, contracts are underwritten by reference to the commercial replacement value of the properties or other assets and contents insured. Claims payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for other assets and contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies.

Management sets policy and retention limits based on guidelines set by the Board of Directors of the subsidiary. The policy limit and maximum net retention of any one risk for each class of insurance per customer for the year are as follows:

|                                      | 2013                      |                                    | 2012                      |                                    |
|--------------------------------------|---------------------------|------------------------------------|---------------------------|------------------------------------|
|                                      | Policy<br>Limit<br>\$'000 | Maximum<br>Net Retention<br>\$'000 | Policy<br>Limit<br>\$'000 | Maximum<br>Net Retention<br>\$'000 |
| Commercial property:                 |                           |                                    |                           |                                    |
| Fire and consequential loss          | 524,933                   | 3,181                              | 440,451                   | 2,669                              |
| Boiler and machinery                 | 238,606                   | 4,474                              | 200,205                   | 3,754                              |
| Engineering                          | 318,141                   | 5,965                              | 266,940                   | 5,005                              |
| Burglary, money and goods in transit | 13,256                    | 6,628                              | 11,123                    | 5,561                              |
| Glass and other                      | 5,302                     | 2,651                              | 4,295                     | 2,147                              |
| Liability                            | 318,141                   | 31,814                             | 266,940                   | 17,796                             |
| Marine, aviation and transport       | 26,512                    | 5,302                              | 22,500                    | 1,125                              |
| Motor                                | 10,000                    | 7,500                              | 7,500                     | 7,500                              |
| Pecuniary loss:                      |                           |                                    |                           |                                    |
| Fidelity                             | 13,256                    | 6,628                              | 11,123                    | 5,368                              |
| Surety/Bonds                         | 50,000                    | 10,000                             | 50,000                    | 10,000                             |
| Personal accident                    | 23,861                    | 11,930                             | 20,000                    | 10,000                             |
| Personal property                    | 524,933                   | 3,181                              | 440,451                   | 2,669                              |

### 3. Insurance and Financial Risk Management

#### (a) Insurance risk (continued)

##### Sensitivity Analysis of Actuarial Liabilities

The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. These factors are discussed below.

##### Actuarial Assumptions

- (i) In applying the noted methodologies, the following assumptions were made:
- Claims inflation has remained relatively constant and there have been no material legislative changes in the Jamaican civil justice system that would cause claim inflation to increase dramatically.
  - There is no latent environmental or asbestos exposure embedded in the loss history.
  - The case reserving and claim payments rates have and will remain relatively constant.
  - The overall development of claims costs gross of reinsurance is not materially different from the development of claims costs net of reinsurance. This assumption is supported by:
    - The majority of the reinsurance program consists of proportional reinsurance agreements.
    - The non-proportional reinsurance agreements consist primarily of high attachment points.
  - Claims are expressed at their estimated ultimate undiscounted value, in accordance with the requirement of the Insurance Act, 2001.
- (ii) Provision for adverse deviation assumptions

The basic assumptions made in establishing insurance reserves are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin for adverse deviation in each assumption.

Reserves have been calculated on an undiscounted basis as well as on a discounted basis with a risk load added in. Where the undiscounted reserve was larger than the discounted reserve including the calculated provision for adverse deviation, the undiscounted amount was chosen. This assumes that holding reserves at an undiscounted amount includes an implicit risk load.

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**3. Insurance and Financial Risk Management (Continued)****(a) Insurance risk (continued)****Development Claim Liabilities**

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of the ultimate claims liability for accident years 2009 - 2013 has changed at successive year-ends, up to 2013. Updated unpaid claims and adjustment expenses (UCAE) and claims incurred but not reported (IBNR) estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the development calculations.

|             |                               | 2009<br>and<br>prior<br>\$'000 | 2009<br>and<br>prior<br>\$'000 | 2010<br>and<br>prior<br>\$'000 | 2010<br>and<br>prior<br>\$'000 | 2011<br>and<br>prior<br>\$'000 | 2011<br>and<br>prior<br>\$'000 | 2012<br>and<br>prior<br>\$'000 | 2012<br>and<br>prior<br>\$'000 | 2013<br>and<br>prior<br>\$'000 | 2013<br>and<br>prior<br>\$'000 |
|-------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>2009</b> | Paid during year              | 584,808                        | 1,083,876                      |                                |                                |                                |                                |                                |                                |                                |                                |
|             | UCAE, end of year             | 519,811                        | 1,266,121                      |                                |                                |                                |                                |                                |                                |                                |                                |
|             | IBNR, end of year             | 50,684                         | 55,551                         |                                |                                |                                |                                |                                |                                |                                |                                |
|             | Ratio: excess<br>(deficiency) |                                |                                |                                |                                |                                |                                |                                |                                |                                |                                |
| <b>2010</b> | Paid during year              | 236,570                        | 467,835                        | 559,018                        | 1,026,853                      |                                |                                |                                |                                |                                |                                |
|             | UCAE, end of year             | 307,036                        | 873,139                        | 509,260                        | 1,382,399                      |                                |                                |                                |                                |                                |                                |
|             | IBNR, end of year             | -                              | -                              | 63,254                         | 63,254                         |                                |                                |                                |                                |                                |                                |
|             | Ratio: excess<br>(deficiency) | (4.71%)                        | (1.46%)                        |                                |                                |                                |                                |                                |                                |                                |                                |
| <b>2011</b> | Paid during year              | 100,905                        | 237,777                        | 265,315                        | 503,092                        | 558,955                        | 1,062,047                      |                                |                                |                                |                                |
|             | UCAE, end of year             | 214,227                        | 509,574                        | 300,526                        | 810,100                        | 640,404                        | 1,450,504                      |                                |                                |                                |                                |
|             | IBNR, end of year             | -                              | -                              | 2,365                          | 2,365                          | 67,945                         | 70,310                         |                                |                                |                                |                                |
|             | Ratio: excess<br>(deficiency) | 3.29%                          | 8.06%                          | 0.75%                          | 9.00%                          |                                |                                |                                |                                |                                |                                |
| <b>2012</b> | Paid during year              | 50,693                         | 134,513                        | 77,639                         | 212,152                        | 302,781                        | 514,933                        | 523,539                        | 1,038,472                      |                                |                                |
|             | UCAE, end of year             | 161,614                        | 408,821                        | 257,595                        | 666,416                        | 428,924                        | 1,095,340                      | 645,917                        | 1,741,258                      |                                |                                |
|             | IBNR, end of year             | -                              | -                              | -                              | -                              | 4,023                          | 4,023                          | 78,759                         | 82,782                         |                                |                                |
|             | Ratio: excess<br>(deficiency) | 3.63%                          | 5.50%                          | (4.90%)                        | 4.43%                          | (3.87%)                        | (6.15%)                        |                                |                                |                                |                                |
| <b>2013</b> | Paid during year              | 37,614                         | 129,598                        | 57,095                         | 186,693                        | 148,236                        | 334,929                        | 338,425                        | 673,354                        | 595,975                        | 1,269,329                      |
|             | UCAE, end of year             | 151,608                        | 433,044                        | 249,243                        | 682,287                        | 414,066                        | 1,096,353                      | 477,954                        | 1,574,307                      | 766,713                        | 2,341,020                      |
|             | IBNR, end of year             | -                              | -                              | -                              | -                              | -                              | -                              | 10,023                         | 10,023                         | 80,193                         | 90,216                         |
|             | Ratio: excess<br>(deficiency) | (1.21%)                        | (6.15%)                        | (13.41%)                       | (9.59%)                        | (22.13%)                       | (27.97%)                       | (14.04%)                       | (23.77%)                       |                                |                                |

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**3. Insurance and Financial Risk Management (continued)****(b) Reinsurance risk**

To limit its exposure to potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have established capability to meet their contractual obligations and which generally have high credit ratings. The credit ratings of reinsurers are monitored.

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The retention programmes used by the Group are summarised below:

- The retention limit or maximum exposure on insurance policies under the reinsurance treaties range between \$2,651,000 and \$31,814,000 (2012: \$1,125,000 and \$17,796,000).
- The Group utilises reinsurance treaties to reduce its net retained risk. The risk is spread over several reinsurers all of whom are AM Best or S&P rated at A or better.
- Excess of Loss reinsurance is also purchased to cover the retained risk in the event of a catastrophe as well as for large motor losses.
- The amount of reinsurance recoveries recognised during the period is as follows:

|                | <b>Group</b>  |                |
|----------------|---------------|----------------|
|                | <b>2013</b>   | <b>2012</b>    |
|                | <b>\$'000</b> | <b>\$'000</b>  |
| Property       | 28,400        | 211,972        |
| Motor          | 8,755         | 6,089          |
| Marine         | (5,223)       | 36,973         |
| Liability      | 17,127        | 11,192         |
| Pecuniary loss | (7,834)       | 2,407          |
| Accident       | (876)         | (261)          |
|                | <b>40,349</b> | <b>268,372</b> |

**(c) Financial risk**

The Group is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. The most important components of this financial risk are market risk (interest rate risk, currency risk and price risk), cash flow risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and liabilities are interest rate risk and currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**(i) Credit risk**

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit exposures arise principally from the Group's cash and cash equivalents, receivables from customers, principals, agents, the amounts due from reinsurers, amounts due from insurance contract holders and insurance brokers, lending and investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to similar risks to loans and these are mitigated by the same control policies and processes.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

### 3. Insurance and Financial Risk Management (Continued)

#### (c) Financial risk (continued)

##### (i) Credit risk (continued)

###### Credit review process

The Group has established a credit quality review process and has credit policies and procedures which require regular analysis of the ability of borrowers and other counterparties to meet interest, capital and other repayment obligations.

##### (a) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The credit policy states that each customer must be analysed individually for creditworthiness prior to the Group offering them a credit facility. Customers may be required to provide a banker's guarantee and credit limits are assigned to each customer. These limits are reviewed at least twice per year. The Group has procedures in place to restrict customer orders if the order will exceed their credit limits. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

Customer credit risks are monitored according to credit characteristics such as whether it is an individual or company, geographic location, industry, ageing profile, and previous financial difficulties. Special negotiated arrangements may extend the credit period to a maximum of 3 months. Trade and other receivables relate mainly to the Group's retail and direct customers.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

The Group's average credit period for the sale of goods is 1 month. The Group has provided fully for all receivables over 6 months based on historical experience which dictates that amounts past due beyond 6 months are generally not recoverable. Trade receivables between 3 and 6 months are provided for based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

##### (b) Loans and leases

The Group assesses the probability of default of individual counterparties using internal ratings. Customers of the Group are segmented into three rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Group's internal rating scale:

| Group's rating | Description of the grade                                 |
|----------------|----------------------------------------------------------|
| 1              | Low risk – Excellent credit history                      |
| 2              | Standard risk – Generally abides by credit terms         |
| 3              | Sub-Standard – Late paying with some level of impairment |

Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

### 3. Insurance and Financial Risk Management (Continued)

#### (c) Financial risk (continued)

##### (i) Credit risk (continued)

##### (c) Reinsurance

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The insurance subsidiary's Risk and Reinsurance Department assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

##### (d) Premium and other receivables

The respective credit committees within the Group examine the payment history of significant contract holders with whom they conduct regular business. Management information reported to the Group includes details of provisions for impairment on loans and receivables and subsequent write-offs. Internal Audit makes regular reviews to assess the degree of compliance with the Group procedures on credit. Exposures to individual policyholders and groups of policyholders are collected within the on-going monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis is carried out by the insurance subsidiary's Risk and Reinsurance Department.

##### (e) Investments

The Group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality. Accordingly, management does not expect any counterparty to fail to meet its obligations.

#### **Collateral and other credit enhancements**

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

Loans and leases - mortgages over residential and commercial properties, charges over business assets such as premises, equipment, inventory and accounts receivable and charges and hypothecations over deposit balances and financial instruments such as debt securities and equities.

Securities lending and reverse repurchase transactions – cash or securities.

The Group also obtains guarantees from parent companies for loans to their subsidiaries and from individual owners for loans to their companies.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral held during its annual reviews of individual credit facilities as well as during its review of the adequacy of the provision for credit losses.

#### **Impairment**

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 3 months or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, infringement of the original terms of the contract, or impairment of collateral.

The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

### **3. Insurance and Financial Risk Management (Continued)**

#### **(c) Financial risk (continued)**

##### **(i) Credit risk (continued)**

##### **Impairment (continued)**

Individually assessed allowances are provided for financial assets that are above materiality thresholds based on a review conducted at least annually, or more regularly, when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at statement of financial position date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

Collectively assessed allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by taking into consideration historical losses on the portfolio, current economic conditions and expected receipts and recoveries once impaired.

The internal rating systems described above focus more on credit-quality mapping from the inception of lending activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

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**3. Insurance and Financial Risk Management (Continued)****(c) Financial risk (continued)****(i) Credit risk (continued)**

The impairment provision shown in the statement of financial position at year-end is derived from each of the three internal rating grades. However, the impairment provision comes from the last rating class (sub-standard). The tables below show the Group's and company's loans, leases, premium and trade receivables and the associated impairment provision for each internal rating class:

**Group's rating**

|               | 2013                                                         |                                   | 2012                                                            |                                   |
|---------------|--------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------|-----------------------------------|
|               | Loans, Leases,<br>Premium and Trade<br>Receivables<br>\$'000 | Impairment<br>Provision<br>\$'000 | Loans, Leases,<br>Premium and<br>Trade<br>Receivables<br>\$'000 | Impairment<br>Provision<br>\$'000 |
| Low risk      | 33,973                                                       | -                                 | 44,957                                                          | -                                 |
| Standard risk | 24,246,908                                                   | -                                 | 21,218,056                                                      | -                                 |
| Sub-Standard  | 976,176                                                      | 549,203                           | 1,057,547                                                       | 549,361                           |
|               | 25,257,057                                                   | 549,203                           | 22,320,560                                                      | 549,361                           |

**Company's rating**

|               | 2013                                     |                                   | 2012                                        |                                   |
|---------------|------------------------------------------|-----------------------------------|---------------------------------------------|-----------------------------------|
|               | Loans and Trade<br>Receivables<br>\$'000 | Impairment<br>Provision<br>\$'000 | Loans and<br>Trade<br>Receivables<br>\$'000 | Impairment<br>Provision<br>\$'000 |
| Low risk      | -                                        | -                                 | -                                           | -                                 |
| Standard risk | 2,613,274                                | -                                 | 2,091,114                                   | -                                 |
| Sub-Standard  | 181,402                                  | 116,203                           | 156,394                                     | 115,756                           |
|               | 2,794,676                                | 116,203                           | 2,247,508                                   | 115,756                           |

**Maximum exposure to credit risk before collateral held or other credit enhancements**

The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets as reported in the statement of financial position.

This represents a worst case scenario of credit risk exposure to the Group and company at 31 December 2013 and 2012, without taking account of any collateral held or other credit enhancements.

### 3. Insurance and Financial Risk Management (Continued)

#### (c) Financial risk (continued)

##### (i) Credit risk (continued)

#### Loans and leases, premium and trade receivables

Credit quality of loans and leases, premium, trade and other receivables are summarised as follows:

|                                   | Group             |                   | Company          |                  |
|-----------------------------------|-------------------|-------------------|------------------|------------------|
|                                   | 2013<br>\$'000    | 2012<br>\$'000    | 2013<br>\$'000   | 2012<br>\$'000   |
| Neither past due nor impaired -   |                   |                   |                  |                  |
| Low risk                          | 33,973            | 44,957            | -                | -                |
| Standard risk                     | 21,606,958        | 18,485,104        | 2,507,712        | 1,977,353        |
|                                   | 21,640,931        | 18,530,061        | 2,507,712        | 1,977,353        |
| Past due but not impaired         | 2,639,950         | 2,732,952         | 105,562          | 113,761          |
| Impaired                          | 976,176           | 1,057,547         | 181,402          | 156,394          |
| <b>Gross</b>                      | <b>25,257,057</b> | <b>22,320,560</b> | <b>2,794,676</b> | <b>2,247,508</b> |
| Less: provision for credit losses | (549,203)         | (549,361)         | (116,203)        | (115,756)        |
| <b>Net</b>                        | <b>24,707,854</b> | <b>21,771,199</b> | <b>2,678,473</b> | <b>2,131,752</b> |

Ageing analysis of loans and leases, premium and trade receivables that are past due but not impaired:

Loans and leases, premium and trade receivables that are less than 3 months past due are not considered impaired. As of 31 December 2013, loans and leases, premium and trade receivables of \$2,639,950,000 (2012: \$2,732,952,000) and \$105,562,000 (2012: \$113,761,000) for the Group and company respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these loans and leases, premium and trade receivables is as follows:

|                      | Group          |                | Company        |                |
|----------------------|----------------|----------------|----------------|----------------|
|                      | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Less than 1 month    | 1,708,030      | 1,792,737      | -              | -              |
| Within 1 to 3 months | 632,719        | 598,699        | 103,180        | 106,052        |
| Over 3 months        | 299,201        | 341,516        | 2,382          | 7,709          |
|                      | 2,639,950      | 2,732,952      | 105,562        | 113,761        |

As of 31 December 2013, loans and leases, premium and trade receivables of \$976,176,000 (2012: \$1,057,547,000) and \$181,402,000 (2012: \$156,394,000) for the Group and company respectively were impaired. The amount of the provision was \$549,203,000 (2012: \$549,361,000) and \$116,203,000 (2012: \$115,756,000) for the Group and company respectively. There are no financial assets other than loans, leases, premium and trade receivables that are past due.

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**3. Insurance and Financial Risk Management (Continued)****(c) Financial risk (continued)****(i) Credit risk (continued)**

The individually impaired receivables mainly relate to wholesalers who are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of the impaired loans and lease receivables is as follows:

|               | <b>Group</b>  |               | <b>Company</b> |               |
|---------------|---------------|---------------|----------------|---------------|
|               | <b>2013</b>   | <b>2012</b>   | <b>2013</b>    | <b>2012</b>   |
|               | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| 3 to 6 months | 241,202       | 196,576       | -              | -             |
| Over 6 months | 297,487       | 419,089       | -              | -             |
|               | 538,689       | 615,665       | -              | -             |

Movements on the provision for impairment of loans and leases are as follows:

|                                                          | <b>Group</b>  |               | <b>Company</b> |               |
|----------------------------------------------------------|---------------|---------------|----------------|---------------|
|                                                          | <b>2013</b>   | <b>2012</b>   | <b>2013</b>    | <b>2012</b>   |
|                                                          | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| At 1 January                                             | 151,415       | 145,722       | -              | -             |
| Provision for receivables impairment                     | 51,115        | 40,358        | -              | -             |
| Receivables written off during the year as uncollectible | -             | (18,148)      | -              | -             |
| Unused amounts reversed                                  | (37,345)      | (16,517)      | -              | -             |
| At 31 December                                           | 165,185       | 151,415       | -              | -             |

The ageing of the impaired premium and trade receivables is as follows:

|               | <b>Group</b>  |               | <b>Company</b> |               |
|---------------|---------------|---------------|----------------|---------------|
|               | <b>2013</b>   | <b>2012</b>   | <b>2013</b>    | <b>2012</b>   |
|               | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| 3 to 6 months | 206,139       | 54,228        | 56,037         | 33,960        |
| Over 6 months | 231,348       | 387,654       | 125,365        | 122,434       |
|               | 437,487       | 441,882       | 181,402        | 156,394       |

Movements on the provision for impairment of premium and trade receivables are as follows:

|                                                          | <b>Group</b>  |               | <b>Company</b> |               |
|----------------------------------------------------------|---------------|---------------|----------------|---------------|
|                                                          | <b>2013</b>   | <b>2012</b>   | <b>2013</b>    | <b>2012</b>   |
|                                                          | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| At 1 January                                             | 397,946       | 408,554       | 115,756        | 108,383       |
| Provision for receivables impairment                     | 102,429       | 137,675       | 10,660         | 29,303        |
| Receivables written off during the year as uncollectible | (104,004)     | (123,613)     | (4,043)        | (13,262)      |
| Unused amounts reversed                                  | (12,353)      | (24,670)      | (6,170)        | (8,668)       |
| At 31 December                                           | 384,018       | 397,946       | 116,203        | 115,756       |

### 3. Insurance and Financial Risk Management (Continued)

#### (c) Financial risk (continued)

##### (i) Credit risk (continued)

The ageing of the impaired loans and lease receivables is as follows:

|               | Group          |                | Company        |                |
|---------------|----------------|----------------|----------------|----------------|
|               | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| 3 to 6 months | 447,341        | 250,804        | 56,037         | 33,960         |
| Over 6 months | 528,835        | 806,743        | 125,365        | 122,434        |
|               | 976,176        | 1,057,547      | 181,402        | 156,394        |

Movements on the provision for impairment of loans and leases, premium and trade receivables are as follows:

|                                                          | Group          |                | Company        |                |
|----------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                          | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| At 1 January                                             | 549,361        | 554,276        | 115,756        | 108,383        |
| Provision for receivables impairment                     | 153,544        | 178,033        | 10,660         | 29,303         |
| Receivables written off during the year as uncollectible | (104,004)      | (141,761)      | (4,043)        | (13,262)       |
| Unused amounts reversed                                  | (49,698)       | (41,187)       | (6,170)        | (8,668)        |
| At 31 December                                           | 549,203        | 549,361        | 116,203        | 115,756        |

The creation and release of provision for impaired receivables have been included in expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There are no financial assets other than those listed above that were individually impaired.

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**3. Insurance and Financial Risk Management (Continued)****(c) Financial risk (continued)****(i) Credit risk (continued)****Loans and Leases, Premium and Trade receivables**

The following table summarises the Group's and company's credit exposure for loans and leases, premium and trade receivables at their carrying amounts, as categorised by the customer sector:

|                                    | <b>Group</b>  |               | <b>Company</b> |               |
|------------------------------------|---------------|---------------|----------------|---------------|
|                                    | <b>2013</b>   | <b>2012</b>   | <b>2013</b>    | <b>2012</b>   |
|                                    | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| Public sector                      | 197,880       | 138,144       | -              | -             |
| Professional and other services    | 2,596,467     | 1,741,135     | -              | -             |
| Personal                           | 4,276,868     | 3,449,075     | 66,503         | 73,515        |
| Agriculture, fishing and mining    | 423,461       | 368,870       | -              | -             |
| Construction and real estate       | 2,169,384     | 2,037,348     | -              | -             |
| Electricity, gas and water         | 683,109       | 373,063       | -              | -             |
| Distribution                       | 3,104,825     | 2,804,513     | 1,113,268      | 749,094       |
| Manufacturing                      | 997,542       | 925,000       | -              | 276           |
| Transportation                     | 2,353,700     | 2,008,454     | -              | -             |
| Tourism and entertainment          | 790,805       | 677,959       | 223,944        | 192,836       |
| Financial and other money services | 1,180,450     | 1,316,351     | 389,897        | 354,843       |
| Brokers and agents                 | 762,462       | 1,127,161     | -              | -             |
| Reinsurers and coinsurers          | 1,076,919     | 1,216,100     | -              | -             |
| Supermarket chains                 | 1,133,371     | 853,377       | 339,623        | 310,793       |
| Wholesalers                        | 521,788       | 837,525       | 234,857        | 165,200       |
| Retail and direct customers        | 1,502,541     | 1,366,992     | 272,341        | 285,948       |
| Other                              | 1,392,470     | 987,979       | 154,243        | 115,003       |
|                                    | 25,164,042    | 22,229,046    | 2,794,676      | 2,247,508     |
| Less: Provision for credit losses  | (549,203)     | (549,361)     | (116,203)      | (115,756)     |
|                                    | 24,614,839    | 21,679,685    | 2,678,473      | 2,131,752     |
| Interest receivable                | 93,015        | 91,514        | -              | -             |
|                                    | 24,707,854    | 21,771,199    | 2,678,473      | 2,131,752     |

### 3. Insurance and Financial Risk Management (Continued)

#### (c) Financial risk (continued)

##### (i) Credit risk (continued)

Financial assets – individually impaired

Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

|                             | Group   |         | Company |         |
|-----------------------------|---------|---------|---------|---------|
|                             | 2013    | 2012    | 2013    | 2012    |
|                             | \$'000  | \$'000  | \$'000  | \$'000  |
| Loans and leases            | 538,689 | 615,665 | -       | -       |
| Trade and other receivables | 437,487 | 441,882 | 181,402 | 156,394 |

There are no financial assets other than those listed above that were individually impaired.

Reposessed collateral

The Group and the company obtained assets by taking possession of collateral held as security. Reposessed collateral is sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness.

A number of cases are in the courts awaiting judgments. The impairment provision has not been adjusted for these claims.

Debt securities

The following table summarises the Group's and company's credit exposure for debt securities at their carrying amounts, as categorised by issuer:

|                               | Group      |            | Company   |           |
|-------------------------------|------------|------------|-----------|-----------|
|                               | 2013       | 2012       | 2013      | 2012      |
|                               | \$'000     | \$'000     | \$'000    | \$'000    |
| Government of Jamaica:        |            |            |           |           |
| Available-for-sale securities | 35,561,343 | 37,061,282 | 3,286,938 | 3,150,907 |
| Corporate:                    |            |            |           |           |
| Available-for-sale securities | 6,390,152  | 5,358,433  | 634,299   | 552,899   |
| Other government              |            |            |           |           |
| Available-for-sale securities | 468,745    | -          | -         | -         |
| Bank of Jamaica               | 3,261,234  | 2,297,255  | -         | -         |
| Other (Note 6)                | 2,140,026  | 837,095    | 1,302,485 | 598,318   |
|                               | 47,821,500 | 45,554,065 | 5,223,722 | 4,302,124 |

### 3. Insurance and Financial Risk Management (Continued)

#### (c) Financial risk (continued)

##### (ii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

##### Liquidity risk management process

The Group's liquidity management process, as carried out within the Group through the ALCOs and treasury departments, includes:

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Maintaining committed lines of credit;
- (iv) Optimising cash returns on investment;
- (v) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities;
- (vi) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

### 3. Insurance and Financial Risk Management (Continued)

#### (c) Financial risk (continued)

##### (ii) Liquidity risk (continued)

Financial liabilities cash flows

The table below presents the undiscounted cash flows payable (both interest and principal cash flows) of the Group's and company's financial liabilities based on contractual repayment obligations. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

|                                                            | Group                      |                             |                           |                           |                   |
|------------------------------------------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-------------------|
|                                                            | 1 to 3<br>Months<br>\$'000 | 3 to 12<br>Months<br>\$'000 | 1 to 5<br>Years<br>\$'000 | Over<br>5 Years<br>\$'000 | Total<br>\$'000   |
| <b>As at 31 December 2013:</b>                             |                            |                             |                           |                           |                   |
| Deposits                                                   | 15,278,226                 | 2,589,865                   | 2,982                     | -                         | 17,871,073        |
| Securities sold under agreements to repurchase             | 21,874,084                 | 2,075,170                   | 1,341,150                 | -                         | 25,290,404        |
| Bank and other loans                                       | 2,521,993                  | 5,785,027                   | 3,425,582                 | 654,987                   | 12,387,589        |
| Trade and other payables                                   | 15,226,874                 | -                           | -                         | -                         | 15,226,874        |
| <b>Total financial liabilities<br/>(contractual dates)</b> | <b>54,901,177</b>          | <b>10,450,062</b>           | <b>4,769,714</b>          | <b>654,987</b>            | <b>70,775,940</b> |

|                                                            | Group                      |                             |                           |                           |                   |
|------------------------------------------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-------------------|
|                                                            | 1 to 3<br>Months<br>\$'000 | 3 to 12<br>Months<br>\$'000 | 1 to 5<br>Years<br>\$'000 | Over<br>5 Years<br>\$'000 | Total<br>\$'000   |
| <b>As at 31 December 2012:</b>                             |                            |                             |                           |                           |                   |
| Deposits                                                   | 13,056,727                 | 2,820,155                   | -                         | -                         | 15,876,882        |
| Securities sold under agreements to repurchase             | 23,030,280                 | 4,933,005                   | -                         | -                         | 27,963,285        |
| Bank and other loans                                       | 3,333,218                  | 3,320,263                   | 3,297,389                 | 1,077,009                 | 11,027,879        |
| Trade and other payables                                   | 13,510,563                 | -                           | -                         | -                         | 13,510,563        |
| <b>Total financial liabilities<br/>(contractual dates)</b> | <b>52,930,788</b>          | <b>11,073,423</b>           | <b>3,297,389</b>          | <b>1,077,009</b>          | <b>68,378,609</b> |

**GraceKennedy Limited**

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

**3. Insurance and Financial Risk Management (Continued)****(c) Financial risk (continued)****(ii) Liquidity risk (continued)**

Financial liabilities cash flows (continued)

|                                                            | Company          |                  |                |                  |
|------------------------------------------------------------|------------------|------------------|----------------|------------------|
|                                                            | 1 to 3           | 3 to 12          | 1 to 5         | Total            |
|                                                            | Months           | Months           | Years          |                  |
|                                                            | \$'000           | \$'000           | \$'000         | \$'000           |
| <b>As at 31 December 2013:</b>                             |                  |                  |                |                  |
| Bank and other loans                                       | 1,056,338        | 2,287,840        | 120,037        | 3,464,215        |
| Trade and other payables                                   | 1,790,265        | -                | -              | 1,790,265        |
| Subsidiaries                                               | 240,081          | -                | -              | 240,081          |
| <b>Total financial liabilities<br/>(contractual dates)</b> | <b>3,086,684</b> | <b>2,287,840</b> | <b>120,037</b> | <b>5,494,561</b> |

|                                                            | Company          |                  |                |                  |
|------------------------------------------------------------|------------------|------------------|----------------|------------------|
|                                                            | 1 to 3           | 3 to 12          | 1 to 5         | Total            |
|                                                            | Months           | Months           | Years          |                  |
|                                                            | \$'000           | \$'000           | \$'000         | \$'000           |
| <b>As at 31 December 2012:</b>                             |                  |                  |                |                  |
| Bank and other loans                                       | 1,240,769        | 1,391,609        | 224,477        | 2,856,855        |
| Trade and other payables                                   | 1,365,023        | -                | -              | 1,365,023        |
| Subsidiaries                                               | 1,000,710        | -                | -              | 1,000,710        |
| <b>Total financial liabilities<br/>(contractual dates)</b> | <b>3,606,502</b> | <b>1,391,609</b> | <b>224,477</b> | <b>5,222,588</b> |

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, Central Bank balances, items in the course of collection, investment securities and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions. The Group and the company have the following undrawn committed borrowing facilities:

|                          | Group     |           | Company   |           |
|--------------------------|-----------|-----------|-----------|-----------|
|                          | 2013      | 2012      | 2013      | 2012      |
|                          | \$'000    | \$'000    | \$'000    | \$'000    |
| Floating rate –          |           |           |           |           |
| Expiring within one year | 6,712,851 | 6,570,541 | 5,457,920 | 4,313,796 |
| Expiring beyond one year | 477,212   | 743,356   | 477,212   | 740,510   |

The facilities expiring within one year are annual facilities subject to review at various dates during the subsequent year. The other facilities have been arranged to help finance the Group's activities.

### 3. Insurance and Financial Risk Management (Continued)

#### (c) Financial risk (continued)

##### (ii) Liquidity risk (continued)

##### Off-statement of financial position items

The table below shows the contractual expiry periods of the Group's contingent liabilities and commitments.

|                             | Group                             |                           |                           |                 |
|-----------------------------|-----------------------------------|---------------------------|---------------------------|-----------------|
|                             | No later than<br>1 year<br>\$'000 | 1 to 5<br>years<br>\$'000 | Over 5<br>years<br>\$'000 | Total<br>\$'000 |
| <b>At 31 December 2013</b>  |                                   |                           |                           |                 |
| Loan commitments            | 2,898,656                         | -                         | -                         | 2,898,656       |
| Operating lease commitments | 988,005                           | 2,747,394                 | 666,815                   | 4,402,214       |
|                             | 3,886,661                         | 2,747,394                 | 666,815                   | 7,300,870       |
| <b>At 31 December 2012</b>  |                                   |                           |                           |                 |
| Loan commitments            | 2,887,375                         | -                         | -                         | 2,887,375       |
| Operating lease commitments | 922,034                           | 2,713,977                 | 759,813                   | 4,395,824       |
|                             | 3,809,409                         | 2,713,977                 | 759,813                   | 7,283,199       |

##### (iii) Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates, interest rates and prices. Market risk is monitored by the research and treasury departments which carry out extensive research and monitor the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

##### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Canadian dollar, UK pound and the Euro.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

### 3. Insurance and Financial Risk Management (Continued)

#### (c) Financial risk (continued)

##### (iii) Market risk (continued)

##### Currency risk (continued)

Concentrations of currency risk

The table below summarises the Group and company exposure to foreign currency exchange rate risk at 31 December.

|                                                   | Group                 |                   |                    |                  |                 |                  |                   |
|---------------------------------------------------|-----------------------|-------------------|--------------------|------------------|-----------------|------------------|-------------------|
|                                                   | Jamaican\$<br>J\$'000 | US\$<br>J\$'000   | GBP<br>J\$'000     | CAN\$<br>J\$'000 | EURO<br>J\$'000 | Other<br>J\$'000 | Total<br>J\$'000  |
| <b>At 31 December 2013:</b>                       |                       |                   |                    |                  |                 |                  |                   |
| <b>Financial Assets</b>                           |                       |                   |                    |                  |                 |                  |                   |
| Cash and deposits                                 | 3,716,074             | 3,694,745         | 560,565            | 196,224          | 471,249         | 493,031          | 9,131,888         |
| Investment securities and<br>pledged assets       | 19,749,447            | 27,938,998        | 68,710             | -                | -               | 266,883          | 48,024,038        |
| Trade and other<br>receivables                    | 4,016,665             | 2,272,669         | 1,542,266          | 315,966          | 54,701          | 267,080          | 8,469,347         |
| Loans receivable                                  | 12,040,435            | 4,198,072         | -                  | -                | -               | -                | 16,238,507        |
| <b>Total financial assets</b>                     | <b>39,522,621</b>     | <b>38,104,484</b> | <b>2,171,541</b>   | <b>512,190</b>   | <b>525,950</b>  | <b>1,026,994</b> | <b>81,863,780</b> |
| <b>Financial Liabilities</b>                      |                       |                   |                    |                  |                 |                  |                   |
| Deposits                                          | 7,016,631             | 9,857,597         | 308,741            | 131,148          | 453,900         | -                | 17,768,017        |
| Securities sold under<br>agreements to repurchase | 9,120,945             | 15,851,270        | -                  | -                | -               | 101,874          | 25,074,089        |
| Bank and other loans                              | 6,510,819             | 3,488,739         | 1,419,902          | 146,173          | -               | 6,157            | 11,571,790        |
| Trade and other payables                          | 8,525,489             | 4,252,633         | 1,650,351          | 418,465          | 124,191         | 255,745          | 15,226,874        |
| <b>Total financial liabilities</b>                | <b>31,173,884</b>     | <b>33,450,239</b> | <b>3,378,994</b>   | <b>695,786</b>   | <b>578,091</b>  | <b>363,776</b>   | <b>69,640,770</b> |
| <b>Net financial position</b>                     | <b>8,348,737</b>      | <b>4,654,245</b>  | <b>(1,207,453)</b> | <b>(183,596)</b> | <b>(52,141)</b> | <b>663,218</b>   | <b>12,223,010</b> |
| <b>At 31 December 2012:</b>                       |                       |                   |                    |                  |                 |                  |                   |
| <b>Financial Assets</b>                           |                       |                   |                    |                  |                 |                  |                   |
| Cash and deposits                                 | 6,063,689             | 4,017,049         | 335,247            | 117,533          | 68,350          | 387,787          | 10,989,655        |
| Investment securities and<br>pledged assets       | 18,453,330            | 26,336,210        | 76,376             | -                | 597,020         | 277,467          | 45,740,403        |
| Trade and other<br>receivables                    | 4,287,296             | 1,876,688         | 1,202,049          | 294,600          | 21,524          | 207,866          | 7,890,023         |
| Loans receivable                                  | 10,007,154            | 3,874,022         | -                  | -                | -               | -                | 13,881,176        |
| <b>Total financial assets</b>                     | <b>38,811,469</b>     | <b>36,103,969</b> | <b>1,613,672</b>   | <b>412,133</b>   | <b>686,894</b>  | <b>873,120</b>   | <b>78,501,257</b> |
| <b>Financial Liabilities</b>                      |                       |                   |                    |                  |                 |                  |                   |
| Deposits                                          | 6,945,725             | 8,413,349         | 237,066            | 112,984          | 58,915          | -                | 15,768,039        |
| Securities sold under<br>agreements to repurchase | 10,566,668            | 16,560,509        | -                  | -                | 465,758         | 118,885          | 27,711,820        |
| Bank and other loans                              | 5,484,090             | 3,683,827         | 823,072            | 202,212          | 134,781         | 10,346           | 10,338,328        |
| Trade and other payables                          | 9,243,940             | 2,159,549         | 1,526,290          | 270,760          | 58,160          | 251,864          | 13,510,563        |
| <b>Total financial liabilities</b>                | <b>32,240,423</b>     | <b>30,817,234</b> | <b>2,586,428</b>   | <b>585,956</b>   | <b>717,614</b>  | <b>381,095</b>   | <b>67,328,750</b> |
| <b>Net financial position</b>                     | <b>6,571,046</b>      | <b>5,286,735</b>  | <b>(972,756)</b>   | <b>(173,823)</b> | <b>(30,720)</b> | <b>492,025</b>   | <b>11,172,507</b> |

### 3. Insurance and Financial Risk Management (Continued)

#### (c) Financial risk (continued)

##### (iii) Market risk (continued)

##### Currency risk (continued)

##### Concentrations of currency risk (continued)

|                               | Company               |                  |                |                  |                  |
|-------------------------------|-----------------------|------------------|----------------|------------------|------------------|
|                               | Jamaican\$<br>J\$'000 | US\$<br>J\$'000  | GBP<br>J\$'000 | Other<br>J\$'000 | Total<br>J\$'000 |
| <b>At 31 December 2013:</b>   |                       |                  |                |                  |                  |
| <b>Financial Assets</b>       |                       |                  |                |                  |                  |
| Cash and deposits             | 598,402               | 1,003,881        | -              | 2,944            | 1,605,227        |
| Investment securities         | 2,229,295             | 2,992,935        | -              | 40,585           | 5,262,815        |
| Trade and other receivables   | 1,109,054             | -                | -              | -                | 1,109,054        |
| Subsidiaries                  | 65,309                | 17,613           | -              | -                | 82,922           |
| Loans receivable              | 1,144,722             | 424,697          | -              | -                | 1,569,419        |
| Total financial assets        | 5,146,782             | 4,439,126        | -              | 43,529           | 9,629,437        |
| <b>Financial Liabilities</b>  |                       |                  |                |                  |                  |
| Bank and other loans          | 2,530,811             | 866,971          | -              | -                | 3,397,782        |
| Trade and other payables      | 1,133,928             | 656,337          | -              | -                | 1,790,265        |
| Subsidiaries                  | 88,026                | 152,055          | -              | -                | 240,081          |
| Total financial liabilities   | 3,752,765             | 1,675,363        | -              | -                | 5,428,128        |
| <b>Net financial position</b> | <b>1,394,017</b>      | <b>2,763,763</b> | <b>-</b>       | <b>43,529</b>    | <b>4,201,309</b> |
| <b>At 31 December 2012:</b>   |                       |                  |                |                  |                  |
| <b>Financial Assets</b>       |                       |                  |                |                  |                  |
| Cash and deposits             | 752,066               | 1,130,633        | -              | 2,647            | 1,885,346        |
| Investment securities         | 1,958,590             | 2,331,390        | -              | 56,357           | 4,346,337        |
| Trade and other receivables   | 954,300               | -                | -              | -                | 954,300          |
| Subsidiaries                  | 179,374               | 293,920          | -              | -                | 473,294          |
| Loans receivable              | 822,609               | 354,843          | -              | -                | 1,177,452        |
| Total financial assets        | 4,666,939             | 4,110,786        | -              | 59,004           | 8,836,729        |
| <b>Financial Liabilities</b>  |                       |                  |                |                  |                  |
| Bank and other loans          | 1,438,203             | 1,348,191        | -              | -                | 2,786,394        |
| Trade and other payables      | 944,582               | 420,441          | -              | -                | 1,365,023        |
| Subsidiaries                  | 327,074               | 673,636          | -              | -                | 1,000,710        |
| Total financial liabilities   | 2,709,859             | 2,442,268        | -              | -                | 5,152,127        |
| <b>Net financial position</b> | <b>1,957,080</b>      | <b>1,668,518</b> | <b>-</b>       | <b>59,004</b>    | <b>3,684,602</b> |

### 3. Insurance and Financial Risk Management (Continued)

#### (c) Financial risk (continued)

##### (iii) Market risk (continued)

##### Currency risk (continued)

##### Foreign currency sensitivity

The following tables indicate the currencies to which the Group and company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 15% increase (2012: 10%) and a 1% decrease (2012: 1%) in foreign currency rates. The sensitivity of the profit was as a result of foreign exchange gains/losses on translation of foreign currency denominated loans and lease receivables, cash and deposits, debt securities classified as available for sale and foreign exchange losses/gains on translation of foreign currency denominated borrowings. Profit for the Group and company is more sensitive to movement in currency/US dollar exchange rates in 2013 than 2012 because the net foreign currency exposure has increased. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be on an individual basis.

| Group            |                              |                                                          |                              |                                                          |
|------------------|------------------------------|----------------------------------------------------------|------------------------------|----------------------------------------------------------|
|                  | % Change in<br>Currency Rate | Effect on<br>Profit before<br>taxation<br>2013<br>\$'000 | % Change in<br>Currency Rate | Effect on<br>Profit before<br>taxation<br>2012<br>\$'000 |
|                  | 2013                         |                                                          | 2012                         |                                                          |
| <b>Currency:</b> |                              |                                                          |                              |                                                          |
| USD              | +15%                         | 781,965                                                  | +10%                         | 464,435                                                  |
| GBP              | +15%                         | (14,856)                                                 | +10%                         | 2,718                                                    |
| CAN              | +15%                         | 6,670                                                    | +10%                         | 4,675                                                    |
| EURO             | +15%                         | 110                                                      | +10%                         | (548)                                                    |
| USD              | -1%                          | (52,131)                                                 | -1%                          | (46,444)                                                 |
| GBP              | -1%                          | 990                                                      | -1%                          | (272)                                                    |
| CAN              | -1%                          | (445)                                                    | -1%                          | (467)                                                    |
| EURO             | -1%                          | (7)                                                      | -1%                          | 55                                                       |

| Company          |                              |                                                          |                              |                                                          |
|------------------|------------------------------|----------------------------------------------------------|------------------------------|----------------------------------------------------------|
|                  | % Change in<br>Currency Rate | Effect on<br>Profit before<br>taxation<br>2013<br>\$'000 | % Change in<br>Currency Rate | Effect on<br>Profit before<br>taxation<br>2012<br>\$'000 |
|                  | 2013                         |                                                          | 2012                         |                                                          |
| <b>Currency:</b> |                              |                                                          |                              |                                                          |
| USD              | +15%                         | 417,561                                                  | +10%                         | 169,830                                                  |
| USD              | -1%                          | (27,837)                                                 | -1%                          | (16,983)                                                 |

### 3. Insurance and Financial Risk Management (Continued)

#### (c) Financial risk (continued)

##### (iii) Market risk (continued)

##### Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The Group manages interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments and also manages the maturities of interest bearing financial assets and liabilities. The respective boards within the Group set limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by the ALCOs.

The following tables summarise the Group's and the company's exposure to interest rate risk. It includes the Group and company financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

|                                                      | Group               |                   |                    |                   |                   |                             |                   |
|------------------------------------------------------|---------------------|-------------------|--------------------|-------------------|-------------------|-----------------------------|-------------------|
|                                                      | Within 1<br>Month   | 1 to 3<br>Months  | 3 to 12<br>Months  | 1 to 5<br>Years   | Over<br>5 Years   | Non-<br>Interest<br>Bearing | Total             |
|                                                      | \$'000              | \$'000            | \$'000             | \$'000            | \$'000            | \$'000                      | \$'000            |
| <b>At 31 December 2013:</b>                          |                     |                   |                    |                   |                   |                             |                   |
| <b>Assets</b>                                        |                     |                   |                    |                   |                   |                             |                   |
| Cash and deposits                                    | 4,642,908           | 2,008,623         | -                  | -                 | -                 | 2,480,357                   | 9,131,888         |
| Investment securities and<br>pledged assets          | 5,599,033           | 13,127,836        | 2,474,525          | 5,263,177         | 21,361,873        | 197,594                     | 48,024,038        |
| Loans receivable                                     | 225,036             | 2,604,189         | 479,131            | 6,120,358         | 6,762,230         | 47,563                      | 16,238,507        |
| Trade and other<br>receivables                       | -                   | -                 | -                  | -                 | -                 | 8,469,347                   | 8,469,347         |
| <b>Total financial assets</b>                        | <b>10,466,977</b>   | <b>17,740,648</b> | <b>2,953,656</b>   | <b>11,383,535</b> | <b>28,124,103</b> | <b>11,194,861</b>           | <b>81,863,780</b> |
| <b>Liabilities</b>                                   |                     |                   |                    |                   |                   |                             |                   |
| Deposits                                             | 12,233,456          | 3,011,545         | 2,520,820          | 2,196             | -                 | -                           | 17,768,017        |
| Securities sold under<br>agreements to<br>repurchase | 12,827,427          | 9,333,219         | 2,005,215          | 908,228           | -                 | -                           | 25,074,089        |
| Bank loans                                           | 2,056,441           | 2,906,542         | 2,638,842          | 3,139,796         | 830,169           | -                           | 11,571,790        |
| Trade payables                                       | -                   | -                 | -                  | -                 | -                 | 15,226,874                  | 15,226,874        |
| <b>Total financial liabilities</b>                   | <b>27,117,324</b>   | <b>15,251,306</b> | <b>7,164,877</b>   | <b>4,050,220</b>  | <b>830,169</b>    | <b>15,226,874</b>           | <b>69,640,770</b> |
| <b>Total interest repricing<br/>gap</b>              | <b>(16,650,347)</b> | <b>2,489,342</b>  | <b>(4,211,221)</b> | <b>7,333,315</b>  | <b>27,293,934</b> | <b>(4,032,013)</b>          | <b>12,223,010</b> |

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(expressed in Jamaican dollars unless otherwise indicated)

**3. Insurance and Financial Risk Management (Continued)****(c) Financial risk (continued)****(iii) Market risk (continued)****Interest rate risk (continued)**

|                                                   | Group               |                   |                    |                   |                   |                             |                   |
|---------------------------------------------------|---------------------|-------------------|--------------------|-------------------|-------------------|-----------------------------|-------------------|
|                                                   | Within<br>1 Month   | 1 to 3<br>Months  | 3 to 12<br>Months  | 1 to 5<br>Years   | Over<br>5 Years   | Non-<br>Interest<br>Bearing | Total             |
|                                                   | \$'000              | \$'000            | \$'000             | \$'000            | \$'000            | \$'000                      | \$'000            |
| <b>At 31 December 2012:</b>                       |                     |                   |                    |                   |                   |                             |                   |
| <b>Assets</b>                                     |                     |                   |                    |                   |                   |                             |                   |
| Cash and deposits                                 | 3,232,289           | 2,928,008         | -                  | -                 | -                 | 4,829,358                   | 10,989,655        |
| Investment securities and<br>pledged assets       | 1,054,223           | 12,876,500        | 3,501,516          | 14,912,374        | 13,209,452        | 186,338                     | 45,740,403        |
| Loans receivable                                  | 747,346             | 1,216,418         | 773,661            | 5,853,972         | 5,216,072         | 73,707                      | 13,881,176        |
| Trade and other<br>receivables                    | -                   | -                 | -                  | -                 | -                 | 7,890,023                   | 7,890,023         |
| <b>Total financial assets</b>                     | <b>5,033,858</b>    | <b>17,020,926</b> | <b>4,275,177</b>   | <b>20,766,346</b> | <b>18,425,524</b> | <b>12,979,426</b>           | <b>78,501,257</b> |
| <b>Liabilities</b>                                |                     |                   |                    |                   |                   |                             |                   |
| Deposits                                          | 10,734,602          | 2,293,497         | 2,739,940          | -                 | -                 | -                           | 15,768,039        |
| Securities sold under<br>agreements to repurchase | 14,228,599          | 8,651,623         | 4,831,598          | -                 | -                 | -                           | 27,711,820        |
| Bank loans                                        | 608,022             | 3,020,727         | 2,925,578          | 2,640,985         | 1,143,016         | -                           | 10,338,328        |
| Trade payables                                    | -                   | -                 | -                  | -                 | -                 | 13,510,563                  | 13,510,563        |
| <b>Total financial liabilities</b>                | <b>25,571,223</b>   | <b>13,965,847</b> | <b>10,497,116</b>  | <b>2,640,985</b>  | <b>1,143,016</b>  | <b>13,510,563</b>           | <b>67,328,750</b> |
| <b>Total interest repricing<br/>gap</b>           | <b>(20,537,365)</b> | <b>3,055,079</b>  | <b>(6,221,939)</b> | <b>18,125,361</b> | <b>17,282,508</b> | <b>(531,137)</b>            | <b>11,172,507</b> |

### 3. Insurance and Financial Risk Management (Continued)

#### (c) Financial risk (continued)

##### (iii) Market risk (continued)

##### Interest rate risk (continued)

|                                         | Company                     |                            |                             |                           |                           |                                       |                  |
|-----------------------------------------|-----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|---------------------------------------|------------------|
|                                         | Within 1<br>Month<br>\$'000 | 1 to 3<br>Months<br>\$'000 | 3 to 12<br>Months<br>\$'000 | 1 to 5<br>Years<br>\$'000 | Over<br>5 Years<br>\$'000 | Non-<br>Interest<br>Bearing<br>\$'000 | Total<br>\$'000  |
| <b>At 31 December 2013:</b>             |                             |                            |                             |                           |                           |                                       |                  |
| <b>Assets</b>                           |                             |                            |                             |                           |                           |                                       |                  |
| Cash and deposits                       | 488,602                     | 816,754                    | -                           | -                         | -                         | 299,871                               | 1,605,227        |
| Investment securities                   | -                           | -                          | 2,070,563                   | 1,263,389                 | 1,889,770                 | 39,093                                | 5,262,815        |
| Loans receivable                        | -                           | -                          | 753,822                     | -                         | -                         | 815,597                               | 1,569,419        |
| Trade and other<br>receivables          | -                           | -                          | -                           | -                         | -                         | 1,109,054                             | 1,109,054        |
| Subsidiaries                            | -                           | -                          | -                           | -                         | -                         | 82,922                                | 82,922           |
| <b>Total financial assets</b>           | <b>488,602</b>              | <b>816,754</b>             | <b>2,824,385</b>            | <b>1,263,389</b>          | <b>1,889,770</b>          | <b>2,346,537</b>                      | <b>9,629,437</b> |
| <b>Liabilities</b>                      |                             |                            |                             |                           |                           |                                       |                  |
| Bank loans                              | 1,380,588                   | 919,782                    | 1,069,912                   | 27,500                    | -                         | -                                     | 3,397,782        |
| Trade payables                          | -                           | -                          | -                           | -                         | -                         | 1,790,265                             | 1,790,265        |
| Subsidiaries                            | -                           | -                          | -                           | -                         | -                         | 240,081                               | 240,081          |
| <b>Total financial liabilities</b>      | <b>1,380,588</b>            | <b>919,782</b>             | <b>1,069,912</b>            | <b>27,500</b>             | <b>-</b>                  | <b>2,030,346</b>                      | <b>5,428,128</b> |
| <b>Total interest repricing<br/>gap</b> | <b>(891,986)</b>            | <b>(103,028)</b>           | <b>1,754,473</b>            | <b>1,235,889</b>          | <b>1,889,770</b>          | <b>316,191</b>                        | <b>4,201,309</b> |

|                                         | Company                     |                            |                             |                           |                           |                                       |                  |
|-----------------------------------------|-----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|---------------------------------------|------------------|
|                                         | Within 1<br>Month<br>\$'000 | 1 to 3<br>Months<br>\$'000 | 3 to 12<br>Months<br>\$'000 | 1 to 5<br>Years<br>\$'000 | Over<br>5 Years<br>\$'000 | Non-<br>Interest<br>Bearing<br>\$'000 | Total<br>\$'000  |
| <b>At 31 December 2012:</b>             |                             |                            |                             |                           |                           |                                       |                  |
| <b>Assets</b>                           |                             |                            |                             |                           |                           |                                       |                  |
| Cash and deposits                       | 785,372                     | 785,565                    | -                           | -                         | -                         | 314,409                               | 1,885,346        |
| Investment securities                   | -                           | -                          | 1,606,618                   | 1,481,875                 | 1,213,631                 | 44,213                                | 4,346,337        |
| Loans receivable                        | -                           | -                          | 354,843                     | -                         | -                         | 822,609                               | 1,177,452        |
| Trade and other<br>receivables          | -                           | -                          | -                           | -                         | -                         | 954,300                               | 954,300          |
| Subsidiaries                            | -                           | -                          | -                           | -                         | -                         | 473,294                               | 473,294          |
| <b>Total financial assets</b>           | <b>785,372</b>              | <b>785,565</b>             | <b>1,961,461</b>            | <b>1,481,875</b>          | <b>1,213,631</b>          | <b>2,608,825</b>                      | <b>8,836,729</b> |
| <b>Liabilities</b>                      |                             |                            |                             |                           |                           |                                       |                  |
| Bank loans                              | 336,977                     | 1,192,125                  | 1,219,792                   | 37,500                    | -                         | -                                     | 2,786,394        |
| Trade payables                          | -                           | -                          | -                           | -                         | -                         | 1,365,023                             | 1,365,023        |
| Subsidiaries                            | -                           | -                          | -                           | -                         | -                         | 1,000,710                             | 1,000,710        |
| <b>Total financial liabilities</b>      | <b>336,977</b>              | <b>1,192,125</b>           | <b>1,219,792</b>            | <b>37,500</b>             | <b>-</b>                  | <b>2,365,733</b>                      | <b>5,152,127</b> |
| <b>Total interest repricing<br/>gap</b> | <b>448,395</b>              | <b>(406,560)</b>           | <b>741,669</b>              | <b>1,444,375</b>          | <b>1,213,631</b>          | <b>243,092</b>                        | <b>3,684,602</b> |

### 3. Insurance and Financial Risk Management (Continued)

#### (c) Financial risk (continued)

##### (iii) Market risk (continued)

##### Interest rate risk (continued)

##### Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Group's and company's income statement and equity.

The Group's interest rate risk arises from investment securities, loans receivable, customers' deposits, securities sold under repurchase agreements and borrowings. The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on floating rate financial assets and floating rate liabilities. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates combined with the effect on net profit. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact, each variable has to be evaluated on an individual basis.

| Group                   |                                  |                                      |                         |                                  |                                      |
|-------------------------|----------------------------------|--------------------------------------|-------------------------|----------------------------------|--------------------------------------|
| Change in basis points: | Effect on Profit before taxation | Effect on Other Components of Equity | Change in basis points: | Effect on Profit before taxation | Effect on Other Components of Equity |
| 2013<br>JMD / USD       | 2013<br>\$'000                   | 2013<br>\$'000                       | 2012<br>JMD / USD       | 2012<br>\$'000                   | 2012<br>\$'000                       |
| -100/-50                | 16,805                           | 502,495                              | -100 / -50              | 65,276                           | 400,677                              |
| +250/+200               | (217,715)                        | (1,751,053)                          | +400 / +250             | (377,139)                        | (1,794,677)                          |

| Company                 |                                  |                                      |                         |                                  |                                      |
|-------------------------|----------------------------------|--------------------------------------|-------------------------|----------------------------------|--------------------------------------|
| Change in basis points: | Effect on Profit before taxation | Effect on Other Components of Equity | Change in basis points: | Effect on Profit before taxation | Effect on Other Components of Equity |
| 2013<br>JMD / USD       | 2013<br>\$'000                   | 2013<br>\$'000                       | 2012<br>JMD / USD       | 2012<br>\$'000                   | 2012<br>\$'000                       |
| -100/-50                | (6,545)                          | 62,292                               | -100 / -50              | (1,716)                          | 50,716                               |
| +250/+200               | 15,396                           | (201,975)                            | +400 / +250             | 1,991                            | (219,938)                            |

##### Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity price risk because of equity investments held and classified on the statement of financial position as either available for sale or at fair value through profit or loss. The Group manages its price risk by trading these instruments when appropriate to reduce the impact of any adverse price fluctuations.

The impact of a 10% change in the quoted prices for these equities would be an increase or decrease in the carrying value of \$1,674,000 (2012: \$2,396,000) in income and \$15,943,000 (2012: \$13,818,000) in other comprehensive income.

### **3. Insurance and Financial Risk Management (Continued)**

#### **(d) Capital management**

##### **Insurance subsidiaries**

The insurance subsidiaries' objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- (i) To comply with the capital requirements set by the Financial Services Commission (FSC) for insurance companies;
- (ii) To safeguard their ability to continue as going concerns so that they can continue to provide returns for stockholders and benefits for other stakeholders; and
- (iii) To maintain a strong capital base to support the development of business.

Capital adequacy is managed at the operating company level. For the insurance companies, it is calculated by the Compliance Officer and reviewed by executive management, the Audit Committee and the Board of Directors. In addition, the company seeks to maintain internal capital adequacy at levels higher than the regulatory requirements.

The primary measure used to assess capital adequacy is the Minimum Capital Test (MCT). This information is required to be filed with the Financial Services Commission on an annual basis. The minimum standard recommended by the regulators for companies is a MCT of 250% (2012: 225%).

The FSC requires each general insurance company to hold the minimum level of regulatory capital of \$90,000,000. For the insurance brokerage, the company seeks to maintain internal capital adequacy at levels higher than the regulatory requirements of \$10,000,000.

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**3. Insurance and Financial Risk Management (Continued)****(d) Capital management (continued)****The banking and investment subsidiaries**

The banking and investment subsidiaries' objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- (i) To comply with the capital requirements set by the regulators of the banking and investment markets where the entities within the Group operate;
- (ii) To safeguard their ability to continue as going concerns so that they can continue to provide returns for stockholders and benefits for other stakeholders; and
- (iii) To maintain a strong capital base to support the development of business.

Capital adequacy and the use of regulatory capital are monitored monthly by management and the required information is filed monthly with the Bank of Jamaica (BOJ) and the Financial Services Commission (FSC).

The BOJ requires the banking entity to:

- (i) Hold the minimum level of regulatory capital as a percentage of total assets of 8%; and
- (ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%.

The FSC requires the investment services entities to:

- (i) Hold the minimum level of regulatory capital as a percentage of total assets of 6%; and
- (ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 14%.

The regulatory capital as managed by the subsidiaries' ALCOs is divided into two tiers:

- (i) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill and negative fair value reserves are deducted in arriving at Tier 1 capital; and
- (ii) Tier 2 capital: general provisions for loan losses on assets limited to 1.25% of risk-weighted assets.

Risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Group complied with the regulatory capital requirements to which it is subjected.

### 3. Insurance and Financial Risk Management (Continued)

#### (d) Capital management (continued)

##### Companies not requiring external regulatory capital requirements

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on equity, which the Group defines as net profit attributable to owners of the company divided by total owners' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to equity owners.

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as debt divided by owners equity. Debt is calculated as total borrowings as shown in the consolidated statement of financial position. Owners' equity is calculated as capital and reserves attributable to the company's owners as shown in the consolidated statement of financial position.

During 2013, the Group's strategy, which was unchanged from 2012, was to maintain a debt to equity ratio not exceeding 100%. The debt to equity ratios at 31 December 2013 and 2012 were as follows:

|                            | The Group     |                           |
|----------------------------|---------------|---------------------------|
|                            | 2013<br>\$000 | Restated<br>2012<br>\$000 |
| Total borrowings (Note 15) | 11,571,790    | 10,338,328                |
| Owners equity              | 32,765,684    | 30,702,837                |
| Gearing ratio              | 35.3%         | 33.7%                     |

There were no changes to the Group's approach to capital management during the year.

The parent company complied with all externally imposed capital requirements to which it is subjected.

#### 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### (i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(g). The assessment of goodwill impairment involves the determination of the value in use. Determination of value in use involves the estimation of future cash flows from the business taking into consideration the growth rates, inflation rates and the discount rates. Any changes in these variables would impact the value in use calculations. A change in the discount rate from 11.1% to 12.1% would result in a reduction in the value in use by \$1,186,216,000, which would not result in an impairment of goodwill.

##### (ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

##### (iii) Pension plan assets and post-employment obligations

The cost of these benefits and the present value of the pension and the other post-employment liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-employment benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-employment benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The appropriate discount rate is determined at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-employment benefit obligations. In determining the appropriate discount rate, the interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid are considered, and that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation in the respective economies. Other key assumptions for the pension and post-employment benefits cost and credits are based in part on current market conditions.

##### (iv) Liabilities arising from claims made under insurance contracts

The determination of the liabilities under insurance contracts represents the liability for future claims payable by the insurance subsidiary based on contracts for the insurance business in force at the statement of financial position date using several methods, including the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method and the Frequency-Severity method. These liabilities represent the amount of future premiums that will, in the opinion of the actuary, be sufficient to pay future claims relating to contracts of insurance in force, as well as meet the other expenses incurred in connection with such contracts. A margin for risk or uncertainty (adverse deviations) in these assumptions is added to the liability. The assumptions are examined each year in order to determine their validity in light of current best estimates or to reflect emerging trends in the insurance subsidiary's experience.

Claims are analysed separately between those arising from damage to insured property and consequential losses. Claims arising from damage to insured property can be estimated with greater reliability, and the insurance subsidiary's estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allows the insurance subsidiary to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of claims arising from consequential losses makes the estimation process more uncertain for these claims.

##### (v) Investment properties

Investment properties are carried in the statement of financial position at market value. The Group uses independent qualified property appraisers to value its investment properties annually, generally using the income approach. This approach takes into consideration various assumptions and factors including; the level of current and future occupancy, the rate of annual rent increases, the rate of inflation of direct expenses, the appropriate discount rate, and the current condition of the properties together with an estimate of future maintenance and capital expenditures. Reference is also made to recent comparable sales. A change in any of these assumptions and factors could have a significant impact on the valuation of investment properties.

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**5. Cash and Deposits**

|                          | <b>Group</b>           |                        | <b>Company</b>         |                        |
|--------------------------|------------------------|------------------------|------------------------|------------------------|
|                          | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> |
| Cash at bank and in hand | 5,894,397              | 6,018,899              | 386,533                | 343,833                |
| Deposits                 | 3,237,491              | 4,970,756              | 1,218,694              | 1,541,513              |
|                          | 9,131,888              | 10,989,655             | 1,605,227              | 1,885,346              |

Included in deposits is interest receivable of \$199,000 (2012: \$6,215,000) and \$3,939,000 (2012: \$15,500,000) for the Group and company, respectively. The weighted average effective interest rate on deposits was 4.34% (2012: 5.88%) and 3.75% (2012: 4.75%) for the Group and company, respectively, and these deposits have an original term of maturity of 3 months or less.

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

|                           | <b>Group</b>           |                        | <b>Company</b>         |                        |
|---------------------------|------------------------|------------------------|------------------------|------------------------|
|                           | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> |
| Cash at bank and in hand  | 5,894,397              | 6,018,899              | 386,533                | 343,833                |
| Deposits                  | 3,237,491              | 4,970,756              | 1,218,694              | 1,541,513              |
|                           | 9,131,888              | 10,989,655             | 1,605,227              | 1,885,346              |
| Bank overdrafts (Note 15) | (2,527,598)            | (1,414,607)            | (944,452)              | (334,183)              |
|                           | 6,604,290              | 9,575,048              | 660,775                | 1,551,163              |

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**6. Investment Securities and Pledged Assets**

## (a) Investment securities

|                                                              | Group          |                | Company        |                |
|--------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                              | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Available-for-sale:                                          |                |                |                |                |
| Quoted equities                                              | 159,425        | 138,177        | 38,758         | 43,878         |
| Bank of Jamaica                                              | 3,261,234      | 2,297,255      | -              | -              |
| Government of Jamaica securities                             | 35,561,343     | 37,061,282     | 3,286,938      | 3,150,907      |
| Foreign government securities                                | 468,745        | -              | -              | -              |
| Corporate bonds                                              | 6,390,152      | 5,358,433      | 634,299        | 552,899        |
| Other debt securities                                        | 2,140,026      | 837,095        | 1,302,485      | 598,318        |
| Other                                                        | 21,425         | 24,200         | 335            | 335            |
|                                                              | 48,002,350     | 45,716,442     | 5,262,815      | 4,346,337      |
| Financial assets at fair value through profit or loss:       |                |                |                |                |
| Derivative financial instruments (Note 37)                   | 4,944          | -              | -              | -              |
| Quoted equities                                              | 16,744         | 23,961         | -              | -              |
|                                                              | 21,688         | 23,961         | -              | -              |
| Total                                                        | 48,024,038     | 45,740,403     | 5,262,815      | 4,346,337      |
| Less: Pledged assets (Note 6b)                               | 27,140,200     | 29,431,618     | -              | -              |
| Investment securities in the statement of financial position | 20,883,838     | 16,308,785     | 5,262,815      | 4,346,337      |

Included in investment securities is interest receivable of \$801,462,000 (2012: \$814,602,000) and \$82,727,000 (2012: \$98,096,000) for the Group and the company respectively.

Included in Government of Jamaica securities are instruments which mature between 3 months and 12 months or which the Group intends to realise within 12 months and have an effective interest rate of 5.54% (2012: 6.94%) and 4.75% (2012: 7.42%) for the Group and the company respectively.

Included in Bank of Jamaica is \$2,197,310,000 (2012: \$1,952,395,000) held at the Bank of Jamaica under Section 14(1) of the Banking Act, 1992, representing the required ratio of 12% (2012: 12%) for Jamaican dollar cash reserves and 9% (2012: 9%) for United States dollar cash reserves of the banking subsidiary's prescribed liabilities. It is not available for investment, lending or other use by the Group or the banking subsidiary.

Included in investment securities for the company is \$691,382,000 (2012: \$322,597,000) and Group \$9,579,998,000 (2012: \$10,114,374,000) which matures in the next 12 months.

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**6. Investment Securities and Pledged Assets**

## (b) Pledged assets

Assets are pledged as collateral under repurchase agreements with customers and other financial institutions and for security relating to overdraft and other facilities with other financial institutions and with the Bank of Jamaica.

|                                                        | Group          |                |                   |                |
|--------------------------------------------------------|----------------|----------------|-------------------|----------------|
|                                                        | Asset          |                | Related liability |                |
|                                                        | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000    | 2012<br>\$'000 |
| Total in the statement of financial position (Note 6a) | 27,140,200     | 29,431,618     | 25,362,823        | 27,963,778     |

There were no pledged assets in relation to the company.

Of the assets pledged as security, the following represents the total for those assets pledged for which the transferee has the right by contract or custom to sell or repledge the collateral.

|                                               | Group          |                |
|-----------------------------------------------|----------------|----------------|
|                                               | 2013<br>\$'000 | 2012<br>\$'000 |
| Pledged assets with right to sell or repledge | 7,763,259      | 6,173,590      |

## (c) Available-for-sale securities

|                                      | Group          |                | Company        |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| At 1 January                         | 45,716,442     | 40,975,397     | 4,346,337      | 3,208,013      |
| Exchange differences                 | 3,426,650      | 898,846        | 402,705        | 233,558        |
| Additions                            | 7,322,122      | 7,334,558      | 596,093        | 1,194,181      |
| Disposals                            | (7,682,025)    | (3,004,564)    | -              | (228,088)      |
| Net losses transfer to/(from) equity | (780,839)      | (487,795)      | (82,320)       | (61,327)       |
| At 31 December                       | 48,002,350     | 45,716,442     | 5,262,815      | 4,346,337      |
| Less non-current portion             | (38,422,352)   | (35,602,068)   | (4,571,433)    | (4,023,740)    |
| Current portion                      | 9,579,998      | 10,114,374     | 691,382        | 322,597        |

The Group removed profits of \$360,687,000 (2012: \$173,072,000) and losses of \$292,626,000 (2012: \$Nil) from equity into the income statement. Losses were due to participation in the National Debt Exchange and Private Debt Exchange and impairments. The Company removed profits of \$8,614,000 (2012: \$Nil) and losses of \$21,096,000 (2012: \$Nil) from equity into the income statement. Losses were due to impairments.

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**7. Receivables**

|                                                      | Group          |                | Company        |                |
|------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                      | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Trade receivables, less provision for impairment     | 5,393,836      | 4,673,010      | 1,037,694      | 908,060        |
| Insurance receivables, less provision for impairment | 2,292,714      | 2,438,706      | -              | -              |
| Receivable from associates (Note 34(e))              | 17,327         | 13,740         | 15,914         | 10,866         |
| Prepayments                                          | 624,979        | 617,101        | 83,180         | 101,258        |
| Other receivables                                    | 765,470        | 764,567        | 55,446         | 35,374         |
|                                                      | 9,094,326      | 8,507,124      | 1,192,234      | 1,055,558      |

The fair values of trade and other receivables approximate carrying values. All receivable balances are due within the next 12 months.

**8. Inventories**

|                          | Group          |                | Company        |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Raw materials and spares | 561,332        | 475,406        | -              | -              |
| Work in process          | -              | 4,114          | -              | -              |
| Finished goods           | 1,767,260      | 1,274,275      | -              | -              |
| Merchandise              | 4,427,749      | 3,962,751      | 1,671,070      | 1,294,434      |
| Goods in transit         | 1,588,756      | 852,829        | 400,880        | 136,010        |
|                          | 8,345,097      | 6,569,375      | 2,071,950      | 1,430,444      |

The inventory write-down recognised as an expense amounted to \$303,476,000 (2012: \$286,951,000) and \$135,411,000 (2012: \$118,870,000) for the Group and the company respectively.

**9. Loans Receivable**

(a) Loans receivable comprise:

|                                      | Group          |                | Company        |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Finance leases, less deferred profit | 262,764        | 265,809        | -              | -              |
| Loans and receivables:               |                |                |                |                |
| Loans to subsidiaries (Note 34 (e))  | -              | -              | 1,502,916      | 1,103,937      |
| Loans to others                      | 15,975,730     | 13,615,270     | 66,503         | 73,515         |
| Other receivables                    | 13             | 97             | -              | -              |
|                                      | 16,238,507     | 13,881,176     | 1,569,419      | 1,177,452      |

Loans receivable are due within 10 years from the statement of financial position date.

Included in loans receivable is interest receivable of \$93,015,000 (2012: \$91,514,000) for the Group.

Included in loans receivable is \$3,423,640,000 (2012: \$2,745,426,000) and \$753,822,000 (2012: \$354,843,000) which matures in the next 12 months for the Group and the company respectively.

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**9. Loans Receivable (Continued)**

(b) Finance lease receivables

|                                                              | <b>Group</b>           |                        |
|--------------------------------------------------------------|------------------------|------------------------|
|                                                              | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> |
| Gross receivables from finance leases:                       |                        |                        |
| Not later than 1 year                                        | 147,116                | 145,526                |
| Later than 1 year and not later than 5 years                 | 169,715                | 167,522                |
| Later than 5 years                                           | 5,007                  | 11,684                 |
|                                                              | 321,838                | 324,732                |
| Unearned future finance income on finance leases             | (59,074)               | (58,923)               |
| Net investment in finance leases                             | 262,764                | 265,809                |
| The net investment in finance leases is analysed as follows: |                        |                        |
| Not later than 1 year                                        | 118,594                | 116,471                |
| Later than 1 year and not later than 5 years                 | 139,481                | 139,206                |
| Later than 5 years                                           | 4,689                  | 10,132                 |
| Total                                                        | 262,764                | 265,809                |

**10. Investments in Associates**

|                                                           | <b>Group</b>           |                                     | <b>Company</b>         |                                     |
|-----------------------------------------------------------|------------------------|-------------------------------------|------------------------|-------------------------------------|
|                                                           | <b>2013<br/>\$'000</b> | <b>Restated<br/>2012<br/>\$'000</b> | <b>2013<br/>\$'000</b> | <b>Restated<br/>2012<br/>\$'000</b> |
| At beginning of year                                      | 899,027                | 796,905                             | 185,173                | 185,173                             |
| Amounts recognised in the income statement                | 260,175                | 174,007                             | -                      | -                                   |
| Amounts recognised in the other comprehensive income      | 6,813                  | 45,356                              | -                      | -                                   |
| Dividends paid                                            | (137,049)              | (117,241)                           | -                      | -                                   |
| Amounts recognised in the statement of financial position | 1,028,966              | 899,027                             | 185,173                | 185,173                             |

Dairy Industries (Jamaica) Limited (DIJL), in the opinion of the directors, is material to the Group. DIJL has share capital consisting solely of ordinary shares, which are held directly by the Group. The Group owns 50% of the share capital in DIJL. DIJL is one of the main manufacturers of dairy products such as cheese and yogurt, within Jamaica; and sells its products mainly through distributors including to companies within the Group.

DIJL is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating the Group's interest in DIJL.

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**10. Investments in Associates (Continued)**

The summarised information for DIJL that was accounted for using the equity method for the years ended 31 December 2013 and 31 December 2012 is as follows:

Summarised statement of financial position

|                                                      | <b>Dairy Industries (Jamaica)<br/>Limited</b> |                        |
|------------------------------------------------------|-----------------------------------------------|------------------------|
|                                                      | <b>2013<br/>\$'000</b>                        | <b>2012<br/>\$'000</b> |
| <b>Current</b>                                       |                                               |                        |
| Cash and cash equivalents                            | 164,103                                       | 134,297                |
| Other current assets (excluding cash)                | 1,076,440                                     | 821,518                |
| <b>Total current net assets</b>                      | <b>1,240,543</b>                              | <b>955,815</b>         |
| Financial liabilities (excluding trade payables)     | 37,778                                        | -                      |
| Other current liabilities (including trade payables) | 451,179                                       | 313,561                |
| <b>Total current liabilities</b>                     | <b>488,957</b>                                | <b>313,561</b>         |
| <b>Non-current</b>                                   |                                               |                        |
| Assets                                               | 513,435                                       | 483,471                |
| Non-financial liabilities                            | 140,293                                       | 142,853                |
| <b>Total non-current liabilities</b>                 | <b>140,293</b>                                | <b>142,853</b>         |
| <b>Net assets</b>                                    | <b>1,124,728</b>                              | <b>982,872</b>         |

Summarised income statement

|                                                | <b>Dairy Industries (Jamaica)<br/>Limited</b> |                        |
|------------------------------------------------|-----------------------------------------------|------------------------|
|                                                | <b>2013<br/>\$'000</b>                        | <b>2012<br/>\$'000</b> |
| Revenue                                        | 2,533,632                                     | 2,267,878              |
| Depreciation                                   | 31,812                                        | 29,261                 |
| Interest income                                | 5,904                                         | -                      |
| Interest expense                               | (13,556)                                      | -                      |
| Profit before income tax                       | 512,188                                       | 344,786                |
| Taxation expense                               | (153,958)                                     | (122,178)              |
| Profit after tax                               | 358,230                                       | 222,608                |
| Other comprehensive income                     | 13,626                                        | 90,712                 |
| <b>Total comprehensive income</b>              | <b>371,856</b>                                | <b>313,320</b>         |
| Dividends received by the Group from associate | 115,000                                       | 95,000                 |

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**10. Investments in Associates (Continued)**

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates

|                                         | <b>Dairy Industries (Jamaica)<br/>Limited</b> |                        |
|-----------------------------------------|-----------------------------------------------|------------------------|
| <b>Summarised financial information</b> | <b>2013<br/>\$'000</b>                        | <b>2012<br/>\$'000</b> |
| <b>Opening net assets at 1 January</b>  | 982,872                                       | 859,552                |
| Profit for the period                   | 358,230                                       | 222,608                |
| Other comprehensive income              | 13,626                                        | 90,712                 |
| Dividends paid                          | (230,000)                                     | (190,000)              |
| <b>Closing net assets</b>               | <b>1,124,728</b>                              | <b>982,872</b>         |
| Interest in associates (%)              | 50                                            | 50                     |
| Interest in associates (J\$)            | 562,364                                       | 491,436                |
| Carrying value                          | 562,364                                       | 491,436                |

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**11. Intangible Assets**

|                                                | <b>Brands and<br/>Customer<br/>Relationships<br/>\$'000</b> | <b>Goodwill<br/>\$'000</b> | <b>Computer<br/>Software<br/>\$'000</b> | <b>Policy<br/>Contracts<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|------------------------------------------------|-------------------------------------------------------------|----------------------------|-----------------------------------------|----------------------------------------|-------------------------|
| <b>Group</b>                                   |                                                             |                            |                                         |                                        |                         |
| <b>Cost</b>                                    |                                                             |                            |                                         |                                        |                         |
| At 1 January 2012                              | 1,378,334                                                   | 723,183                    | 1,575,003                               | 589,088                                | 4,265,608               |
| Additions                                      | -                                                           | -                          | 228,701                                 | -                                      | 228,701                 |
| Retirement of asset                            | -                                                           | -                          | (3,021)                                 | -                                      | (3,021)                 |
| Transfer from capital work in progress         | -                                                           | -                          | 120,694                                 | -                                      | 120,694                 |
| Exchange differences                           | 96,380                                                      | 45,991                     | 487                                     | -                                      | 142,858                 |
| At 31 December 2012                            | 1,474,714                                                   | 769,174                    | 1,921,864                               | 589,088                                | 4,754,840               |
| Additions                                      | -                                                           | -                          | 462,022                                 | -                                      | 462,022                 |
| Retirement of asset                            | -                                                           | (26,650)                   | -                                       | -                                      | (26,650)                |
| Exchange differences                           | 167,657                                                     | 67,098                     | 2,184                                   | -                                      | 236,939                 |
| At 31 December 2013                            | 1,642,371                                                   | 809,622                    | 2,386,070                               | 589,088                                | 5,427,151               |
| <b>Accumulated Amortisation and Impairment</b> |                                                             |                            |                                         |                                        |                         |
| At 1 January 2012                              | 428,287                                                     | 335,140                    | 1,373,517                               | 235,635                                | 2,372,579               |
| Amortisation charge for the year               | 89,891                                                      | -                          | 149,715                                 | 39,272                                 | 278,878                 |
| Retirement of asset                            | -                                                           | -                          | (3,021)                                 | -                                      | (3,021)                 |
| At 31 December 2012                            | 518,178                                                     | 335,140                    | 1,520,211                               | 274,907                                | 2,648,436               |
| Amortisation charge for the year               | 99,702                                                      | -                          | 212,317                                 | 39,272                                 | 351,291                 |
| Retirement of asset                            | -                                                           | (26,650)                   | -                                       | -                                      | (26,650)                |
| Exchange differences                           | 27,310                                                      | -                          | 1,534                                   | -                                      | 28,844                  |
| At 31 December 2013                            | 645,190                                                     | 308,490                    | 1,734,062                               | 314,179                                | 3,001,921               |
| <b>Net Book Amount</b>                         |                                                             |                            |                                         |                                        |                         |
| 31 December 2013                               | 997,181                                                     | 501,132                    | 652,008                                 | 274,909                                | 2,425,230               |
| 31 December 2012                               | 956,536                                                     | 434,034                    | 401,653                                 | 314,181                                | 2,106,404               |

**Impairment tests for goodwill**

The Group determines whether goodwill is impaired at least on an annual basis or when events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the cash generating unit (CGU) to which the goodwill is allocated. The recoverable amount is usually determined by reference to the value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those future cash flows.

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**11. Intangible Assets (Continued)**

The allocation of goodwill to the Group's cash generating units (CGUs) identified according to segment is as follows:

|              | 2013    | 2012    |
|--------------|---------|---------|
|              | \$000   | \$000   |
| Food Trading | 501,132 | 434,034 |

For the year ended 31 December 2013, management tested for impairment the goodwill allocated to all the CGUs.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value in use calculations:

|              | Revenue<br>Growth Rate | EBITDA to<br>Revenue | Capital<br>Expenditure<br>to Revenue | Discount<br>Rate |
|--------------|------------------------|----------------------|--------------------------------------|------------------|
| Food Trading | 14.55%                 | 4.93%                | 0.91%                                | 11.10%           |

|                                  | Computer<br>Software<br>\$'000 |
|----------------------------------|--------------------------------|
| <b>Cost</b>                      |                                |
| At 1 January 2012                | 408,159                        |
| Additions                        | 77,919                         |
| Retirement of asset              | (159)                          |
| At 31 December 2012              | 485,919                        |
| Additions                        | 105,547                        |
| Retirement of asset              | 275                            |
| At 31 December 2013              | 591,741                        |
| <b>Accumulated Amortisation</b>  |                                |
| At 1 January 2012                | 323,909                        |
| Amortisation charge for the year | 62,933                         |
| Retirement of asset              | (159)                          |
| At 31 December 2012              | 386,683                        |
| Amortisation charge for the year | 98,843                         |
| Retirement of asset              | 275                            |
| At 31 December 2013              | 485,801                        |
| <b>Net Book Amount</b>           |                                |
| 31 December 2013                 | 105,940                        |
| 31 December 2012                 | 99,236                         |

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**12. Fixed Assets**

|                                             | Freehold<br>Land and<br>Buildings<br>\$'000 | Leasehold<br>Buildings and<br>Improvements<br>\$'000 | Plant,<br>Equipment,<br>Fixtures &<br>Vehicles<br>\$'000 | Capital<br>Work in<br>Progress<br>\$'000 | Total<br>\$'000 |
|---------------------------------------------|---------------------------------------------|------------------------------------------------------|----------------------------------------------------------|------------------------------------------|-----------------|
| Group                                       |                                             |                                                      |                                                          |                                          |                 |
| <b>Cost or Valuation</b>                    |                                             |                                                      |                                                          |                                          |                 |
| At 1 January 2012                           | 4,446,904                                   | 1,042,504                                            | 5,230,615                                                | 334,470                                  | 11,054,493      |
| Additions                                   | 28,536                                      | 130,123                                              | 406,818                                                  | 229,508                                  | 794,985         |
| Revaluation adjustment                      | 199,954                                     | -                                                    | -                                                        | -                                        | 199,954         |
| Transfers                                   | 5,164                                       | 122,323                                              | 189,538                                                  | (317,025)                                | -               |
| Transfer to computer software               | -                                           | -                                                    | -                                                        | (120,694)                                | (120,694)       |
| Disposals                                   | (30,008)                                    | (12,010)                                             | (146,750)                                                | (6,868)                                  | (195,636)       |
| Exchange differences                        | 297                                         | 21,267                                               | 25,503                                                   | -                                        | 47,067          |
| At 31 December 2012                         | 4,650,847                                   | 1,304,207                                            | 5,705,724                                                | 119,391                                  | 11,780,169      |
| Additions                                   | 131,674                                     | 26,288                                               | 357,173                                                  | 204,536                                  | 719,671         |
| Revaluation adjustment                      | 126,948                                     | -                                                    | -                                                        | -                                        | 126,948         |
| Transfers                                   | 54,473                                      | 463                                                  | 73,827                                                   | (128,763)                                | -               |
| Transfer to investment properties (Note 40) | (365,000)                                   | -                                                    | -                                                        | -                                        | (365,000)       |
| Disposals                                   | (82,879)                                    | (1,212)                                              | (87,037)                                                 | -                                        | (171,128)       |
| Exchange differences                        | 603                                         | 47,837                                               | 256,860                                                  | -                                        | 305,300         |
| At 31 December 2013                         | 4,516,666                                   | 1,377,583                                            | 6,306,547                                                | 195,164                                  | 12,395,960      |
| <b>Accumulated Depreciation</b>             |                                             |                                                      |                                                          |                                          |                 |
| At 1 January 2012                           | 119,293                                     | 576,307                                              | 3,465,645                                                | -                                        | 4,161,245       |
| Charge for the year                         | 69,209                                      | 94,579                                               | 520,117                                                  | -                                        | 683,905         |
| Revaluation adjustment                      | (187,997)                                   | -                                                    | -                                                        | -                                        | (187,997)       |
| On disposals                                | (474)                                       | (8,881)                                              | (118,438)                                                | -                                        | (127,793)       |
| At 31 December 2012                         | 31                                          | 662,005                                              | 3,867,324                                                | -                                        | 4,529,360       |
| Charge for the year                         | 86,605                                      | 164,411                                              | 436,596                                                  | -                                        | 687,612         |
| On disposals                                | (833)                                       | -                                                    | (16,002)                                                 | -                                        | (16,835)        |
| Exchange differences                        | -                                           | 13,484                                               | 235,403                                                  | -                                        | 248,887         |
| At 31 December 2013                         | 85,803                                      | 839,900                                              | 4,523,321                                                | -                                        | 5,449,024       |
| <b>Net Book Value</b>                       |                                             |                                                      |                                                          |                                          |                 |
| 31 December 2013                            | 4,430,863                                   | 537,683                                              | 1,783,226                                                | 195,164                                  | 6,946,936       |
| 31 December 2012                            | 4,650,816                                   | 642,202                                              | 1,838,400                                                | 119,391                                  | 7,250,809       |

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**12. Fixed Assets (Continued)**

|                                 | Freehold<br>Land and<br>Buildings<br>\$'000 | Leasehold<br>Buildings and<br>Improvements<br>\$'000 | Plant,<br>Equipment,<br>Fixtures &<br>Vehicles<br>\$'000 | Capital<br>Work in<br>Progress<br>\$'000 | Total<br>\$'000 |
|---------------------------------|---------------------------------------------|------------------------------------------------------|----------------------------------------------------------|------------------------------------------|-----------------|
| Company                         |                                             |                                                      |                                                          |                                          |                 |
| <b>Cost or Valuation</b>        |                                             |                                                      |                                                          |                                          |                 |
| At 1 January 2012               | 52,712                                      | 78,749                                               | 626,818                                                  | 549                                      | 758,828         |
| Additions                       | -                                           | 10,234                                               | 46,549                                                   | 4,248                                    | 61,031          |
| Revaluation adjustment          | 7,288                                       | -                                                    | -                                                        | -                                        | 7,288           |
| Transfers                       | -                                           | -                                                    | 549                                                      | (549)                                    | -               |
| Disposals                       | -                                           | -                                                    | (11,128)                                                 | -                                        | (11,128)        |
| At 31 December 2012             | 60,000                                      | 88,983                                               | 662,788                                                  | 4,248                                    | 816,019         |
| Additions                       | -                                           | 209                                                  | 59,813                                                   | -                                        | 60,022          |
| Transfers                       | -                                           | -                                                    | 4,248                                                    | (4,248)                                  | -               |
| Disposals                       | -                                           | -                                                    | (10,381)                                                 | -                                        | (10,381)        |
| At 31 December 2013             | 60,000                                      | 89,192                                               | 716,468                                                  | -                                        | 865,660         |
| <b>Accumulated Depreciation</b> |                                             |                                                      |                                                          |                                          |                 |
| At 1 January 2012               | 1,093                                       | 61,127                                               | 450,757                                                  | -                                        | 512,977         |
| Charge for the year             | 1,093                                       | 3,453                                                | 67,365                                                   | -                                        | 71,911          |
| Revaluation adjustment          | (2,186)                                     | -                                                    | -                                                        | -                                        | (2,186)         |
| On disposals                    | -                                           | -                                                    | (5,222)                                                  | -                                        | (5,222)         |
| At 31 December 2012             | -                                           | 64,580                                               | 512,900                                                  | -                                        | 577,480         |
| Charge for the year             | 1,188                                       | 2,858                                                | 67,176                                                   | -                                        | 71,222          |
| On disposals                    | -                                           | -                                                    | (2,739)                                                  | -                                        | (2,739)         |
| At 31 December 2013             | 1,188                                       | 67,438                                               | 577,337                                                  | -                                        | 645,963         |
| <b>Net Book Value</b>           |                                             |                                                      |                                                          |                                          |                 |
| 31 December 2013                | 58,812                                      | 21,754                                               | 139,131                                                  | -                                        | 219,697         |
| 31 December 2012                | 60,000                                      | 24,403                                               | 149,888                                                  | 4,248                                    | 238,539         |

- (a) The tables above include carrying values of \$23,097,000 (2012: \$24,842,000) and \$23,497,000 (2012: \$18,411,000) for the Group and the company, respectively, representing assets being acquired under finance leases. All amounts related to finance leases are shown in the 'Plant, Equipment, Fixtures & Vehicles' category of fixed assets.

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**12. Fixed Assets (Continued)**

(b) If land and buildings were stated on the historical cost basis, the amounts would be as follows:

|                          | Group          |                | Company        |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Cost                     | 3,539,323      | 3,435,621      | 41,123         | 41,123         |
| Accumulated depreciation | 333,714        | 268,626        | 7,804          | 6,776          |
| Net Book Value           | 3,205,609      | 3,166,995      | 33,319         | 34,347         |

(c) The Group had certain land and buildings revalued in 2013, while others were last revalued during 2012, by independent valuers. The valuations were done on the basis of open market value, with the exception of the Distribution Centre, for which recent market transactions are not available due to the specialised nature of the assets. The revaluation surpluses, net of applicable deferred income taxes, were credited to the capital and fair value reserves in equity (Note 19).

(d) In 2013 some land and buildings were transferred to investment properties (Note 40). These properties, which were previously occupied by the Group, have now been leased to third parties.

**13. Deferred Income Taxes**

During the 2012/13 budget presentation, the Government of Jamaica announced a reduction in the corporate income tax rate for unregulated entities defined as an entity not regulated by the Financial Services Commission, the Bank of Jamaica, the Ministry of Finance and Planning or the Office of Utilities Regulation, from 33 1/3% to 25%, effective 1 January 2013. The change in the tax rate was signed into law on 28 December 2012 and as such was applied in determining the amounts for deferred taxation in the financial statements for the year ended 31 December 2012.

On 12 February 2013, the Minister of Finance and Planning announced in Parliament that a surtax of 5% would be imposed on the taxable income of "large unregulated companies" effective from 1 April 2013. This represented an addition to the 25% tax rate levied as at 1 January 2013. This additional tax was imposed by Order under the Provisional Collection of Tax Act and was confirmed by Act 21 of August 2013, which amended the Income Tax Act. The amendment imposed a tax rate of 30% on the income of a large unregulated company with effect from 1 April 2013. A "large unregulated company" is defined as an unregulated company which has gross annual income of not less than \$500,000,000.

During the year, the Government of Jamaica continued its reform of taxes. As a result of this The Fiscal Incentives Act dated 20 December 2013 was signed into law. Under this Act the tax rate for large unregulated companies was reduced from 30% to 25% effective 1 January 2014. As such this rate was applied in determining the amounts for deferred taxation in the financial statements for the year ended 31 December 2013.

Deferred income taxes are calculated in full on temporary differences under the liability method using principal tax rates of 25% for unregulated companies and 33 1/3% for regulated companies.

The movement on the deferred income tax account is as follows:

|                                                                           | Group          |                            | Company        |                            |
|---------------------------------------------------------------------------|----------------|----------------------------|----------------|----------------------------|
|                                                                           | 2013<br>\$'000 | Restated<br>2012<br>\$'000 | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
| At beginning of year                                                      | (305,674)      | (1,404,969)                | (1,566,680)    | (2,497,790)                |
| Income statement (charge) /credit (Note 27)                               | (305,064)      | 510,719                    | 117,861        | 579,651                    |
| Tax credit relating to components of other comprehensive income (Note 27) | 264,942        | 565,906                    | 352,329        | 351,459                    |
| Exchange differences                                                      | 31,145         | 22,670                     | -              | -                          |
| At end of year                                                            | (314,651)      | (305,674)                  | (1,096,490)    | (1,566,680)                |

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**13. Deferred Income Taxes (Continued)**

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. Subject to agreement with the taxation administration in the relevant jurisdictions, the Group has recognised tax losses of \$1,631,599,000 (2012: \$2,395,444,000) and recognised tax credits of \$271,318,000 (2012: \$271,318,000) to carry forward indefinitely against future taxable income.

Deferred income tax liabilities of \$127,126,000 (2012: \$162,053,000) have not been established for the withholding taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are permanently reinvested; such unremitted earnings totalled \$508,505,000 (2012: \$486,158,000).

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

|                                                  | Group                  |                             |                                             |                                        |                 |                 |
|--------------------------------------------------|------------------------|-----------------------------|---------------------------------------------|----------------------------------------|-----------------|-----------------|
|                                                  | Fixed Assets<br>\$'000 | Fair Value Gains<br>\$'000  | Unrealised Foreign Exchange Gains<br>\$'000 | Pension Plan Assets<br>\$'000          | Other<br>\$'000 | Total<br>\$'000 |
| <b>Deferred tax liabilities</b>                  |                        |                             |                                             |                                        |                 |                 |
| At 1 January 2012 as previously stated           | 224,462                | 353,866                     | 61,307                                      | 2,769,080                              | 409,316         | 3,818,031       |
| Effect of changes in accounting standard         | -                      | -                           | -                                           | (261,107)                              | -               | (261,107)       |
| At 1 January 2012 as restated                    | 224,462                | 353,866                     | 61,307                                      | 2,507,973                              | 409,316         | 3,556,924       |
| Charged/(credited) to the income statement       | 57,979                 | (53,469)                    | (16,873)                                    | (642,779)                              | (3,145)         | (658,287)       |
| Charged/(credited) to other comprehensive income | 36,037                 | (141,684)                   | -                                           | (464,506)                              | -               | (570,153)       |
| Exchange differences                             | -                      | 37                          | -                                           | -                                      | 2               | 39              |
| At 31 December 2012                              | 318,478                | 158,750                     | 44,434                                      | 1,400,688                              | 406,173         | 2,328,523       |
| Charged/(credited) to the income statement       | 5,904                  | (67,457)                    | 15,565                                      | 27,128                                 | (35,773)        | (54,633)        |
| Charged/(credited) to other comprehensive income | 25,092                 | (54,806)                    | -                                           | (51,199)                               | -               | (80,913)        |
| Exchange differences                             | -                      | -                           | -                                           | -                                      | 11              | 11              |
| At 31 December 2013                              | 349,474                | 36,487                      | 59,999                                      | 1,376,617                              | 370,411         | 2,192,988       |
|                                                  |                        |                             |                                             |                                        |                 |                 |
|                                                  | Fixed Assets<br>\$'000 | Fair Value Losses<br>\$'000 | Unutilised Tax Losses and Credits<br>\$'000 | Employee Benefit Obligations<br>\$'000 | Other<br>\$'000 | Total<br>\$'000 |
| <b>Deferred tax assets</b>                       |                        |                             |                                             |                                        |                 |                 |
| At 1 January 2012 as previously stated           | 28,801                 | -                           | 949,032                                     | 721,743                                | 273,291         | 1,972,867       |
| Effect of changes in accounting standard         | -                      | -                           | -                                           | 179,088                                | -               | 179,088         |
| At 1 January 2012 as restated                    | 28,801                 | -                           | 949,032                                     | 900,831                                | 273,291         | 2,151,955       |
| Credited/(charged) to the income statement       | 12,829                 | -                           | 35,637                                      | (110,867)                              | (85,167)        | (147,568)       |
| Credited/(charged) to other comprehensive income | -                      | -                           | -                                           | (4,247)                                | -               | (4,247)         |
| Exchange differences                             | 293                    | -                           | 22,291                                      | -                                      | 125             | 22,709          |
| At 31 December 2012                              | 41,923                 | -                           | 1,006,960                                   | 785,717                                | 188,249         | 2,022,849       |
| Credited/(charged) to the income statement       | 1,860                  | 445                         | (299,161)                                   | 56,714                                 | (119,555)       | (359,697)       |
| Credited to other comprehensive income           | -                      | 156,577                     | -                                           | 27,452                                 | -               | 184,029         |
| Exchange differences                             | 773                    | -                           | 30,279                                      | -                                      | 104             | 31,156          |
| At 31 December 2013                              | 44,556                 | 157,022                     | 738,078                                     | 869,883                                | 68,798          | 1,878,337       |

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**13. Deferred Income Taxes (Continued)**

|                                                  | Company                   |                               |                                                      |                                 |                 | Total<br>\$'000 |
|--------------------------------------------------|---------------------------|-------------------------------|------------------------------------------------------|---------------------------------|-----------------|-----------------|
|                                                  | Fixed<br>Assets<br>\$'000 | Fair Value<br>Gains<br>\$'000 | Unrealised<br>Foreign<br>Exchange<br>Gains<br>\$'000 | Pension<br>Plan Asset<br>\$'000 | Other<br>\$'000 |                 |
| <b>Deferred tax liabilities</b>                  |                           |                               |                                                      |                                 |                 |                 |
| At 1 January 2012 as previously stated           | 21,205                    | 95,799                        | 11,173                                               | 2,716,103                       | 21,716          | 2,865,996       |
| Effect of changes in accounting standard         | -                         | -                             | -                                                    | 36,461                          | -               | 36,461          |
| At 1 January 2012 as restated                    | 21,205                    | 95,799                        | 11,173                                               | 2,752,564                       | 21,716          | 2,902,457       |
| Credited to the income statement                 | (8,152)                   | -                             | (5,015)                                              | (654,131)                       | (5,101)         | (672,399)       |
| Charged/(credited) to other comprehensive income | 874                       | (39,282)                      | -                                                    | (306,012)                       | -               | (344,420)       |
| At 31 December 2012                              | 13,927                    | 56,517                        | 6,158                                                | 1,792,421                       | 16,615          | 1,885,638       |
| Charged/(credited) to the income statement       | 8,359                     | -                             | (2,450)                                              | (98,711)                        | (6,527)         | (99,329)        |
| Credited to other comprehensive income           | (39)                      | (20,580)                      | -                                                    | (317,093)                       | -               | (337,712)       |
| At 31 December 2013                              | 22,247                    | 35,937                        | 3,708                                                | 1,376,617                       | 10,088          | 1,448,597       |
| <b>Deferred tax assets</b>                       |                           |                               |                                                      |                                 |                 |                 |
| At 1 January 2012 as previously stated           |                           |                               | 13,889                                               | 250,390                         | 10,170          | 274,449         |
| Effect of changes in accounting standard         |                           |                               | -                                                    | 130,218                         | -               | 130,218         |
| At 1 January 2012 as restated                    |                           |                               | 13,889                                               | 380,608                         | 10,170          | 404,667         |
| Charged to the income statement                  |                           |                               | (3,044)                                              | (84,583)                        | (5,121)         | (92,748)        |
| Credited to other comprehensive income           |                           |                               | -                                                    | 7,039                           | -               | 7,039           |
| At 31 December 2012                              |                           |                               | 10,845                                               | 303,064                         | 5,049           | 318,958         |
| Credited to the income statement                 |                           |                               | 290                                                  | 10,074                          | 8,168           | 18,532          |
| Credited to other comprehensive income           |                           |                               | -                                                    | 14,617                          | -               | 14,617          |
| At 31 December 2013                              |                           |                               | 11,135                                               | 327,755                         | 13,217          | 352,107         |

### 13. Deferred Income Taxes (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

|                          | Group          |                            | Company        |                            |
|--------------------------|----------------|----------------------------|----------------|----------------------------|
|                          | 2013<br>\$'000 | Restated<br>2012<br>\$'000 | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
| Deferred tax assets      | 953,864        | 1,421,327                  | -              | -                          |
| Deferred tax liabilities | (1,268,515)    | (1,727,001)                | (1,096,490)    | (1,566,680)                |
|                          | (314,651)      | (305,674)                  | (1,096,490)    | (1,566,680)                |

The gross amounts shown in the above tables include the following:

Deferred tax assets:

|                                                               |           |           |         |         |
|---------------------------------------------------------------|-----------|-----------|---------|---------|
| Deferred tax assets to be recovered after more than 12 months | 1,652,517 | 1,834,600 | 338,890 | 313,909 |
| Deferred tax assets to be recovered within 12 months          | 225,820   | 188,249   | 13,217  | 5,049   |
|                                                               | 1,878,337 | 2,022,849 | 352,107 | 318,958 |

Deferred tax liabilities

|                                                                  |             |             |             |             |
|------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| Deferred tax liabilities to be settled after more than 12 months | (1,726,091) | (1,719,166) | (1,398,864) | (1,806,348) |
| Deferred tax liabilities to be settled within 12 months          | (466,897)   | (609,357)   | (49,733)    | (79,290)    |
|                                                                  | (2,192,988) | (2,328,523) | (1,448,597) | (1,885,638) |
| Deferred tax liabilities net                                     | (314,651)   | (305,674)   | (1,096,490) | (1,566,680) |

### 14. Pensions and Other Post-Employment Obligations

The Group has both a defined contribution pension scheme and a defined benefit pension scheme.

Defined contribution scheme

The defined contribution pension scheme is open to Jamaican based employees hired on or after 1 April 2010. Employees contribute 5% of pensionable earnings with the option to contribute an additional voluntary contribution of 5%. The employer contributions are currently set at 10%. The Group's and company's contributions for the year were \$93,968,000 (2012: \$65,010,000) and \$18,218,000 (2012: \$10,955,000) respectively.

Defined benefit scheme

The Group's defined benefit pension scheme, which commenced on 1 January 1975, is funded by employee contributions at 5% of salary with the option to contribute an additional 5%, and employer contributions at 0.02%, as recommended by independent actuaries. The last valuation was carried out at 31 December 2013. Pension at normal retirement age is based on 2% per year of pensionable service of the average of the highest three years' annual salary during the last ten years of service. This scheme was closed to new members as at 31 March 2010.

The Board of Trustees of the pension fund is comprised of representatives from both the employer and members of the plan. The Board of Trustees of the pension fund is required by law to act in the interest of the fund and all relevant stakeholders. The Board of Trustees of the fund is responsible for the investment policy with regard to the assets of the fund. The funds are managed by First Global Financial Services Limited.

In the event of a plan surplus the Group is able to take a contribution holiday, while a funding deficiency will require the Group to make additional contributions to adequately fund the plan.

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**14. Pensions and Other Post-Employment Obligations (Continued)****Pension benefits**

The amounts recognised in the statement of financial position are determined as follows:

|                                              | <b>Group</b>           |                                     | <b>Company</b>         |                                     |
|----------------------------------------------|------------------------|-------------------------------------|------------------------|-------------------------------------|
|                                              | <b>2013<br/>\$'000</b> | <b>Restated<br/>2012<br/>\$'000</b> | <b>2013<br/>\$'000</b> | <b>Restated<br/>2012<br/>\$'000</b> |
| Present value of funded obligations          | 14,229,610             | 13,154,421                          | 7,163,328              | 5,777,511                           |
| Fair value of plan assets                    | (19,736,079)           | (18,996,677)                        | (12,669,797)           | (12,947,196)                        |
| Asset in the statement of financial position | (5,506,469)            | (5,842,256)                         | (5,506,469)            | (7,169,685)                         |

The movement in the defined benefit obligation over the year is as follows:

|                                                  | <b>Group</b>           |                                     | <b>Company</b>         |                                     |
|--------------------------------------------------|------------------------|-------------------------------------|------------------------|-------------------------------------|
|                                                  | <b>2013<br/>\$'000</b> | <b>Restated<br/>2012<br/>\$'000</b> | <b>2013<br/>\$'000</b> | <b>Restated<br/>2012<br/>\$'000</b> |
| <b>Beginning of year, as restated</b>            | 13,154,421             | 10,966,907                          | 5,777,511              | 4,848,849                           |
| Current service cost                             | 609,721                | 544,845                             | 209,143                | 179,300                             |
| Interest cost                                    | 1,431,009              | 1,153,863                           | 619,546                | 499,426                             |
| Past service cost                                | (621,029)              | -                                   | 695,372                | -                                   |
|                                                  | 1,419,701              | 1,698,708                           | 1,524,061              | 678,726                             |
| <b>Remeasurements -</b>                          |                        |                                     |                        |                                     |
| Loss from change in demographic assumptions      | -                      | 441,352                             | -                      | 213,068                             |
| Loss/(gain) from change in financial assumptions | 44,049                 | (220,263)                           | 52,036                 | (72,947)                            |
| Experience (gains)/losses                        | (166,123)              | 466,647                             | (50,708)               | 261,593                             |
|                                                  | (122,074)              | 687,736                             | 1,328                  | 401,714                             |
| Members' contributions                           | 245,536                | 252,672                             | 21,453                 | 83,992                              |
| Benefits paid                                    | (467,974)              | (451,602)                           | (161,025)              | (235,770)                           |
| <b>End of year</b>                               | 14,229,610             | 13,154,421                          | 7,163,328              | 5,777,511                           |

**14. Pensions and Other Post-Employment Obligations (Continued)****Pension benefits (continued)**

The movement in the fair value of plan assets for the year is as follows:

|                                                                      | <b>Group</b>           |                                     | <b>Company</b>         |                                     |
|----------------------------------------------------------------------|------------------------|-------------------------------------|------------------------|-------------------------------------|
|                                                                      | <b>2013<br/>\$'000</b> | <b>Restated<br/>2012<br/>\$'000</b> | <b>2013<br/>\$'000</b> | <b>Restated<br/>2012<br/>\$'000</b> |
| <b>Beginning of year</b>                                             | 18,996,677             | 18,490,828                          | 12,947,196             | 13,106,540                          |
| Interest income on plan assets                                       | 1,980,459              | 1,839,207                           | 1,350,413              | 1,303,087                           |
| Re-measurements -                                                    |                        |                                     |                        |                                     |
| Return on plan assets, excluding amounts included in interest income | (566,211)              | (1,101,637)                         | (1,267,043)            | (822,335)                           |
| Members' contributions                                               | 245,536                | 252,672                             | 21,453                 | 83,992                              |
| Employers' contributions                                             | 754                    | 1,438                               | 49                     | 441                                 |
| Benefits paid                                                        | (467,974)              | (451,602)                           | (161,025)              | (235,770)                           |
| Adjustment to plan assets                                            | (453,162)              | (34,229)                            | (221,246)              | (488,759)                           |
| <b>End of year</b>                                                   | 19,736,079             | 18,996,677                          | 12,669,797             | 12,947,196                          |

Adjustments to plan assets relate to associated companies and the transfer of members of a subsidiary to a defined contribution scheme.

The amounts recognised in the income statement are as follows:

|                                                 | <b>Group</b>           |                                     | <b>Company</b>         |                                     |
|-------------------------------------------------|------------------------|-------------------------------------|------------------------|-------------------------------------|
|                                                 | <b>2013<br/>\$'000</b> | <b>Restated<br/>2012<br/>\$'000</b> | <b>2013<br/>\$'000</b> | <b>Restated<br/>2012<br/>\$'000</b> |
| Current service cost                            | 609,721                | 544,845                             | 209,143                | 179,300                             |
| Interest income (net)                           | (549,450)              | (685,344)                           | (730,867)              | (803,661)                           |
| Past service cost                               | (621,029)              | -                                   | 695,372                | -                                   |
| Adjustment to plan assets                       | 453,162                | 34,229                              | 221,246                | 488,759                             |
| <b>Total, included in staff costs (Note 26)</b> | <b>(107,596)</b>       | <b>(106,270)</b>                    | <b>394,894</b>         | <b>(135,602)</b>                    |

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately \$8,084,087,000 relating to active employees, \$1,192,390,000 relating to deferred members and \$4,953,133,000 relating to members in retirement.

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**14. Pensions and Other Post-Employment Obligations (Continued)****Pension benefits (continued)**

The plan assets are comprised of:

|                       | Group          |      |                |      |
|-----------------------|----------------|------|----------------|------|
|                       | 2013<br>\$'000 | %    | 2012<br>\$'000 | %    |
| Equity                | 3,459,766      | 18%  | 3,017,193      | 16%  |
| Debt                  | 861,421        | 4%   | 805,344        | 4%   |
| Real Estate           | 1,827,169      | 9%   | 1,730,882      | 9%   |
| Government securities | 10,948,191     | 56%  | 11,400,293     | 60%  |
| Other                 | 2,639,532      | 13%  | 2,042,965      | 11%  |
|                       | 19,736,079     | 100% | 18,996,677     | 100% |

|                       | Company        |      |                |      |
|-----------------------|----------------|------|----------------|------|
|                       | 2013<br>\$'000 | %    | 2012<br>\$'000 | %    |
| Equity                | 2,221,035      | 18%  | 2,056,369      | 16%  |
| Debt                  | 552,999        | 4%   | 548,884        | 4%   |
| Real Estate           | 1,172,971      | 9%   | 1,179,683      | 9%   |
| Government securities | 7,028,314      | 56%  | 7,769,876      | 60%  |
| Other                 | 1,694,478      | 13%  | 1,392,384      | 11%  |
|                       | 12,669,797     | 100% | 12,947,196     | 100% |

The pension plan assets include the company's ordinary stock units with a fair value of \$843,593,000 (2012: \$753,358,000), buildings occupied by Group companies with fair values of \$871,075,000 (2012: \$873,010,000), and repurchase agreement investments with Group companies of \$1,662,386,000 (2012: \$2,253,354,000).

The benefit that the company derives from the surplus of the pension plan is limited to the extent of the reduction in future contributions that it will make to the pension scheme.

Expected contributions by the Group to the post-employment scheme for the year ending 31 December 2014 are \$571,000. The actual return on plan assets was \$1,414,248,000 (2012: \$737,572,000).

The principal actuarial assumptions used were as follows:

|                          | 2013 | 2012  |
|--------------------------|------|-------|
| Discount rate            | 9.5% | 10.5% |
| Long term inflation rate | 5.5% | 6.0%  |
| Future salary increases  | 6.0% | 7.5%  |
| Future pension increases | 5.5% | 6.5%  |

Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

The average life expectancy in years of a pensioner retiring at age 60 on the statement of financial position date is as follows:

|        | 2013  | 2012  |
|--------|-------|-------|
| Male   | 23.18 | 23.09 |
| Female | 25.98 | 25.93 |

#### 14. Pensions and Other Post-Employment Obligations (Continued)

##### Pension benefits (continued)

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

| Group                     |                                       |                        |                        |
|---------------------------|---------------------------------------|------------------------|------------------------|
|                           | Impact on post-employment obligations |                        |                        |
|                           | Change in Assumption                  | Increase in Assumption | Decrease in Assumption |
| Discount rate             | 1%                                    | Decrease by 14.5%      | Increase by 18.8%      |
| Future salary increases   | 1%                                    | Increase by 5.5%       | Decrease by 4.8%       |
| Expected pension increase | 1%                                    | Increase by 12.3%      | Decrease by 10.3%      |

| Company                   |                                       |                        |                        |
|---------------------------|---------------------------------------|------------------------|------------------------|
|                           | Impact on post-employment obligations |                        |                        |
|                           | Change in Assumption                  | Increase in Assumption | Decrease in Assumption |
| Discount rate             | 1%                                    | Decrease by 13.0%      | Increase by 16.5%      |
| Future salary increases   | 1%                                    | Increase by 3.9%       | Decrease by 3.5%       |
| Expected pension increase | 1%                                    | Increase by 11.9%      | Decrease by 10.0%      |

|                 | Group                           |                                 | Company                         |                                 |
|-----------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                 | Increase Assumption by One Year | Decrease Assumption by One Year | Increase Assumption by One Year | Decrease Assumption by One Year |
| Life expectancy | Increase by 2.2%                | Decrease by 2.3%                | Increase by 2.2%                | Decrease by 2.2%                |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

##### Other post-employment obligations

The Group operates a number of post-employment benefit schemes, principally in Jamaica. The benefits covered under the schemes include group life, insured and self-insured health care, gratuity and other supplementary plans. Funds are not built up to cover the obligations under these retirement benefit schemes. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long term increase in health costs of 7.0% per year (2012: 7.5% per year).

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**14. Pensions and Other Post-Employment Obligations (Continued)****Other post-employment obligations (continued)**

The amounts recognised in the statement of financial position were determined as follows:

|                                       | <b>Group</b>  |                 | <b>Company</b> |                 |
|---------------------------------------|---------------|-----------------|----------------|-----------------|
|                                       | <b>2013</b>   | <b>Restated</b> | <b>2013</b>    | <b>Restated</b> |
|                                       | <b>\$'000</b> | <b>2012</b>     | <b>\$'000</b>  | <b>2012</b>     |
|                                       |               | <b>\$'000</b>   |                | <b>\$'000</b>   |
| Present value of unfunded obligations | 3,202,616     | 2,887,948       | 1,311,018      | 1,212,257       |

The movement in the defined benefit obligation is as follows:

|                                                  | <b>Group</b>  |                 | <b>Company</b> |                 |
|--------------------------------------------------|---------------|-----------------|----------------|-----------------|
|                                                  | <b>2013</b>   | <b>Restated</b> | <b>2013</b>    | <b>Restated</b> |
|                                                  | <b>\$'000</b> | <b>2012</b>     | <b>\$'000</b>  | <b>2012</b>     |
|                                                  |               | <b>\$'000</b>   |                | <b>\$'000</b>   |
| Beginning of year                                | 2,887,948     | 2,702,493       | 1,212,257      | 1,141,825       |
| Current service cost                             | 174,071       | 167,164         | 50,155         | 48,370          |
| Interest expense                                 | 314,975       | 280,481         | 128,481        | 115,112         |
| Past service cost                                | (141,643)     | (117,525)       | (49,221)       | (43,038)        |
|                                                  | 347,403       | 330,120         | 129,415        | 120,444         |
| Remeasurements -                                 |               |                 |                |                 |
| Loss from change in demographic assumptions      | -             | 101,150         | -              | 46,355          |
| Loss/(gain) from change in financial assumptions | 214,325       | (55,619)        | 72,306         | (16,953)        |
| Experience gains                                 | (93,559)      | (60,470)        | (13,839)       | (1,245)         |
|                                                  | 120,766       | (14,939)        | 58,467         | 28,157          |
| Benefits paid                                    | (153,501)     | (129,726)       | (89,121)       | (78,169)        |
| End of year                                      | 3,202,616     | 2,887,948       | 1,311,018      | 1,212,257       |

The amounts recognised in the income statement were as follows:

|                                         | <b>Group</b>  |                 | <b>Company</b> |                 |
|-----------------------------------------|---------------|-----------------|----------------|-----------------|
|                                         | <b>2013</b>   | <b>Restated</b> | <b>2013</b>    | <b>Restated</b> |
|                                         | <b>\$'000</b> | <b>2012</b>     | <b>\$'000</b>  | <b>2012</b>     |
|                                         |               | <b>\$'000</b>   |                | <b>\$'000</b>   |
| Current service cost                    | 174,071       | 167,164         | 50,155         | 48,370          |
| Interest cost                           | 314,975       | 280,481         | 128,481        | 115,112         |
| Past service cost                       | (141,643)     | (117,525)       | (49,221)       | (43,038)        |
| Total included in staff costs (Note 26) | 347,403       | 330,120         | 129,415        | 120,444         |

The total charge was included in administration expenses.

#### 14. Pensions and Other Post-Employment Obligations (Continued)

##### Other post-employment obligations (continued)

The composition of the liability recognised in relation to the other post-employment obligations in the statement of financial position is as follows:

|                                                  | Group          |                            | Company        |                            |
|--------------------------------------------------|----------------|----------------------------|----------------|----------------------------|
|                                                  | 2013<br>\$'000 | Restated<br>2012<br>\$'000 | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
| Gratuity Plan                                    | 778,136        | 867,249                    | 271,522        | 301,266                    |
| Group Life Plan                                  | 491,768        | 347,516                    | 183,595        | 132,841                    |
| Insured Group Health                             | 692,609        | 521,418                    | 228,110        | 178,213                    |
| Self Insured Health Plan                         | 750,091        | 669,424                    | 271,698        | 241,943                    |
| Supplementary Pension Plan                       | 490,012        | 482,341                    | 356,093        | 357,994                    |
| Liability in the statement of financial position | 3,202,616      | 2,887,948                  | 1,311,018      | 1,212,257                  |

The sensitivity of the post-employment medical benefits to changes in the principal assumptions is:

|                        | Group                                 |                           |                           |
|------------------------|---------------------------------------|---------------------------|---------------------------|
|                        | Impact on post-employment obligations |                           |                           |
|                        | Change in<br>Assumption               | Increase in<br>Assumption | Decrease in<br>Assumption |
| Discount rate          | 1%                                    | Decrease by 13.6%         | Increase by 17.3%         |
| Medical inflation rate | 1%                                    | Increase by 17.5%         | Decrease by 14.0%         |

|                        | Company                               |                           |                           |
|------------------------|---------------------------------------|---------------------------|---------------------------|
|                        | Impact on post-employment obligations |                           |                           |
|                        | Change in<br>Assumption               | Increase in<br>Assumption | Decrease in<br>Assumption |
| Discount rate          | 1%                                    | Decrease by 11.8%         | Increase by 14.8%         |
| Medical inflation rate | 1%                                    | Increase by 15.0%         | Decrease by 12.2%         |

##### Risks associated with pension plans and post-employment plans

Through its defined benefit pension plan and other post-employment benefits, the Group is exposed to a number of risks, the most significant of which are detailed below:

##### Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will create a deficit.

As the plan matures, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. This process includes monitoring and rebalancing the asset classes and the maturity profile of assets within these classes. The Government bonds largely represent investments in Government of Jamaica securities.

However, the Group believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Company's long term strategy to manage the plan efficiently.

**GraceKennedy Limited**

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**14. Pensions and Other Post-Employment Obligations (Continued)****Risks associated with pension plans and post-employment plans (continued)****Changes in bond yields**

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

**Inflation risk**

Higher inflation will lead to higher liabilities in the event that discretionary pension increases are granted. The majority of the plan's assets are either unaffected by (fixed interest securities) or loosely correlated with (equities) inflation, meaning that an increase in inflation has the potential to reduce the surplus or create a deficit.

**Life expectancy**

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The Board of Trustees is ultimately responsible for the establishment and oversight of the plan's risk management framework. The Trustees have established an Investment Committee for managing and monitoring the overall risk management process, as well as implementing policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The Committee is responsible for formulating and monitoring investment portfolios and investment strategies for the plan. The Committee is also responsible for approval and monitoring of appropriate trading limits, reports and compliance controls to ensure that the mandate is properly followed. A large portion of assets in 2013 consists of bonds and equities.

Funding levels are monitored on an annual basis and the current agreed contribution rate by the Group is 0.02% of pensionable salaries. The next triennial valuation is due to be completed as at 31 December 2016. The Group considers that the contribution rates set at the last valuation date to be sufficient to prevent a deficit and that regular contributions, which are based on service costs, will not increase significantly.

The average duration of the post-employment obligations is as follows:

| <b>Plans</b>             | <b>Years</b> |  |  |  |
|--------------------------|--------------|--|--|--|
| Gratuity Plan            | 11.6         |  |  |  |
| Group Life Plan          | 14.4         |  |  |  |
| Insured Group Health     | 19.2         |  |  |  |
| Pension Plan             | 17.3         |  |  |  |
| Self Insured Health Plan | 13.7         |  |  |  |
| Superannuation plan      | 7.4          |  |  |  |

Expected maturity analysis of undiscounted pension and other post-employment benefits:

| <b>At 31 December 2013</b>     | <b>Group</b>                           |                                    |                                    |                         |
|--------------------------------|----------------------------------------|------------------------------------|------------------------------------|-------------------------|
|                                | <b>Less than 1<br/>Year<br/>\$'000</b> | <b>2 to 5<br/>Years<br/>\$'000</b> | <b>Over 5<br/>Years<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| Pension benefits               | 372,324                                | 1,931,940                          | 102,333,204                        | 104,637,468             |
| Other post-employment benefits | 185,084                                | 649,356                            | 19,557,702                         | 20,392,142              |
| <b>Total</b>                   | <b>557,408</b>                         | <b>2,581,296</b>                   | <b>121,890,906</b>                 | <b>125,029,610</b>      |

| <b>At 31 December 2013</b>     | <b>Company</b>                         |                                    |                                    |                         |
|--------------------------------|----------------------------------------|------------------------------------|------------------------------------|-------------------------|
|                                | <b>Less than 1<br/>Year<br/>\$'000</b> | <b>2 to 5<br/>Years<br/>\$'000</b> | <b>Over 5<br/>Years<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| Pension benefits               | 253,224                                | 1,264,068                          | 40,847,899                         | 42,365,191              |
| Other post-employment benefits | 84,026                                 | 375,510                            | 6,006,676                          | 6,466,212               |
| <b>Total</b>                   | <b>337,250</b>                         | <b>1,639,578</b>                   | <b>46,854,575</b>                  | <b>48,831,403</b>       |

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**15. Bank and Other Loans**

|                   | <b>Group</b>  |               | <b>Company</b> |               |
|-------------------|---------------|---------------|----------------|---------------|
|                   | <b>2013</b>   | <b>2012</b>   | <b>2013</b>    | <b>2012</b>   |
|                   | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| Secured on assets | 1,970,447     | 2,520,868     | -              | -             |
| Unsecured         | 9,601,343     | 7,817,460     | 3,397,782      | 2,786,394     |
|                   | 11,571,790    | 10,338,328    | 3,397,782      | 2,786,394     |

(a) Unsecured loans of certain subsidiaries are supported by letters of comfort from the parent company. Interest rates on these loans range between 2.51% -13.5% (2012: 2.51% - 12.76%).

(b) Bank and other loans comprise:

|                                            | <b>Group</b>  |               | <b>Company</b> |               |
|--------------------------------------------|---------------|---------------|----------------|---------------|
|                                            | <b>2013</b>   | <b>2012</b>   | <b>2013</b>    | <b>2012</b>   |
|                                            | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| Bank overdrafts (Note 5)                   | 2,527,598     | 1,414,607     | 944,452        | 334,183       |
| Bank borrowings                            | 5,504,371     | 5,671,683     | 1,624,745      | 1,659,349     |
| Finance leases                             | 19,883        | 21,536        | 42,590         | 35,673        |
| Customer deposits                          | -             | 2,926         | -              | -             |
| Derivative financial instruments (Note 37) | 9,544         | 5,828         | -              | -             |
| Other loans                                | 3,510,394     | 3,221,748     | 785,995        | 757,189       |
| Total borrowings                           | 11,571,790    | 10,338,328    | 3,397,782      | 2,786,394     |

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Certain bank borrowings are secured on the assets of subsidiaries that have the loans. All other borrowings are unsecured. Included in bank borrowings is interest payable of \$126,385,000 (2012: \$61,758,000) and \$40,336,000 (2012: \$9,173,000) for the Group and the company, respectively.

Included in bank borrowings and other loans is \$7,973,327,000 (2012: \$5,032,753,000) and \$3,304,092,000 (2012: \$2,237,986,000) for the Group and the company respectively, which matures in the next 12 months.

Included in customer deposits is interest payable of \$Nil (2012: \$23,000) for the Group.

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 6.64% (2012: 6.88%) and are within level 2 of the fair value hierarchy.

(c) Finance lease liabilities – minimum lease payments:

|                                              | <b>Group</b>  |               | <b>Company</b> |               |
|----------------------------------------------|---------------|---------------|----------------|---------------|
|                                              | <b>2013</b>   | <b>2012</b>   | <b>2013</b>    | <b>2012</b>   |
|                                              | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| Not later than 1 year                        | 4,938         | 4,728         | 18,439         | 17,232        |
| Later than 1 year and not later than 5 years | 17,110        | 19,543        | 33,440         | 27,477        |
|                                              | 22,048        | 24,271        | 51,879         | 44,709        |
| Future finance charges on finance leases     | (2,165)       | (2,735)       | (9,289)        | (9,036)       |
| Present value of finance lease liabilities   | 19,883        | 21,536        | 42,590         | 35,673        |

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**15. Bank and Other Loans (Continued)**

- (c) Finance lease liabilities – minimum lease payments (continued):  
The present value of finance lease liabilities is as follows:

|                       | Group          |                | Company        |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Between 1 and 2 years | 8,274          | 7,691          | 25,790         | 22,302         |
| Between 2 and 5 years | 11,609         | 13,845         | 16,800         | 13,371         |
|                       | 19,883         | 21,536         | 42,590         | 35,673         |

**16. Payables**

|                                    | Group          |                | Company        |                |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Trade payables                     | 6,412,286      | 5,879,392      | 718,525        | 660,404        |
| Payable to associates (Note 34(e)) | 384,891        | 179,054        | 184,665        | 49,570         |
| Accruals                           | 2,278,097      | 1,723,299      | 486,745        | 375,735        |
| Claims outstanding                 | 2,625,501      | 2,047,345      | -              | -              |
| Insurance reserves                 | 2,244,394      | 2,353,420      | -              | -              |
| Other payables                     | 1,281,705      | 1,328,053      | 400,330        | 279,314        |
|                                    | 15,226,874     | 13,510,563     | 1,790,265      | 1,365,023      |

All payables balances are due within the next 12 months.

**17. Provisions**

Provisions comprise warranties as follows:

|                       | Group          |                | Company        |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| At beginning of year  | 6,839          | 7,243          | 6,221          | 6,221          |
| Additional provisions | 3,907          | -              | -              | -              |
| Utilised during year  | (3,907)        | (404)          | -              | -              |
| At end of year        | 6,839          | 6,839          | 6,221          | 6,221          |

This relates to warranties given on roofing, which was undertaken by one of the subsidiary companies. The Group is no longer in this line of business and the warranties expire fully in 2036.

## 18. Share Capital

|                         | 2013    | 2012    | 2013      | 2012     |
|-------------------------|---------|---------|-----------|----------|
|                         | '000    | '000    | '000      | '000     |
| Authorised -            |         |         |           |          |
| Ordinary shares         | 400,000 | 400,000 | 400,000   | 400,000  |
| Issued and fully paid - | '000    | '000    | \$'000    | \$'000   |
| Ordinary stock units    | 333,659 | 335,319 | 748,769   | 848,249  |
| Treasury shares         | (1,738) | (518)   | (105,695) | (40,170) |
| Issued and outstanding  | 331,921 | 334,801 | 643,074   | 808,079  |

- (a) During the year, the company issued 2,000 (2012: 2,989,000) shares to its employees for cash of \$100,000 (2012: \$86,173,000). The shares were issued under the Directors, Senior Managers and Permanent Employees Stock Option Plans. The company, under its share buy-back programme which commenced in 2013, repurchased 1,662,000 (2012: Nil) units at a fair value of \$99,580,000 (2012: \$Nil).
- (b) During the year, the company through its employee investment trust sold Nil (2012: 1,677,000) units of its own shares at a fair value of \$Nil (2012: \$80,405,000) and purchased 1,220,000 (2012: 120,000) units at a fair value of \$65,525,000 (2012: \$5,972,000). The total number of treasury shares held by the company at the end of the year was 1,738,000 (2012: 518,000) at a cost of \$105,695,000 (2012: \$40,170,000).
- (c) At the Annual General Meeting held on 25 June 2002, the stockholders passed a resolution for 7,000,000 of the authorised but unissued shares to be set aside for allocation and sale to the directors of the company. The allocation and sale of these shares are governed by the provisions of the 2002 Stock Option Plan for the Directors of GraceKennedy Limited.

On 1 July 2002, under the rules of the Stock Option Plan, the following allocation was made:

|                         | No. of Shares |
|-------------------------|---------------|
| Executive directors     | 5,973,160     |
| Non-executive directors | 600,000       |

The options were granted at a subscription price of \$32.81, being the mid-market price of the company's shares on the Jamaica Stock Exchange at the grant date, and are exercisable over a period of ten years, at the end of which time unexercised options will expire. One-fifth of the total of the grant to each director will vest on each anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

As a result of the issue of bonus shares on 18 December 2002, the amount of shares allocated was increased and the option price per share reduced. The new option price has been set at \$27.34, with adjusted allocations as follows:

|                         | No. of Shares |
|-------------------------|---------------|
| Executive directors     | 7,167,792     |
| Non-executive directors | 720,000       |

At a Board Meeting held on 27 January 2006, the directors passed a resolution for 120,000 of the authorised but unissued shares of \$1.00 each to be set aside for allocation and sale to the directors of the company. The allocation and sale of these shares are governed by the provisions of the 2002 Stock Option Plan for the Directors of GraceKennedy Limited.

The options were granted at a subscription price of \$85.59, being the mid-market price of the company's shares on the Jamaica Stock Exchange at the grant date, and are exercisable over a period of six years, at the end of which time unexercised options will expire. One-fifth of the total of the grant to each director will vest on each anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

Movement on directors' stock options:

|                | 2013              |                       | 2012              |                       |
|----------------|-------------------|-----------------------|-------------------|-----------------------|
|                | Executive<br>'000 | Non-Executive<br>'000 | Executive<br>'000 | Non-Executive<br>'000 |
| At 1 January   | -                 | -                     | 2,546             | 272                   |
| Exercised      | -                 | -                     | (2,546)           | (192)                 |
| Expired        | -                 | -                     | -                 | (80)                  |
| At 31 December | -                 | -                     | -                 | -                     |

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**18. Share Capital (Continued)**

- (d) At the Annual General Meeting held on 29 May 2003, the stockholders passed a resolution for 10,000,000 of the authorised but unissued shares to be set aside for allocation and sale to the managers of the company. The allocation and sale of these shares will be governed by the provisions of the 2003 Stock Option Plan for the Managers of GraceKennedy Limited.

On 6 January 2012, under the rules of the Stock Option Plan, the following allocation was made:

|                 | <b>No. of Shares</b> |
|-----------------|----------------------|
| Senior managers | 2,932,008            |

The options were granted at a subscription price of \$50.83, being the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous ten days prior to the grant date, and are exercisable over a period of six years, at the end of which time unexercised options will expire. One-third of the total of the grant to each senior manager will vest on each anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

Movement on this option:

|                       | <b>2013<br/>'000</b> | <b>2012<br/>'000</b> |
|-----------------------|----------------------|----------------------|
| <b>At 1 January</b>   | 2,683                | 2,753                |
| Exercised             | (2)                  | (8)                  |
| Forfeited             | (212)                | (62)                 |
| <b>At 31 December</b> | 2,469                | 2,683                |

- (e) At the Annual General Meeting held on 28 May 2008, the stockholders passed a resolution for 10,000,000 of the authorised but unissued shares of no par value to be set aside for allocation and sale to the permanent employees of the company. The allocation and sale of these shares will be governed by the provisions of the 2008 Stock Offer Plan for the permanent employees of GraceKennedy Limited.

On 1 March 2012, under the rules of the Stock Offer Plan, the following allocation was made:

|                     | <b>No. of Shares</b> |
|---------------------|----------------------|
| Permanent employees | 2,739,440            |

The options were granted quarterly at subscription prices ranging between \$39.30 to \$46.81, being the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous ten trading days prior to the dates on which the grants were made less a 25% discount, and are exercisable over a period of three months, at the end of which time unexercised options will expire. The total of the grant to each permanent employee was fully vested at the date of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

|                                 | <b>2013<br/>'000</b> | <b>2012<br/>'000</b> |
|---------------------------------|----------------------|----------------------|
| <b>Movement on this option:</b> |                      |                      |
| <b>At 1 January</b>             | -                    | 1,279                |
| Exercised                       | -                    | (198)                |
| Expired                         | -                    | (1,081)              |
| <b>At 31 December</b>           | -                    | -                    |

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**18. Share Capital (Continued)**

- (f) At the Annual General Meeting held on 27 May 2009, the stockholders passed a resolution for authorised but unissued shares up to a maximum of 7½% of the total number of issued shares of no par value to be set aside for allocation and sale to the directors, managers and employees of the company. The allocation and sale of these shares will be governed by the provisions of the 2009 Stock Offer Plan for the directors, managers and employees of GraceKennedy Limited

On 3 January 2012, under the rules of the Stock Offer Plan, the following allocation was made:

|           | <b>No. of Shares</b> |
|-----------|----------------------|
| Directors | 361,728              |

The options were granted at a subscription price of \$50.26, being the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous three days prior to the grant date, and are exercisable over a period of six years, at the end of which time unexercised options will expire. The total of the grant to each director will fully vest on the third anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

|                                 | <b>2013<br/>'000</b> | <b>2012<br/>'000</b> |
|---------------------------------|----------------------|----------------------|
| <b>Movement on this option:</b> |                      |                      |
| <b>At 1 January</b>             | 226                  | 317                  |
| Exercised                       | -                    | (45)                 |
| Forfeited                       | -                    | (46)                 |
| <b>At 31 December</b>           | 226                  | 226                  |

On 8 December 2012, under the rules of the Stock Offer Plan, the following allocation was made:

|                                 | <b>No. of Shares</b> |
|---------------------------------|----------------------|
| Directors and senior executives | 1,136,160            |

The options were granted at a subscription price of \$60.20, being the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous three days prior to the grant date, and are exercisable over a period of six years, at the end of which time unexercised options will expire. The total of the grant to each director and senior executive will fully vest on the third anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

|                                 | <b>2013<br/>'000</b> | <b>2012<br/>'000</b> |
|---------------------------------|----------------------|----------------------|
| <b>Movement on this option:</b> |                      |                      |
| <b>At 1 January</b>             | 1,103                | 1,136                |
| Forfeited                       | -                    | (33)                 |
| <b>At 31 December</b>           | 1,103                | 1,103                |

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**18. Share Capital (Continued)**

(g) Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

|                       | 2013                                         |                 | 2012                                         |                 |
|-----------------------|----------------------------------------------|-----------------|----------------------------------------------|-----------------|
|                       | Average<br>exercise price<br>in \$ per share | Options<br>'000 | Average<br>exercise price<br>in \$ per share | Options<br>'000 |
| <b>At 1 January</b>   | 53.65                                        | 4,012           | 43.74                                        | 8,303           |
| Forfeited             | 50.83                                        | (212)           | 53.07                                        | (141)           |
| Exercised             | 50.83                                        | (2)             | 28.83                                        | (2,989)         |
| Expired               | -                                            | -               | 46.74                                        | (1,161)         |
| <b>At 31 December</b> | 53.81                                        | 3,798           | 53.65                                        | 4,012           |

Shares totalling 1,857,000 (2012: 1,000,000) are exercisable at the statement of financial position date.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

|      |                                      | 2013            | 2012            |
|------|--------------------------------------|-----------------|-----------------|
|      | Exercise<br>price in \$ per<br>share | Options<br>'000 | Options<br>'000 |
| 2016 | 50.78                                | 2,695           | 2,909           |
| 2017 | 61.20                                | 1,103           | 1,103           |
|      |                                      | 3,798           | 4,012           |

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**18. Share Capital (Continued)**

- (h) The fair value of options granted determined using the Black-Scholes valuation model was \$130,945,000. The significant inputs into the model were the weighted average share prices of \$51.00, \$55.65 and \$61.20 at the grant dates, exercise prices of \$50.83, \$41.67 and \$61.20, standard deviation of expected share price returns of 33.2%, option life of six years and three months and risk-free interest rates of 7.48%, 6.51% and 6.28%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the term of the options.

The breakdown of the fair value of options granted is as follows:

|                                         | <b>\$'000</b> |
|-----------------------------------------|---------------|
| Fair value of options granted           | 130,945       |
| Expensed in 2011                        | (73,687)      |
| Expensed in 2012                        | (22,828)      |
| Expensed in 2013                        | (15,749)      |
| Amount to be expensed in future periods | 18,681        |

- (i) During 2013 Nil shares were sold to key management personnel through the employee investment trust. On 14 December 2012, 1,677,000 shares were sold to key management personnel through the employee investment trust at a discount of 14% from the average of the last 3 trading days' closing prices of the stock as at 26 November 2012. The cost of the discount of \$11,434,000 was expensed in 2012.

**19. Capital and Fair Value Reserves**

|                                                                              | <b>Group</b>           |                          |                            |               |                        |                          |                            |               |
|------------------------------------------------------------------------------|------------------------|--------------------------|----------------------------|---------------|------------------------|--------------------------|----------------------------|---------------|
|                                                                              | <b>Capital Reserve</b> | <b>Loan Loss Reserve</b> | <b>Fair Value Reserves</b> | <b>Total</b>  | <b>Capital Reserve</b> | <b>Loan Loss Reserve</b> | <b>Fair Value Reserves</b> | <b>Total</b>  |
|                                                                              | <b>2013</b>            |                          |                            |               | <b>2012</b>            |                          |                            |               |
|                                                                              | <b>\$'000</b>          | <b>\$'000</b>            | <b>\$'000</b>              | <b>\$'000</b> | <b>\$'000</b>          | <b>\$'000</b>            | <b>\$'000</b>              | <b>\$'000</b> |
| Realised gains on disposal of assets                                         | 87,487                 | -                        | -                          | 87,487        | 87,487                 | -                        | -                          | 87,487        |
| Capital distributions received                                               | 46,750                 | -                        | -                          | 46,750        | 46,750                 | -                        | -                          | 46,750        |
| Realised gain on sale of shares                                              | 89,565                 | -                        | -                          | 89,565        | 89,565                 | -                        | -                          | 89,565        |
| Profits capitalised by Group companies                                       | 2,302,086              | -                        | -                          | 2,302,086     | 2,302,248              | -                        | -                          | 2,302,248     |
| Unrealised surplus on the revaluation of fixed assets, net of deferred taxes | -                      | -                        | 1,386,329                  | 1,386,329     | -                      | -                        | 1,279,407                  | 1,279,407     |
| Fair value (losses)/ gains, net of deferred taxes                            | -                      | -                        | (169,622)                  | (169,622)     | -                      | -                        | 399,834                    | 399,834       |
| Loan loss reserve                                                            | -                      | 516,708                  | -                          | 516,708       | -                      | 392,424                  | -                          | 392,424       |
| Catastrophe reserve                                                          | 12,270                 | -                        | -                          | 12,270        | 12,270                 | -                        | -                          | 12,270        |
| Other                                                                        | 84,811                 | -                        | -                          | 84,811        | 85,319                 | -                        | -                          | 85,319        |
|                                                                              | 2,622,969              | 516,708                  | 1,216,707                  | 4,356,384     | 2,623,639              | 392,424                  | 1,679,241                  | 4,695,304     |

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**19. Capital and Fair Value Reserves (Continued)**

|                                                                              | Company         |                     |         |                 |                     |         |
|------------------------------------------------------------------------------|-----------------|---------------------|---------|-----------------|---------------------|---------|
|                                                                              | Capital Reserve | Fair Value Reserves | Total   | Capital Reserve | Fair Value Reserves | Total   |
|                                                                              | 2013            |                     |         | 2012            |                     |         |
|                                                                              | \$'000          | \$'000              | \$'000  | \$'000          | \$'000              | \$'000  |
| Capital distributions received                                               | 24,507          | -                   | 24,507  | 24,507          | -                   | 24,507  |
| Unrealised surplus on the revaluation of fixed assets, net of deferred taxes | -               | 22,079              | 22,079  | -               | 22,040              | 22,040  |
| Fair value gains, net of deferred taxes                                      | -               | 198,005             | 198,005 | -               | 259,745             | 259,745 |
|                                                                              | 24,507          | 220,084             | 244,591 | 24,507          | 281,785             | 306,292 |

**20. Banking Reserves**

Banking reserves represent both those reserves required to be maintained by the banking subsidiary, First Global Bank Limited (FGB), in compliance with the Jamaica Banking Act; as well as additional reserves that the Banking Act permits FGB to transfer from net profit to constitute part of its capital base for purposes of determining the maximum level of deposit liabilities and lending to customers.

**21. Non - Controlling Interests**

|                                                          | 2013<br>\$'000 | 2012<br>\$'000 |
|----------------------------------------------------------|----------------|----------------|
| <b>Beginning of year as previously stated</b>            | 1,332,340      | 1,276,509      |
| Effect of changes in accounting standard                 | (166,828)      | (171,009)      |
| <b>Beginning of year as restated</b>                     | 1,165,512      | 1,105,500      |
| Share of total comprehensive income, as restated:        |                |                |
| Share of net profit of subsidiaries                      | 572,430        | 307,444        |
| Revaluation surplus                                      | -              | 6,169          |
| Remeasurement of post-employment benefit obligations     | (5,405)        | 13,288         |
| Other                                                    | 22,556         | 11,030         |
|                                                          | 589,581        | 337,931        |
| Disposal of non-controlling interest                     | -              | (49,111)       |
| Employee share option scheme: value of services received | 254            | 611            |
| Dividends paid                                           | (287,647)      | (229,419)      |
| <b>End of year</b>                                       | 1,467,700      | 1,165,512      |

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company further does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

The total non-controlling interest for the period is \$1,467,700,000 of which \$491,103,000 is for Hardware and Lumber Limited and \$976,551,000 is for GraceKennedy Money Services Caribbean SRL. The non-controlling interest in respect of other subsidiaries is not material.

## 21. Non - Controlling Interests (Continued)

### Summarised financial information on subsidiaries with material non-controlling interests.

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

#### Summarised statement of financial position

|                              | Hardware & Lumber Limited |                | GraceKennedy Money Services Caribbean SRL |                |
|------------------------------|---------------------------|----------------|-------------------------------------------|----------------|
|                              | 2013<br>\$'000            | 2012<br>\$'000 | 2013<br>\$'000                            | 2012<br>\$'000 |
| <b>Current</b>               |                           |                |                                           |                |
| Assets                       | 2,195,000                 | 1,815,386      | 5,344,013                                 | 4,780,966      |
| Liabilities                  | (1,094,176)               | (902,823)      | (1,887,475)                               | (1,590,298)    |
| Total current net assets     | 1,100,824                 | 912,563        | 3,456,538                                 | 3,190,668      |
| <b>Non-current</b>           |                           |                |                                           |                |
| Assets                       | 621,821                   | 419,418        | 692,275                                   | 540,437        |
| Liabilities                  | (550,561)                 | (650,177)      | (242,609)                                 | (211,947)      |
| Total non-current net assets | 71,260                    | (230,759)      | 449,666                                   | 328,490        |
| Net assets                   | 1,172,084                 | 681,804        | 3,906,204                                 | 3,519,158      |

#### Summarised income statement

|                                                                  | Hardware & Lumber Limited |                | GraceKennedy Money Services Caribbean SRL |                |
|------------------------------------------------------------------|---------------------------|----------------|-------------------------------------------|----------------|
|                                                                  | 2013<br>\$'000            | 2012<br>\$'000 | 2013<br>\$'000                            | 2012<br>\$'000 |
| Revenue                                                          | 6,810,600                 | 6,291,683      | 5,543,657                                 | 4,845,486      |
| Profit before income tax                                         | 814,420                   | 120,609        | 1,895,593                                 | 1,611,497      |
| Taxation expense                                                 | (215,763)                 | (122,320)      | (609,223)                                 | (401,731)      |
| Profit after tax                                                 | 598,657                   | (1,711)        | 1,286,370                                 | 1,209,766      |
| Other comprehensive income                                       | (84,422)                  | 52,876         | 210,099                                   | 1,575          |
| Total comprehensive income                                       | 514,235                   | 51,165         | 1,496,469                                 | 1,211,341      |
| Total comprehensive income allocated to non-controlling interest | 215,464                   | 21,438         | 374,117                                   | 302,835        |
| Dividends paid to non-controlling interest                       | (10,162)                  | (4,234)        | (277,485)                                 | (222,441)      |

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**21. Non - Controlling Interests (Continued)****Summarised financial information on subsidiaries with material non-controlling interests (continued)**

Summarised cash flows

|                                                        | Hardware & Lumber Limited |                | GraceKennedy Money Services Caribbean SRL |                |
|--------------------------------------------------------|---------------------------|----------------|-------------------------------------------|----------------|
|                                                        | 2013<br>\$'000            | 2012<br>\$'000 | 2013<br>\$'000                            | 2012<br>\$'000 |
| <b>Cash flows from operating activities</b>            |                           |                |                                           |                |
| Cash generated from operations                         | 488,855                   | 419,908        | 1,952,115                                 | 2,402,696      |
| Interest paid                                          | (49,350)                  | (61,745)       | (418)                                     | (959)          |
| Income tax recovered/(paid)                            | 1,935                     | 451            | (591,441)                                 | (493,619)      |
| Net cash generated from operating activities           | 441,440                   | 358,614        | 1,360,256                                 | 1,908,118      |
| Net cash used in investing activities                  | (38,360)                  | (49,137)       | (81,238)                                  | (299,271)      |
| Net cash used in financing activities                  | (191,554)                 | (423,200)      | (1,077,584)                               | (891,497)      |
| <b>Net increase/(decrease) in and cash equivalents</b> | 211,526                   | (113,723)      | 201,434                                   | 717,350        |
| Cash and cash equivalents at the beginning of year     | 205,936                   | 319,659        | 3,419,419                                 | 2,676,316      |
| Exchange gains on cash and cash equivalents            | 430                       | -              | 64,471                                    | 25,753         |
| Cash and cash equivalents at end of year               | 417,892                   | 205,936        | 3,685,324                                 | 3,419,419      |

The information above represents amounts before intercompany eliminations.

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**22. Segment Information**

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Group has five reportable segments which are based on the different types of products and services that it offers. These products and services are described in its principal activities (Note 1). The reportable segments derive their revenue primarily from food trading and financial services as well as retail trading. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies (Note 2). The Group evaluates performance on the basis of profit or loss before tax expense not including post-employment benefits, share-based payments and net corporate central office costs which are shown in unallocated amounts.

The segment information provided to management for the reportable segments is as follows:

**Operating segments**

|                                                | 2013              |                     |                          |                  |                   |                             |                    |
|------------------------------------------------|-------------------|---------------------|--------------------------|------------------|-------------------|-----------------------------|--------------------|
|                                                | Food<br>Trading   | Retail &<br>Trading | Banking &<br>Investments | Insurance        | Money<br>Services | Unallocated/<br>Elimination | Group              |
|                                                | \$'000            | \$'000              | \$'000                   | \$'000           | \$'000            | \$'000                      | \$'000             |
| <b>REVENUE</b>                                 |                   |                     |                          |                  |                   |                             |                    |
| External sales                                 | 44,608,196        | 6,807,304           | 5,537,587                | 4,760,758        | 5,543,657         | -                           | 67,257,502         |
| Inter-segment sales                            | 288,460           | 3,296               | 21,384                   | 398,330          | -                 | (711,470)                   | -                  |
| <b>Total Revenue</b>                           | <b>44,896,656</b> | <b>6,810,600</b>    | <b>5,558,971</b>         | <b>5,159,088</b> | <b>5,543,657</b>  | <b>(711,470)</b>            | <b>67,257,502</b>  |
| Operating results                              | 1,297,681         | 383,563             | 675,617                  | 108,891          | 1,877,788         | 65,797                      | 4,409,337          |
| Unallocated income                             | -                 | -                   | -                        | -                | -                 | 645,755                     | 645,755            |
| Profit from operations                         | -                 | -                   | -                        | -                | -                 | -                           | 5,055,092          |
| Finance income                                 | 10,473            | 5,919               | 8,841                    | 13,751           | 42,267            | 221,220                     | 302,471            |
| Finance expense                                | (341,459)         | (46,752)            | (65,047)                 | (8,822)          | (418)             | (80,041)                    | (542,539)          |
| Share of results of associates                 | 179,115           | -                   | 72,799                   | 8,261            | -                 | -                           | 260,175            |
| <b>Profit before taxation</b>                  | <b>1,145,810</b>  | <b>342,730</b>      | <b>692,210</b>           | <b>122,081</b>   | <b>1,919,637</b>  | <b>852,731</b>              | <b>5,075,199</b>   |
| Taxation                                       |                   |                     |                          |                  |                   |                             | (1,281,135)        |
| <b>Net Profit</b>                              |                   |                     |                          |                  |                   |                             | <b>3,794,064</b>   |
| Operating assets                               | 27,713,406        | 2,742,010           | 59,168,041               | 9,647,270        | 5,734,275         | (4,433,980)                 | 100,571,022        |
| Investment in associates                       | 562,364           | -                   | 398,970                  | 57,499           | 10,133            | -                           | 1,028,966          |
| Unallocated assets                             | -                 | -                   | -                        | -                | -                 | 7,043,318                   | 7,043,318          |
| <b>Total assets</b>                            | <b>28,275,770</b> | <b>2,742,010</b>    | <b>59,567,011</b>        | <b>9,704,769</b> | <b>5,744,408</b>  | <b>2,609,338</b>            | <b>108,643,306</b> |
| Operating liabilities                          | 14,205,190        | 1,299,057           | 50,720,962               | 6,131,419        | 1,636,467         | (4,345,486)                 | 69,647,609         |
| Unallocated liabilities                        | -                 | -                   | -                        | -                | -                 | 4,762,313                   | 4,762,313          |
| <b>Total liabilities</b>                       | <b>14,205,190</b> | <b>1,299,057</b>    | <b>50,720,962</b>        | <b>6,131,419</b> | <b>1,636,467</b>  | <b>416,827</b>              | <b>74,409,922</b>  |
| <b>Other segment items</b>                     |                   |                     |                          |                  |                   |                             |                    |
| Additions to non-current assets <sup>(b)</sup> | 478,609           | 39,060              | 441,569                  | 115,651          | 106,804           | -                           | 1,181,693          |
| Depreciation                                   | (454,110)         | (42,676)            | (74,753)                 | (40,723)         | (75,350)          | -                           | (687,612)          |
| Amortisation                                   | (165,836)         | (5,076)             | (90,617)                 | (80,507)         | (9,255)           | -                           | (351,291)          |
| Impairment                                     | (21,096)          | -                   | -                        | -                | -                 | -                           | (21,096)           |

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**22. Segment Information****Operating segments (continued)**

|                                                   | 2012 Restated             |                               |                                    |                     |                             |                                       |                    |
|---------------------------------------------------|---------------------------|-------------------------------|------------------------------------|---------------------|-----------------------------|---------------------------------------|--------------------|
|                                                   | Food<br>Trading<br>\$'000 | Retail &<br>Trading<br>\$'000 | Banking &<br>Investments<br>\$'000 | Insurance<br>\$'000 | Money<br>Services<br>\$'000 | Unallocated/<br>Elimination<br>\$'000 | Group<br>\$'000    |
| <b>REVENUE</b>                                    |                           |                               |                                    |                     |                             |                                       |                    |
| External sales                                    | 40,208,345                | 6,284,645                     | 5,345,443                          | 4,656,411           | 4,845,424                   | -                                     | 61,340,268         |
| Inter-segment sales                               | 257,546                   | 7,037                         | 23,859                             | 389,277             | 62                          | (677,781)                             | -                  |
| <b>Total Revenue</b>                              | <b>40,465,891</b>         | <b>6,291,682</b>              | <b>5,369,302</b>                   | <b>5,045,688</b>    | <b>4,845,486</b>            | <b>(677,781)</b>                      | <b>61,340,268</b>  |
| Operating results                                 | 1,054,327                 | 193,392                       | 675,403                            | 384,333             | 1,573,376                   | 63,681                                | 3,944,512          |
| Unallocated income                                | -                         | -                             | -                                  | -                   | -                           | 252,711                               | 252,711            |
| Profit from operations                            | -                         | -                             | -                                  | -                   | -                           | -                                     | 4,197,223          |
| Finance income                                    | 31,039                    | 5,681                         | 24,358                             | 16,589              | 77,651                      | 194,295                               | 349,613            |
| Finance expense                                   | (383,596)                 | (67,708)                      | (104,980)                          | (7,324)             | (959)                       | (53,872)                              | (618,439)          |
| Share of results of<br>associates                 | 111,304                   | -                             | 55,206                             | 7,497               | -                           | -                                     | 174,007            |
| <b>Profit before taxation</b>                     | <b>813,074</b>            | <b>131,365</b>                | <b>649,987</b>                     | <b>401,095</b>      | <b>1,650,068</b>            | <b>456,815</b>                        | <b>4,102,404</b>   |
| Taxation                                          |                           |                               |                                    |                     |                             |                                       | (316,072)          |
| <b>Net Profit</b>                                 |                           |                               |                                    |                     |                             |                                       | <b>3,786,332</b>   |
| Operating assets                                  | 23,264,775                | 2,382,281                     | 58,333,278                         | 9,030,905           | 5,061,582                   | (3,027,875)                           | 95,044,946         |
| Investment in associates                          | 491,436                   | -                             | 348,220                            | 49,238              | 10,133                      | -                                     | 899,027            |
| Unallocated assets                                | -                         | -                             | -                                  | -                   | -                           | 8,175,471                             | 8,175,471          |
| <b>Total assets</b>                               | <b>23,756,211</b>         | <b>2,382,281</b>              | <b>58,681,498</b>                  | <b>9,080,143</b>    | <b>5,071,715</b>            | <b>5,147,596</b>                      | <b>104,119,444</b> |
| Operating liabilities                             | 12,326,011                | 1,259,741                     | 50,289,975                         | 5,510,379           | 1,284,325                   | (3,334,842)                           | 67,335,589         |
| Unallocated liabilities                           | -                         | -                             | -                                  | -                   | -                           | 4,915,506                             | 4,915,506          |
| <b>Total liabilities</b>                          | <b>12,326,011</b>         | <b>1,259,741</b>              | <b>50,289,975</b>                  | <b>5,510,379</b>    | <b>1,284,325</b>            | <b>1,580,664</b>                      | <b>72,251,095</b>  |
| <b>Other segment items</b>                        |                           |                               |                                    |                     |                             |                                       |                    |
| Additions to non-current<br>assets <sup>(b)</sup> | 503,086                   | 50,727                        | 289,912                            | 93,326              | 86,635                      | -                                     | 1,023,686          |
| Depreciation                                      | (448,883)                 | (51,188)                      | (67,730)                           | (39,171)            | (76,933)                    | -                                     | (683,905)          |
| Amortisation                                      | (143,332)                 | (6,812)                       | (36,542)                           | (80,865)            | (11,327)                    | -                                     | (278,878)          |

## 22. Segment Information

### Operating segments (continued)

The profit or loss, assets and liabilities for reportable segments are reconciled to the totals for profit or loss, assets and liabilities as follows:

|                                   | Profit before taxation |                            | Assets         |                            | Liabilities    |                            |
|-----------------------------------|------------------------|----------------------------|----------------|----------------------------|----------------|----------------------------|
|                                   | 2013<br>\$'000         | Restated<br>2012<br>\$'000 | 2013<br>\$'000 | Restated<br>2012<br>\$'000 | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
| Total for reportable segments     | 4,222,468              | 3,645,589                  | 106,033,968    | 98,971,848                 | 73,993,095     | 70,670,431                 |
| Inter-segment eliminations        | -                      | -                          | (4,433,980)    | (3,027,875)                | (4,345,486)    | (3,334,842)                |
| <b>Unallocated amounts:</b>       |                        |                            |                |                            |                |                            |
| Corporate central office results  | 954,032                | 583,763                    | -              | -                          | -              | -                          |
| Post-employment benefits          | (85,552)               | (92,686)                   | -              | -                          | -              | -                          |
| Share-based payments              | (15,749)               | (34,262)                   | -              | -                          | -              | -                          |
| Taxation recoverable              | -                      | -                          | 582,985        | 911,888                    | -              | -                          |
| Deferred tax assets               | -                      | -                          | 953,864        | 1,421,327                  | -              | -                          |
| Pension plan asset                | -                      | -                          | 5,506,469      | 5,842,256                  | -              | -                          |
| Taxation                          | -                      | -                          | -              | -                          | 291,182        | 300,557                    |
| Deferred tax liabilities          | -                      | -                          | -              | -                          | 1,268,515      | 1,727,001                  |
| Other post-employment obligations | -                      | -                          | -              | -                          | 3,202,616      | 2,887,948                  |
| Total unallocated                 | 852,731                | 456,815                    | 7,043,318      | 8,175,471                  | 4,762,313      | 4,915,506                  |
| Total per financial statements    | 5,075,199              | 4,102,404                  | 108,643,306    | 104,119,444                | 74,409,922     | 72,251,095                 |

### Geographical information

|                           | Revenue <sup>(a)</sup> |                | Non-current assets <sup>(b)</sup> |                            |
|---------------------------|------------------------|----------------|-----------------------------------|----------------------------|
|                           | 2013<br>\$'000         | 2012<br>\$'000 | 2013<br>\$'000                    | Restated<br>2012<br>\$'000 |
| Jamaica                   | 43,040,726             | 40,598,571     | 8,333,375                         | 8,059,701                  |
| United Kingdom            | 10,255,588             | 8,751,317      | 1,536,909                         | 1,378,795                  |
| United States of America  | 4,909,927              | 4,344,814      | 614                               | 517                        |
| Canada                    | 4,132,025              | 3,448,573      | 25,312                            | 26,217                     |
| Other Caribbean countries | 3,798,290              | 3,457,967      | 869,922                           | 791,010                    |
| Other European countries  | 909,280                | 579,464        | -                                 | -                          |
| Africa                    | 78,955                 | 41,269         | -                                 | -                          |
| Other countries           | 132,711                | 118,293        | -                                 | -                          |
| Total                     | 67,257,502             | 61,340,268     | 10,766,132                        | 10,256,240                 |

<sup>(a)</sup> Revenue is attributed to countries on the basis of the customer's location.

<sup>(b)</sup> For the purposes of segment information, non-current assets exclude financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

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**23. Revenues**

|                                                | Group          |                | Company        |                |
|------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Sales of products                              | 51,415,500     | 46,492,990     | 13,641,116     | 13,249,138     |
| Sales of services                              | 5,535,171      | 4,844,273      | -              | -              |
| Financial services income                      | 5,787,333      | 5,658,002      | -              | -              |
| Interest income on investments classified as – |                |                |                |                |
| Available-for-sale securities                  | 2,656,005      | 2,712,388      | -              | -              |
| Interest income on loans receivable            | 1,863,493      | 1,632,615      | -              | -              |
|                                                | 67,257,502     | 61,340,268     | 13,641,116     | 13,249,138     |

**24. Expense by Nature**

|                                                         | Group          |                | Company        |                |
|---------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                         | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Auditors' remuneration                                  | 129,312        | 121,144        | 13,894         | 14,615         |
| Advertising and marketing                               | 2,007,667      | 1,816,135      | 488,459        | 557,813        |
| Amortisation of intangibles                             | 351,291        | 278,878        | 98,843         | 62,933         |
| Cost of inventory recognised as expense                 | 37,914,773     | 34,546,202     | 10,505,341     | 10,134,867     |
| Depreciation                                            | 687,612        | 683,905        | 71,222         | 71,911         |
| Impairment                                              | 21,096         | -              | 21,096         | -              |
| Insurance                                               | 574,084        | 536,419        | 95,841         | 86,016         |
| Interest expense and other financial services expenses  | 5,549,432      | 5,273,129      | -              | -              |
| Legal, professional and other fees                      | 1,603,549      | 1,448,600      | 436,853        | 432,111        |
| Occupancy costs - Lease rental charges, utilities, etc. | 2,251,590      | 1,860,108      | 758,348        | 769,908        |
| Repairs and maintenance expenditure                     | 469,327        | 457,905        | 13,280         | 16,046         |
| Staff costs (Note 26)                                   | 9,082,723      | 8,257,540      | 2,525,857      | 1,911,167      |
| Transportation                                          | 1,235,023      | 1,162,596      | 302,304        | 297,900        |
| Other expenses                                          | 2,035,563      | 1,736,218      | 608,564        | 511,338        |
|                                                         | 63,913,042     | 58,178,779     | 15,939,902     | 14,866,625     |

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**25. Other Income**

|                                                 | <b>Group</b>           |                        | <b>Company</b>         |                        |
|-------------------------------------------------|------------------------|------------------------|------------------------|------------------------|
|                                                 | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> |
| Dividend income                                 | 11,873                 | 4,211                  | 1,383,097              | 1,489,664              |
| Net foreign exchange gains                      | 761,613                | 241,787                | 443,784                | 105,317                |
| Gain on disposal of investments                 | 132,995                | 41,693                 | 24,669                 | 8,681                  |
| Gain/(loss) on disposal of fixed assets         | 7,645                  | (2,073)                | 8                      | (554)                  |
| Fees and commissions                            | 208,263                | 139,621                | 1,682,745              | 1,463,868              |
| Interest income – available-for-sale securities | 271,466                | 302,478                | -                      | -                      |
| Rebates, reimbursements and recoveries          | 211,630                | 221,687                | 374,283                | 380,783                |
| Miscellaneous                                   | 105,147                | 86,330                 | 13,699                 | 2,520                  |
|                                                 | <b>1,710,632</b>       | <b>1,035,734</b>       | <b>3,922,285</b>       | <b>3,450,279</b>       |

**26. Staff Costs**

|                                                                | <b>Group</b>           |                        | <b>Company</b>         |                        |
|----------------------------------------------------------------|------------------------|------------------------|------------------------|------------------------|
|                                                                | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> |
| Wages and salaries                                             | 6,807,558              | 6,110,537              | 1,517,883              | 1,426,854              |
| Pension (Note 14)                                              | (107,596)              | (106,270)              | 394,894                | (135,602)              |
| Pension contributions to defined contribution scheme (Note 14) | 93,968                 | 65,010                 | 18,218                 | 10,955                 |
| Other post-employment benefits (Note 14)                       | 347,403                | 330,120                | 129,415                | 120,444                |
| Share options granted to employees                             | 15,749                 | 34,262                 | 13,188                 | 28,108                 |
| Statutory contributions                                        | 611,427                | 594,814                | 148,188                | 134,264                |
| Other costs                                                    | 1,314,214              | 1,229,067              | 304,071                | 326,144                |
|                                                                | <b>9,082,723</b>       | <b>8,257,540</b>       | <b>2,525,857</b>       | <b>1,911,167</b>       |

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**27. Taxation**

Taxation is based on the profit for the year adjusted for taxation purposes:

|                                    | <b>Group</b>     |                 | <b>Company</b> |                  |
|------------------------------------|------------------|-----------------|----------------|------------------|
|                                    | <b>2013</b>      | <b>Restated</b> | <b>2013</b>    | <b>Restated</b>  |
|                                    | <b>\$'000</b>    | <b>2012</b>     | <b>\$'000</b>  | <b>2012</b>      |
|                                    |                  | <b>\$'000</b>   |                | <b>\$'000</b>    |
| Current tax                        | 1,041,333        | 799,321         | 208,793        | 53,781           |
| Adjustment to prior year provision | (65,262)         | 27,470          | (1,227)        | -                |
| Deferred tax (Note 13)             | 305,064          | (510,719)       | (117,861)      | (579,651)        |
|                                    | <b>1,281,135</b> | <b>316,072</b>  | <b>89,705</b>  | <b>(525,870)</b> |

The tax on the Group's and company's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the company as follows:

|                                                               | <b>Group</b>     |                 | <b>Company</b> |                  |
|---------------------------------------------------------------|------------------|-----------------|----------------|------------------|
|                                                               | <b>2013</b>      | <b>Restated</b> | <b>2013</b>    | <b>Restated</b>  |
|                                                               | <b>\$'000</b>    | <b>2012</b>     | <b>\$'000</b>  | <b>2012</b>      |
|                                                               |                  | <b>\$'000</b>   |                | <b>\$'000</b>    |
| Profit before tax                                             | 5,075,199        | 4,102,404       | 1,723,978      | 1,952,809        |
| Tax calculated at a tax rate of 33½%                          | 1,691,733        | 1,367,468       | 574,659        | 650,936          |
| Adjusted for the effects of:                                  |                  |                 |                |                  |
| Different tax rates in other countries                        | (114,565)        | (105,505)       | -              | -                |
| Change in tax rate of unregulated Jamaican companies          | (45,218)         | (498,491)       | (35,013)       | (606,643)        |
| Income not subject to tax                                     | (248,012)        | (341,406)       | (445,679)      | (531,577)        |
| Expenses not deductible for tax purposes                      | 166,349          | 121,891         | 16,433         | 13,549           |
| Adjustment to prior year provision                            | (65,262)         | 27,470          | (1,227)        | -                |
| Share of profits of associates included net of tax            | (86,725)         | (58,002)        | -              | -                |
| Recognition/utilisation of previously unrecognised tax losses | -                | (142,564)       | -              | -                |
| Recognition of previously unrecognised tax credits            | (16,087)         | (53,781)        | (16,087)       | (53,781)         |
| Other                                                         | (1,078)          | (1,008)         | (3,381)        | 1,646            |
| Tax expense/(credit)                                          | <b>1,281,135</b> | <b>316,072</b>  | <b>89,705</b>  | <b>(525,870)</b> |

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**27. Taxation (Continued)**

The tax (charge)/credit relating to components of other comprehensive income is as follows:

|                                                                      | Group                   |                                      |                        |                         |                                      |                        |
|----------------------------------------------------------------------|-------------------------|--------------------------------------|------------------------|-------------------------|--------------------------------------|------------------------|
|                                                                      | 2013                    |                                      |                        | 2012 Restated           |                                      |                        |
|                                                                      | Before<br>tax<br>\$'000 | Tax<br>(charge)/<br>credit<br>\$'000 | After<br>tax<br>\$'000 | Before<br>tax<br>\$'000 | Tax<br>(charge)/<br>credit<br>\$'000 | After<br>tax<br>\$'000 |
| <i>Items that will not be reclassified to profit or loss</i>         |                         |                                      |                        |                         |                                      |                        |
| Revaluation surplus                                                  | 126,948                 | (25,092)                             | 101,856                | 387,951                 | (36,037)                             | 351,914                |
| Remeasurement of post-employment benefits obligations                | (564,903)               | 78,651                               | (486,252)              | (1,774,434)             | 460,259                              | (1,314,175)            |
|                                                                      | (437,955)               | 53,559                               | (384,396)              | (1,386,483)             | 424,222                              | (962,261)              |
| <i>Items that may be subsequently reclassified to profit or loss</i> |                         |                                      |                        |                         |                                      |                        |
| Foreign currency translation adjustments                             | 682,573                 | -                                    | 682,573                | 399,775                 | -                                    | 399,775                |
| Fair value (losses)/gains                                            | (780,839)               | 211,383                              | (569,456)              | (487,795)               | 141,684                              | (346,111)              |
| Share of other comprehensive income of associated companies          | 6,813                   | -                                    | 6,813                  | 45,356                  | -                                    | 45,356                 |
|                                                                      | (91,453)                | 211,383                              | 119,930                | (42,664)                | 141,684                              | 99,020                 |
| Other comprehensive income                                           | (529,408)               | 264,942                              | (264,466)              | (1,429,147)             | 565,906                              | (863,241)              |
| Deferred tax (Note 13)                                               |                         | 264,942                              |                        |                         | 565,906                              |                        |
|                                                                      |                         |                                      |                        |                         |                                      |                        |
|                                                                      | Company                 |                                      |                        |                         |                                      |                        |
|                                                                      | 2013                    |                                      |                        | 2012 Restated           |                                      |                        |
|                                                                      | Before<br>tax<br>\$'000 | Tax<br>credit<br>\$'000              | After<br>tax<br>\$'000 | Before<br>tax<br>\$'000 | Tax<br>(charge)/<br>credit<br>\$'000 | After<br>tax<br>\$'000 |
| <i>Items that will not be reclassified to profit or loss</i>         |                         |                                      |                        |                         |                                      |                        |
| Revaluation surplus                                                  | -                       | 39                                   | 39                     | 9,474                   | (874)                                | 8,600                  |
| Remeasurement of post-employment benefits obligations                | (1,326,838)             | 331,710                              | (995,128)              | (1,252,206)             | 313,051                              | (939,155)              |
|                                                                      | (1,326,838)             | 331,749                              | (995,089)              | (1,242,732)             | 312,177                              | (930,555)              |
| <i>Items that may be subsequently reclassified to profit or loss</i> |                         |                                      |                        |                         |                                      |                        |
| Fair value (losses)/gains                                            | (82,320)                | 20,580                               | (61,740)               | (61,327)                | 39,282                               | (22,045)               |
|                                                                      | (82,320)                | 20,580                               | (61,740)               | (61,327)                | 39,282                               | (22,045)               |
| Other comprehensive income                                           | (1,409,158)             | 352,329                              | (1,056,829)            | (1,304,059)             | 351,459                              | (952,600)              |
| Deferred tax (Note 13)                                               |                         | 352,329                              |                        |                         | 351,459                              |                        |

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**28. Net Profit Attributable to the owners of GraceKennedy Limited**

Dealt with as follows in the financial statements of:

|                                                   | <b>2013</b><br><b>\$'000</b> | <b>Restated</b><br><b>2012</b><br><b>\$'000</b> |
|---------------------------------------------------|------------------------------|-------------------------------------------------|
| The company                                       | 1,634,271                    | 2,478,679                                       |
| Intra-group dividends eliminated on consolidation | (1,382,764)                  | (1,488,189)                                     |
| Adjusted company profit                           | 251,507                      | 990,490                                         |
| The subsidiaries                                  | 2,709,952                    | 2,314,391                                       |
| The associates                                    | 260,175                      | 174,007                                         |
|                                                   | 3,221,634                    | 3,478,888                                       |

**29. Dividends**

|                                                    | <b>2013</b><br><b>\$'000</b> | <b>2012</b><br><b>\$'000</b> |
|----------------------------------------------------|------------------------------|------------------------------|
| Paid,                                              |                              |                              |
| Interim – 70 cents per stock unit (2012: 60 cents) | 233,933                      | 199,441                      |
| Interim – 78 cents per stock unit (2012: 70 cents) | 260,221                      | 233,271                      |
| Final – 70 cents per stock unit (2012: 70 cents)   | 233,506                      | 233,225                      |
|                                                    | 727,660                      | 665,937                      |

**30. Earnings Per Stock Unit**

Basic earnings per stock unit is calculated by dividing the net profit attributable to owners by the weighted average number of ordinary stock units outstanding during the year.

|                                                           | <b>2013</b> | <b>Restated</b><br><b>2012</b> |
|-----------------------------------------------------------|-------------|--------------------------------|
| Net profit attributable to owners (\$'000)                | 3,221,634   | 3,478,888                      |
| Weighted average number of stock units outstanding ('000) | 333,581     | 333,881                        |
| Basic earnings per stock unit (\$)                        | 9.66        | 10.42                          |

The diluted earnings per stock unit is calculated by adjusting the weighted average number of ordinary stock units outstanding to assume conversion of all dilutive potential ordinary stock units.

(a) 1,329,000 (2012: 1,329,000) ordinary stock units for the full year in respect of the Stock Option Plan for directors (Note 18),

(b) 2,469,000 (2012: 2,683,000) ordinary stock units for the full year in respect of the Stock Option Plan for managers (Note 18).

|                                                           | <b>2013</b> | <b>Restated</b><br><b>2012</b> |
|-----------------------------------------------------------|-------------|--------------------------------|
| Net profit attributable to owners (\$'000)                | 3,221,634   | 3,478,888                      |
| Weighted average number of stock units outstanding ('000) | 333,581     | 333,881                        |
| Adjustment for share options ('000)                       | 216         | 199                            |
|                                                           | 333,797     | 334,080                        |
| Diluted earnings per stock unit (\$)                      | 9.65        | 10.41                          |

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**31. Cash Flows from Operating Activities**

Reconciliation of net profit to cash generated from operating activities:

|                                                     | Note | Group          |                            | Company        |                            |
|-----------------------------------------------------|------|----------------|----------------------------|----------------|----------------------------|
|                                                     |      | 2013<br>\$'000 | Restated<br>2012<br>\$'000 | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
| Net profit                                          |      | 3,794,064      | 3,786,332                  | 1,634,273      | 2,478,679                  |
| Items not affecting cash:                           |      |                |                            |                |                            |
| Depreciation                                        | 12   | 687,612        | 683,905                    | 71,222         | 71,911                     |
| Amortisation                                        | 11   | 351,291        | 278,878                    | 98,843         | 62,933                     |
| Impairment charge                                   |      | 21,096         | -                          | 21,096         | -                          |
| Loss/(gain) on disposal of fixed assets             |      | (7,645)        | 2,073                      | (8)            | 554                        |
| Gain on disposal of investments                     |      | (132,995)      | (41,693)                   | (24,669)       | (8,681)                    |
| Share options – value of employee services expensed | 18   | 15,749         | 22,828                     | 13,188         | 16,674                     |
| Exchange loss/(gain) on foreign balances            |      | 184,366        | 944,006                    | (350,309)      | (54,995)                   |
| Interest income – non financial services            |      | (302,471)      | (349,613)                  | (366,261)      | (412,061)                  |
| Interest income – financial services                |      | (4,631,507)    | (4,634,382)                | -              | -                          |
| Interest expense – non financial services           |      | 542,539        | 618,439                    | 265,784        | 292,044                    |
| Interest expense – financial services               |      | 1,567,173      | 1,239,624                  | -              | -                          |
| Taxation expense                                    | 27   | 1,281,135      | 316,072                    | 89,705         | (525,870)                  |
| Unremitted equity income in associates              |      | (123,126)      | (56,766)                   | -              | -                          |
| Pension plan surplus                                |      | (108,350)      | (107,708)                  | 394,845        | (136,043)                  |
| Other post-employment obligations                   |      | 193,902        | 200,394                    | 40,294         | 42,275                     |
|                                                     |      | 3,332,833      | 2,902,389                  | 1,888,003      | 1,827,420                  |
| Changes in working capital components:              |      |                |                            |                |                            |
| Inventories                                         |      | (1,775,722)    | (45,198)                   | (641,506)      | (12,592)                   |
| Receivables                                         |      | (587,202)      | (14,540)                   | (130,724)      | (116,224)                  |
| Loans receivable, net                               |      | (2,357,886)    | (1,945,666)                | -              | -                          |
| Payables                                            |      | 1,716,311      | 1,257,738                  | 385,046        | (104,032)                  |
| Deposits                                            |      | 808,144        | 1,385,203                  | -              | -                          |
| Securities sold under repurchase agreements         |      | (4,619,459)    | 269,197                    | -              | -                          |
| Subsidiaries                                        |      | -              | -                          | (370,257)      | 1,677,229                  |
| Provisions                                          |      | -              | (404)                      | -              | -                          |
| Cash (used in)/provided by operating activities     |      | (3,482,981)    | 3,808,719                  | 1,130,562      | 3,271,801                  |

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**31. Cash Flows from Operating Activities (Continued)**

Reconciliation of net profit to cash generated from operating activities (continued):

|                                                     | Group          |                            | Company        |                            |
|-----------------------------------------------------|----------------|----------------------------|----------------|----------------------------|
|                                                     | 2013<br>\$'000 | Restated<br>2012<br>\$'000 | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
| Cash (used in)/provided by operating activities     | (3,482,981)    | 3,808,719                  | 1,130,562      | 3,271,801                  |
| Interest received – financial services              | 4,628,690      | 4,646,800                  | -              | -                          |
| Interest paid – financial services                  | (1,641,520)    | (1,268,019)                | -              | -                          |
| Translation gains                                   | 359,956        | 197,787                    | -              | -                          |
| Taxation paid                                       | (656,543)      | (789,598)                  | (69,341)       | (71,528)                   |
| Net cash (used in)/provided by operating activities | (792,398)      | 6,595,689                  | 1,061,221      | 3,200,273                  |

**32. Commitments**

(a) Future lease payments under operating leases at 31 December 2013 were as follows:

|                   |                 | \$'000    |
|-------------------|-----------------|-----------|
| In financial year | 2014            | 988,005   |
|                   | 2015            | 1,024,748 |
|                   | 2016            | 768,863   |
|                   | 2017 and beyond | 1,620,598 |

(b) At 31 December 2013 and 2012, the Group had no authorised capital expenditure for which it had established contracts.

**33. Contingent Liabilities**

- (a) In 2000, a suit was filed jointly against a subsidiary, GraceKennedy Remittance Services Limited ("GKRS") and a software developer by Paymaster (Jamaica) Limited (Paymaster), a bills payment company. The suit claimed damages arising out of the use by the subsidiary of certain software, to which Paymaster alleged it owned the copyright.

In the judgment handed down by the Supreme Court on 30 April 2011, the court ruled in favour of GKRS and the software developer on all claims. Accordingly, the Court ordered costs to be paid by Paymaster to GKRS and the software developer and an enquiry into any damages suffered by GKRS and the software developer as a result of an injunction obtained by Paymaster in the suit. On 10 June 2011, Paymaster filed an appeal against the decision of the Supreme Court in the Court of Appeal and applied for a stay of execution, pending the appeal. Further to an application made by Paymaster to the Court of Appeal the enquiry into damages resulting from the injunction by the Supreme Court was on 6 May 2012 stayed pending appeal. The recovery of costs was not stayed and GKRS may therefore proceed to pursue the recovery of costs against Paymaster. GKRS is presently in the process of an application to assess and approve its costs in the Supreme Court. The appeal was heard on September 24-25, 2013, with the Court of Appeal reserving its judgment. Management has considered the advice of the company's attorneys and is of the opinion that Paymaster's appeal is unlikely to succeed.

- (b) Various companies in the Group are involved in certain legal proceedings incidental to the normal conduct of business. The management of these companies believes that none of these proceedings, individually or in aggregate, will have a material effect on the Group.

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**34. Related Party Transactions and Balances**

The following transactions were carried out with related parties:

|                                           | Group          |                | Company        |                |
|-------------------------------------------|----------------|----------------|----------------|----------------|
|                                           | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| <b>(a) Sales of goods and services</b>    |                |                |                |                |
| Sales of goods                            | 5,469          | 4,743          | 415,275        | 438,553        |
| Sales of services                         | 68,439         | 63,143         | 1,909,800      | 1,751,515      |
| <b>(b) Purchase of goods and services</b> |                |                |                |                |
| Purchases of goods                        | 2,135,585      | 1,927,522      | 5,141,667      | 4,793,981      |
| Purchases of services                     | -              | -              | 550,671        | 608,785        |
| <b>(c) Interest</b>                       |                |                |                |                |
| Interest income                           | -              | 283            | 80,106         | 116,300        |
| Interest expense                          | 5,904          | 4,764          | 47,880         | 63,816         |

Dividends received by the company from subsidiaries and associated companies were \$1,244,993,000 (2012: \$1,371,254,000) and \$137,049,000 (2012: \$116,935,000) respectively.

**(d) Transactions with key management**

Key management includes directors (executive and non-executive) and members of the Executive Committee.

The compensation of key management for services is shown below:

|                                                 | Group          |                            | Company        |                            |
|-------------------------------------------------|----------------|----------------------------|----------------|----------------------------|
|                                                 | 2013<br>\$'000 | Restated<br>2012<br>\$'000 | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
| Salaries and other short-term employee benefits | 242,681        | 237,550                    | 166,038        | 169,272                    |
| Fees paid to directors                          | 37,282         | 36,439                     | 32,951         | 30,509                     |
| Post-employment benefits                        | (76,275)       | (111,325)                  | (66,942)       | (100,534)                  |
| Share-based payments                            | 12,528         | 25,642                     | 10,631         | 23,106                     |
|                                                 | 216,216        | 188,306                    | 142,678        | 122,353                    |

The following amounts are in respect of directors' emoluments:

|                               | Group          |                | Company        |                |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Fees                          | 37,282         | 36,439         | 32,951         | 30,509         |
| Management remuneration       | 171,416        | 170,201        | 129,334        | 126,560        |
| Post-employment benefits paid | 29,655         | 26,958         | 5,669          | 5,016          |
| Share-based payments          | -              | 7,918          | -              | 7,918          |
|                               | 238,353        | 241,516        | 167,954        | 170,003        |

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**34. Related Party Transactions and Balances (Continued)****(d) Transactions with key management (continued)**

Transactions with directors and other key management personnel (and their families)

|                                | <b>Group</b>  |               | <b>Company</b> |               |
|--------------------------------|---------------|---------------|----------------|---------------|
|                                | <b>2013</b>   | <b>2012</b>   | <b>2013</b>    | <b>2012</b>   |
|                                | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| Sale of goods and services –   |               |               |                |               |
| Sale of goods                  | 484           | 677           | 484            | 677           |
| Sale of services               | 1,116         | 559           | -              | -             |
| Interest earned and incurred – |               |               |                |               |
| Interest income                | 1,745         | 1,533         | -              | -             |
| Interest expense               | 5,988         | 14,213        | -              | -             |

Transactions with companies controlled by directors and other key management personnel

|                              | <b>Group</b>  |               | <b>Company</b> |               |
|------------------------------|---------------|---------------|----------------|---------------|
|                              | <b>2013</b>   | <b>2012</b>   | <b>2013</b>    | <b>2012</b>   |
|                              | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| Sale of goods and services – |               |               |                |               |
| Sale of services             | 617           | 513           | -              | -             |

**(e) Year-end balances with related parties**

|                                             | <b>Group</b>  |               | <b>Company</b> |               |
|---------------------------------------------|---------------|---------------|----------------|---------------|
|                                             | <b>2013</b>   | <b>2012</b>   | <b>2013</b>    | <b>2012</b>   |
|                                             | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b> |
| Cash and deposits with subsidiaries         | -             | -             | 287,432        | 785,565       |
| Investment securities with subsidiaries     | -             | -             | 349,879        | 45,419        |
| Receivable from subsidiaries                | -             | -             | 82,922         | 473,294       |
| Receivable from associates (Note 7)         | 17,327        | 13,740        | 15,914         | 10,866        |
| Loans receivable from subsidiaries (Note 9) | -             | -             | 1,502,916      | 1,103,937     |
| Payable to subsidiaries                     | -             | -             | 240,081        | 1,000,710     |
| Payable to associates (Note 16)             | 384,891       | 179,054       | 184,665        | 49,570        |
| Loans & leases payable to subsidiaries      | -             | -             | 159,870        | 148,483       |
| Deposits payable to associates              | 176,168       | 146,147       | -              | -             |

**(f) Loans to related parties**

Loans receivable from subsidiaries are repayable in the years 2014 and 2016 and bear interest at 0% - 9.75% (2012: 0% - 6%). No provision was required in 2013 and 2012 for loans made to associated companies and subsidiaries.

### 34. Related Party Transactions and Balances (Continued)

#### (f) Loans to related parties (continued)

|                                | Company   |           |
|--------------------------------|-----------|-----------|
|                                | 2013      | 2012      |
|                                | \$'000    | \$'000    |
| Loans to subsidiaries:         |           |           |
| At 1 January                   | 1,103,937 | 749,094   |
| Loans advanced during the year | 396,954   | 351,860   |
| Interest charged               | 43,801    | 12,005    |
| Interest received              | (41,776)  | (9,022)   |
| At 31 December                 | 1,502,916 | 1,103,937 |

#### (g) Year end balances with directors and other key management

Balances with directors and other key management personnel (and their families)

|                                                | Group   |         | Company |        |
|------------------------------------------------|---------|---------|---------|--------|
|                                                | 2013    | 2012    | 2013    | 2012   |
|                                                | \$'000  | \$'000  | \$'000  | \$'000 |
| Receivables                                    | 362     | 177     | 228     | 177    |
| Loans receivable                               | 85,840  | 89,669  | 66,503  | 73,515 |
| Payables                                       | 364     | -       | -       | -      |
| Deposits payable                               | 122,445 | 101,571 | -       | -      |
| Securities sold under agreements to repurchase | 120,169 | 272,084 | -       | -      |

Balances with companies controlled by directors and other key management personnel

|             | Group  |        | Company |        |
|-------------|--------|--------|---------|--------|
|             | 2013   | 2012   | 2013    | 2012   |
|             | \$'000 | \$'000 | \$'000  | \$'000 |
| Receivables | 218    | -      | -       | -      |

#### (h) Loans to directors and other key management

The loans receivable attract interest at rates ranging between 0% - 14.75% (2012: 0% - 14.75%) and are repayable in the years 2014 - 2022. These loans are secured and are made on terms similar to those offered to other employees. No provision has been required in 2013 and 2012 for the loans made to directors and senior managers.

|                                              | Group    |          | Company |        |
|----------------------------------------------|----------|----------|---------|--------|
|                                              | 2013     | 2012     | 2013    | 2012   |
|                                              | \$'000   | \$'000   | \$'000  | \$'000 |
| Loans to directors and other key management: |          |          |         |        |
| At 1 January                                 | 89,669   | 17,648   | 73,515  | -      |
| Loans advanced during the year               | 6,743    | 87,409   | -       | 73,515 |
| Loan repayments received                     | (10,572) | (15,388) | (7,012) | -      |
| Interest charged                             | 1,745    | 1,533    | -       | -      |
| Interest received                            | (1,745)  | (1,533)  | -       | -      |
| At 31 December                               | 85,840   | 89,669   | 66,503  | 73,515 |

#### (i) Share options granted to directors

The outstanding number of share options granted to the directors of the company at the end of the year was 1,329,000 (2012: 1,329,000).

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**35. Fair Values Estimation****Financial Instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following tables provide an analysis of the Group's and company's financial instruments held as at 31 December that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair values are observable, as follows:

- Level 1 includes those instruments which are measured based on quoted prices in active markets for identical assets or liabilities.
- Level 2 includes those instruments which are measured using inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 includes those instruments which are measured using valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

|                                                        | Group             |                   |                   |                   |
|--------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                        | 2013              |                   |                   |                   |
|                                                        | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000   |
| <b>Assets</b>                                          |                   |                   |                   |                   |
| Available-for-sale securities:                         |                   |                   |                   |                   |
| Quoted equities                                        | 159,425           | -                 | -                 | 159,425           |
| Bank of Jamaica                                        | -                 | 3,261,234         | -                 | 3,261,234         |
| Government of Jamaica securities                       | -                 | 35,561,343        | -                 | 35,561,343        |
| Foreign governments                                    | -                 | 468,745           | -                 | 468,745           |
| Corporate bonds                                        | -                 | 5,905,689         | 484,463           | 6,390,152         |
| Other debt securities                                  | -                 | 2,140,026         | -                 | 2,140,026         |
| Other                                                  | -                 | 21,425            | -                 | 21,425            |
| Financial assets at fair value through profit or loss: |                   |                   |                   |                   |
| Derivative financial instruments                       | -                 | 4,944             | -                 | 4,944             |
| Quoted equities                                        | 16,744            | -                 | -                 | 16,744            |
| <b>Total Assets</b>                                    | <b>176,169</b>    | <b>47,363,406</b> | <b>484,463</b>    | <b>48,024,038</b> |
| <b>Liabilities</b>                                     |                   |                   |                   |                   |
| Financial assets at fair value through profit or loss: |                   |                   |                   |                   |
| Derivative financial instruments                       | -                 | 9,544             | -                 | 9,544             |
| <b>Total Liabilities</b>                               | <b>-</b>          | <b>9,544</b>      | <b>-</b>          | <b>9,544</b>      |

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**35. Fair Values Estimation (Continued)****Financial Instruments (Continued)**

| <b>Group</b>                                           |                           |                           |                           |                         |
|--------------------------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>2012</b>                                            |                           |                           |                           |                         |
|                                                        | <b>Level 1<br/>\$'000</b> | <b>Level 2<br/>\$'000</b> | <b>Level 3<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <b>Assets</b>                                          |                           |                           |                           |                         |
| Available-for-sale securities:                         |                           |                           |                           |                         |
| Quoted equities                                        | 138,177                   | -                         | -                         | 138,177                 |
| Bank of Jamaica                                        | -                         | 2,297,255                 | -                         | 2,297,255               |
| Government of Jamaica securities                       | -                         | 37,061,282                | -                         | 37,061,282              |
| Corporate bonds                                        | -                         | 5,358,433                 | -                         | 5,358,433               |
| Other debt securities                                  | -                         | 837,095                   | -                         | 837,095                 |
| Other                                                  | -                         | 24,200                    | -                         | 24,200                  |
| Financial assets at fair value through profit or loss: |                           |                           |                           |                         |
| Quoted equities                                        | 23,961                    | -                         | -                         | 23,961                  |
| <b>Total Assets</b>                                    | <b>162,138</b>            | <b>45,578,265</b>         | <b>-</b>                  | <b>45,740,403</b>       |
| <b>Liabilities</b>                                     |                           |                           |                           |                         |
| Financial assets at fair value through profit or loss: |                           |                           |                           |                         |
| Derivative financial instruments                       | -                         | 5,828                     | -                         | 5,828                   |
| <b>Total Liabilities</b>                               | <b>-</b>                  | <b>5,828</b>              | <b>-</b>                  | <b>5,828</b>            |

| <b>Company</b>                   |                           |                           |                           |                         |
|----------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>2013</b>                      |                           |                           |                           |                         |
|                                  | <b>Level 1<br/>\$'000</b> | <b>Level 2<br/>\$'000</b> | <b>Level 3<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <b>Assets</b>                    |                           |                           |                           |                         |
| Available-for-sale securities:   |                           |                           |                           |                         |
| Quoted equities                  | 38,758                    | -                         | -                         | 38,758                  |
| Government of Jamaica securities | -                         | 3,286,938                 | -                         | 3,286,938               |
| Corporate bonds                  | -                         | 634,299                   | -                         | 634,299                 |
| Other debt securities            | -                         | 1,302,485                 | -                         | 1,302,485               |
| Other                            | -                         | 335                       | -                         | 335                     |
|                                  | <b>38,758</b>             | <b>5,224,057</b>          | <b>-</b>                  | <b>5,262,815</b>        |

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**35. Fair Values Estimation (Continued)****Financial Instruments (Continued)**

|                                  | Company           |                   |                   |                 |
|----------------------------------|-------------------|-------------------|-------------------|-----------------|
|                                  | 2012              |                   |                   |                 |
|                                  | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
| <b>Assets</b>                    |                   |                   |                   |                 |
| Available-for-sale securities:   |                   |                   |                   |                 |
| Quoted equities                  | 43,878            | -                 | -                 | 43,878          |
| Government of Jamaica securities | -                 | 3,150,907         | -                 | 3,150,907       |
| Corporate bonds                  | -                 | 552,899           | -                 | 552,899         |
| Other debt securities            | -                 | 598,318           | -                 | 598,318         |
| Other                            | -                 | 335               | -                 | 335             |
|                                  | 43,878            | 4,302,459         | -                 | 4,346,337       |

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments listed on a public stock exchange classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments

### 35. Fair Values of Financial Instruments (Continued)

#### Financial Instruments (Continued)

Note that all of the resulting fair value estimates are included in level 2 except for certain corporate bonds as explained below.

The following table presents the changes in level 3 instruments for the years ended 31 December.

|                      | <b>Group</b>  |               |
|----------------------|---------------|---------------|
|                      | <b>2013</b>   | <b>2012</b>   |
|                      | <b>\$'000</b> | <b>\$'000</b> |
| At beginning of year | -             | 115,797       |
| Acquisitions         | 484,463       |               |
| Disposals            | -             | (115,797)     |
| At end of year       | 484,463       | -             |

There were no transfers between the levels during the year.

#### Fair Value of Land and Buildings and Investment Properties

An independent valuation of the Group's land and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2012. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'capital and fair value reserves' in shareholders' equity (Note 19). The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

|                                                   | <b>Group</b>                                              |                |                |               |
|---------------------------------------------------|-----------------------------------------------------------|----------------|----------------|---------------|
|                                                   | <b>Fair value measurements at 31 December 2013 using:</b> |                |                |               |
|                                                   | <b>Level 1</b>                                            | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
|                                                   | <b>\$'000</b>                                             | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b> |
| <b>Recurring for fair value measurements</b>      |                                                           |                |                |               |
| Land and office buildings – Investment properties | -                                                         | 365,000        | -              | 365,000       |
| Land and office buildings – Fixed assets          | -                                                         | 1,577,558      | -              | 1,577,558     |
| Distribution centre                               | -                                                         | -              | 2,557,034      | 2,557,034     |
| Factories                                         | -                                                         | 296,271        | -              | 296,271       |
|                                                   | -                                                         | 2,238,829      | 2,557,034      | 4,795,863     |

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**35. Fair Values of Financial Instruments (Continued)****Fair Value of Land and Buildings (Continued)**

| <b>Group</b>                                              |                           |                           |                           |                         |
|-----------------------------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>Fair value measurements at 31 December 2012 using:</b> |                           |                           |                           |                         |
|                                                           | <b>Level 1<br/>\$'000</b> | <b>Level 2<br/>\$'000</b> | <b>Level 3<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <b>Recurring for fair value measurements</b>              |                           |                           |                           |                         |
| Office buildings – Fixed assets                           | -                         | 1,783,802                 | -                         | 1,783,802               |
| Distribution centre                                       | -                         | -                         | 2,620,000                 | 2,620,000               |
| Factories                                                 | -                         | 247,014                   | -                         | 247,014                 |
|                                                           | -                         | 2,030,816                 | 2,620,000                 | 4,650,816               |

| <b>Company</b>                                            |                           |                           |                           |                         |
|-----------------------------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>Fair value measurements at 31 December 2013 using:</b> |                           |                           |                           |                         |
|                                                           | <b>Level 1<br/>\$'000</b> | <b>Level 2<br/>\$'000</b> | <b>Level 3<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <b>Recurring for fair value measurements</b>              |                           |                           |                           |                         |
| Land and office buildings – Fixed assets                  | -                         | 58,812                    | -                         | 58,812                  |

| <b>Company</b>                                            |                           |                           |                           |                         |
|-----------------------------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>Fair value measurements at 31 December 2012 using:</b> |                           |                           |                           |                         |
|                                                           | <b>Level 1<br/>\$'000</b> | <b>Level 2<br/>\$'000</b> | <b>Level 3<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| <b>Recurring for fair value measurements</b>              |                           |                           |                           |                         |
| Land and office buildings – Fixed assets                  | -                         | 60,000                    | -                         | 60,000                  |

There were no transfers between levels 1 and 2 during the year.

**Valuation techniques used to derive level 2 fair values**

Level 2 fair values of land, office buildings and factories have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

**Fair value measurements using significant unobservable inputs (Level 3)**

|                 | <b>Distribution<br/>Centre<br/>\$'000</b> |
|-----------------|-------------------------------------------|
| Opening balance | 2,620,000                                 |
| Additions       | 2,599                                     |
| Depreciation    | (65,565)                                  |
| Closing balance | 2,557,034                                 |

There were no transfers to/from Level 3 during the year.

### 35. Fair Values of Financial Instruments (Continued)

#### Fair Value of Land and Buildings (Continued)

#### Valuation processes of the Group

On a biennial basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings. As at 31 December 2013, the fair values of the land and buildings have been determined by DC Tavares Finson Realty Company Limited. The external valuations of the level 3 land and buildings have been performed using a cost approach using unobservable inputs. The external valuer has determined these inputs based on the size, age and condition of the land and buildings and the state of the local economy.

#### Information about fair value measurements using significant unobservable inputs (Level 3)

| Group               |                                                |                           |                                                                                                 |                                                                                                   |
|---------------------|------------------------------------------------|---------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Description         | Fair value at<br>31 December<br>2013<br>\$'000 | Valuation<br>technique(s) | Unobservable inputs                                                                             | Relationship of<br>unobservable inputs                                                            |
| Distribution centre | 2,557,034                                      | Cost<br>approach          | Certified costs of construction as at date of completion of property                            | US\$21,500,000 - US\$22,000,000<br>The higher the costs of construction the higher the fair value |
|                     |                                                |                           | Rate of increase in construction costs from date of completion of property to date of valuation | 22%<br>The higher the rate of increase in construction costs the higher the fair value            |
|                     |                                                |                           | Professional fees - architects, quantity surveyors, engineers                                   | 8%<br>The higher the professional fees the higher the fair value                                  |
|                     |                                                |                           | Interest cost                                                                                   | 10%<br>The higher the interest cost the higher the fair value                                     |
|                     |                                                |                           | Estimated profit margin required by developer                                                   | 5%<br>The higher the developer's profit the higher the fair value                                 |
|                     |                                                |                           | Rate of obsolescence                                                                            | 5%<br>The higher the rate of obsolescence the lower the fair value                                |
|                     | 2,557,034                                      |                           |                                                                                                 |                                                                                                   |

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**36. Financial Instruments by Category**

|                                          | Group                              |                                                              |                                 |                   |
|------------------------------------------|------------------------------------|--------------------------------------------------------------|---------------------------------|-------------------|
|                                          | Loans and<br>receivables<br>\$'000 | Assets at fair<br>value through<br>profit and loss<br>\$'000 | Available for<br>sale<br>\$'000 | Total<br>\$'000   |
| <b>As at 31 December 2013:</b>           |                                    |                                                              |                                 |                   |
| Cash and deposits                        | 9,131,888                          | -                                                            | -                               | 9,131,888         |
| Investment securities and pledged assets | -                                  | 21,688                                                       | 48,002,350                      | 48,024,038        |
| Loans receivable                         | 16,238,507                         | -                                                            | -                               | 16,238,507        |
| Trade and other receivables              | 8,469,347                          | -                                                            | -                               | 8,469,347         |
| <b>Total financial assets</b>            | <b>33,839,742</b>                  | <b>21,688</b>                                                | <b>48,002,350</b>               | <b>81,863,780</b> |

|                                          | Group                              |                                                              |                                 |                   |
|------------------------------------------|------------------------------------|--------------------------------------------------------------|---------------------------------|-------------------|
|                                          | Loans and<br>receivables<br>\$'000 | Assets at fair<br>value through<br>profit and loss<br>\$'000 | Available for<br>sale<br>\$'000 | Total<br>\$'000   |
| <b>As at 31 December 2012:</b>           |                                    |                                                              |                                 |                   |
| Cash and deposits                        | 10,989,655                         | -                                                            | -                               | 10,989,655        |
| Investment securities and pledged assets | -                                  | 23,961                                                       | 45,716,442                      | 45,740,403        |
| Loans receivable                         | 13,881,176                         | -                                                            | -                               | 13,881,176        |
| Trade and other receivables              | 7,890,023                          | -                                                            | -                               | 7,890,023         |
| <b>Total financial assets</b>            | <b>32,760,854</b>                  | <b>23,961</b>                                                | <b>45,716,442</b>               | <b>78,501,257</b> |

|                                                   | Group                                                                |                                                                  |                   |
|---------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------|-------------------|
|                                                   | Liabilities at<br>fair value<br>through profit<br>and loss<br>\$'000 | Other financial<br>liabilities at<br>amortised<br>cost<br>\$'000 | Total<br>\$'000   |
| <b>As at 31 December 2013:</b>                    |                                                                      |                                                                  |                   |
| Deposits                                          | -                                                                    | 17,768,017                                                       | 17,768,017        |
| Securities sold under agreements to<br>repurchase | -                                                                    | 25,074,089                                                       | 25,074,089        |
| Bank and other loans                              | 9,544                                                                | 11,562,246                                                       | 11,571,790        |
| Trade and other payables                          | -                                                                    | 15,226,874                                                       | 15,226,874        |
| <b>Total financial liabilities</b>                | <b>9,544</b>                                                         | <b>69,631,226</b>                                                | <b>69,640,770</b> |

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**36. Financial Instruments by Category (Continued)**

|                                                | <b>Group</b>                                             |                                                      |                   |
|------------------------------------------------|----------------------------------------------------------|------------------------------------------------------|-------------------|
|                                                | <b>Liabilities at fair value through profit and loss</b> | <b>Other financial liabilities at amortised cost</b> | <b>Total</b>      |
|                                                | <b>\$'000</b>                                            | <b>\$'000</b>                                        | <b>\$'000</b>     |
| <b>As at 31 December 2012:</b>                 |                                                          |                                                      |                   |
| Deposits                                       | -                                                        | 15,768,039                                           | 15,768,039        |
| Securities sold under agreements to repurchase | -                                                        | 27,711,820                                           | 27,711,820        |
| Bank and other loans                           | 5,828                                                    | 10,332,500                                           | 10,338,328        |
| Trade and other payables                       | -                                                        | 13,510,563                                           | 13,510,563        |
| <b>Total financial liabilities</b>             | <b>5,828</b>                                             | <b>67,322,922</b>                                    | <b>67,328,750</b> |

|                                | <b>Company</b>               |                           |                  |
|--------------------------------|------------------------------|---------------------------|------------------|
|                                | <b>Loans and receivables</b> | <b>Available for sale</b> | <b>Total</b>     |
|                                | <b>\$'000</b>                | <b>\$'000</b>             | <b>\$'000</b>    |
| <b>As at 31 December 2013:</b> |                              |                           |                  |
| Cash and deposits              | 1,605,227                    | -                         | 1,605,227        |
| Investment securities          | -                            | 5,262,815                 | 5,262,815        |
| Loans receivable               | 1,569,419                    | -                         | 1,569,419        |
| Trade and other receivables    | 1,109,054                    | -                         | 1,109,054        |
| Subsidiaries                   | 82,922                       | -                         | 82,922           |
| <b>Total financial assets</b>  | <b>4,366,622</b>             | <b>5,262,815</b>          | <b>9,629,437</b> |

|                                | <b>Company</b>               |                           |                  |
|--------------------------------|------------------------------|---------------------------|------------------|
|                                | <b>Loans and receivables</b> | <b>Available for sale</b> | <b>Total</b>     |
|                                | <b>\$'000</b>                | <b>\$'000</b>             | <b>\$'000</b>    |
| <b>As at 31 December 2012:</b> |                              |                           |                  |
| Cash and deposits              | 1,885,346                    | -                         | 1,885,346        |
| Investment securities          | -                            | 4,346,337                 | 4,346,337        |
| Loans receivable               | 1,177,452                    | -                         | 1,177,452        |
| Trade and other receivables    | 954,300                      | -                         | 954,300          |
| Subsidiaries                   | 473,294                      | -                         | 473,294          |
| <b>Total financial assets</b>  | <b>4,490,392</b>             | <b>4,346,337</b>          | <b>8,836,729</b> |

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**36. Financial Instruments by Category (Continued)**

| Company                            | Other<br>financial<br>liabilities at<br>amortised<br>cost<br>\$'000 |
|------------------------------------|---------------------------------------------------------------------|
| <b>As at 31 December 2013:</b>     |                                                                     |
| Bank and other loans               | 3,397,782                                                           |
| Trade and other payables           | 1,790,265                                                           |
| Subsidiaries                       | 240,081                                                             |
| <b>Total financial liabilities</b> | <b>5,428,128</b>                                                    |

| Company                            | Other<br>financial<br>liabilities at<br>amortised<br>cost<br>\$'000 |
|------------------------------------|---------------------------------------------------------------------|
| <b>As at 31 December 2012:</b>     |                                                                     |
| Bank and other loans               | 2,786,394                                                           |
| Trade and other payables           | 1,365,023                                                           |
| Subsidiaries                       | 1,000,710                                                           |
| <b>Total financial liabilities</b> | <b>5,152,127</b>                                                    |

**GraceKennedy Limited**

Notes to the Financial Statements

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**37. Derivative Financial Instruments**

Derivatives are carried at fair value in the statement of financial position as either assets or liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group's counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group was to default. The fair values are set out below:

|                                    | Group            |                       |                  |                       |
|------------------------------------|------------------|-----------------------|------------------|-----------------------|
|                                    | 2013             |                       | 2012             |                       |
|                                    | Assets<br>\$'000 | Liabilities<br>\$'000 | Assets<br>\$'000 | Liabilities<br>\$'000 |
| Forward foreign exchange contracts | 4,944            | 9,544                 | -                | 5,828                 |

Forward foreign exchange contracts represent commitments to buy and sell foreign currencies on a net basis at future dates at specified prices. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2013 were \$929,825,000 (2012: \$513,090,000).

**38. Custodial Services**

One of the Group's investment subsidiaries provides custody and brokerage services to certain third parties. Assets that are held in a custodial capacity are not included in these financial statements. At the statement of financial position date, the subsidiary had investment custody accounts amounting to approximately \$17,701,512,000 (2012: \$12,210,000,000). Fees earned in relation to custodial services were \$15,655,000 (2012: \$12,444,000).

**39. Fiduciary Activities**

One of the Group's investment subsidiaries provides pension administration and management services. At the statement of financial position date, the subsidiary had pension assets held under management amounting to approximately \$30,129,685,000 (2012: \$28,391,385,000). Fees earned in relation to fiduciary activities were \$172,463,000 (2012: \$162,118,000).

**40. Investment Properties**

|                                      | Group          |                |
|--------------------------------------|----------------|----------------|
|                                      | 2013<br>\$'000 | 2012<br>\$'000 |
| At 1 January                         | -              | -              |
| Transfer from fixed assets (Note 12) | 365,000        | -              |
| At 31 December                       | 365,000        | -              |

Investment properties comprise commercial properties that are leased to third parties. The transfer from fixed asset was done at the end of 2013 resulting in no amounts being recognised in profit or loss.

The Group's land and buildings related to investment properties were last revalued in 2013 by independent valuers, DC Tavares Finson Realty Company Limited. The valuations were done on the basis of open market value.

**GraceKennedy Limited**

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**41. Reclassification****Pledged assets**

In the prior year financial statements, pledged assets of \$29,431,618,000 as at 31 December 2012 and \$28,368,098,000 as at 31 December 2011 were included in investment securities. This is now disclosed separately on the face of the statement of financial position.

**Intercompany**

In 2012, intercompany payables and receivables were netted in one financial statement line item. Intercompany payables of \$1,000,710,000 (2011: \$1,238,114,000) and intercompany receivables of \$473,294,000 (2011: \$2,387,927,000) are now included separately on the face of the statement of financial position.

The effects of these reclassifications are shown in Note 42.

**42. Restatement**

The financial statements of the Group for the years ended 31 December 2012 and 31 December 2011 have been restated to reflect the effect of the adoption of IAS 19 (Revised), 'Employee Benefits'.

Effect on statement of financial position as at 31 December 2011

|                                                                  | Group                             |                                                               |                       |
|------------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------|-----------------------|
|                                                                  | As previously<br>stated<br>\$'000 | Effects of<br>restatements and<br>reclassifications<br>\$'000 | As restated<br>\$'000 |
| <b>Assets</b>                                                    |                                   |                                                               |                       |
| Investment securities                                            | 41,018,930                        | (28,368,098)                                                  | 12,650,832            |
| Pledged assets                                                   | -                                 | 28,368,098                                                    | 28,368,098            |
| Investment in associates                                         | 824,160                           | (27,255)                                                      | 796,905               |
| Deferred tax assets                                              | 1,066,226                         | 179,088                                                       | 1,245,314             |
| Pension plan assets                                              | 8,307,244                         | (783,323)                                                     | 7,523,921             |
| Other assets                                                     | 48,957,208                        | -                                                             | 48,957,208            |
| <b>Total Assets</b>                                              | 100,173,768                       | (631,490)                                                     | 99,542,278            |
| <b>Liabilities</b>                                               |                                   |                                                               |                       |
| Deferred tax liabilities                                         | 2,911,390                         | (261,107)                                                     | 2,650,283             |
| Other post-employment obligations                                | 2,165,226                         | 537,267                                                       | 2,702,493             |
| Other liabilities                                                | 64,482,747                        | -                                                             | 64,482,747            |
| <b>Total Liabilities</b>                                         | 69,559,363                        | 276,160                                                       | 69,835,523            |
| <b>Equity</b>                                                    |                                   |                                                               |                       |
| <b>Capital and reserves attributable to the company's owners</b> |                                   |                                                               |                       |
| Share capital                                                    | 593,968                           | -                                                             | 593,968               |
| Capital and fair value reserves                                  | 4,794,309                         | -                                                             | 4,794,309             |
| Retained earnings                                                | 19,911,616                        | (736,641)                                                     | 19,174,975            |
| Banking reserves                                                 | 1,942,967                         | -                                                             | 1,942,967             |
| Other reserves                                                   | 2,095,036                         | -                                                             | 2,095,036             |
|                                                                  | 29,337,896                        | (736,641)                                                     | 28,601,255            |
| <b>Non-Controlling interest</b>                                  | 1,276,509                         | (171,009)                                                     | 1,105,500             |
| <b>Total Equity</b>                                              | 30,614,405                        | (907,650)                                                     | 29,706,755            |
| <b>Total Equity and Liabilities</b>                              | 100,173,768                       | (631,490)                                                     | 99,542,278            |

#### 42. Restatement (Continued)

Effect on statement of financial position as at 31 December 2012

|                                                                  | Group                             |                                                               |                       |
|------------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------|-----------------------|
|                                                                  | As previously<br>stated<br>\$'000 | Effects of<br>restatements and<br>reclassifications<br>\$'000 | As restated<br>\$'000 |
| <b>Assets</b>                                                    |                                   |                                                               |                       |
| Investment securities                                            | 45,740,403                        | (29,431,618)                                                  | 16,308,785            |
| Pledged assets                                                   | -                                 | 29,431,618                                                    | 29,431,618            |
| Investment in associates                                         | 905,593                           | (6,566)                                                       | 899,027               |
| Deferred tax assets                                              | 1,044,050                         | 377,277                                                       | 1,421,327             |
| Pension plan assets                                              | 8,470,413                         | (2,628,157)                                                   | 5,842,256             |
| Other assets                                                     | 50,216,431                        | -                                                             | 50,216,431            |
| <b>Total Assets</b>                                              | <b>106,376,890</b>                | <b>(2,257,446)</b>                                            | <b>104,119,444</b>    |
| <b>Liabilities</b>                                               |                                   |                                                               |                       |
| Deferred tax liabilities                                         | 2,182,574                         | (455,573)                                                     | 1,727,001             |
| Other post-employment obligations                                | 2,448,079                         | 439,869                                                       | 2,887,948             |
| Other liabilities                                                | 67,636,146                        | -                                                             | 67,636,146            |
| <b>Total Liabilities</b>                                         | <b>72,266,799</b>                 | <b>(15,704)</b>                                               | <b>72,251,095</b>     |
| <b>Equity</b>                                                    |                                   |                                                               |                       |
| <b>Capital and reserves attributable to the company's owners</b> |                                   |                                                               |                       |
| Share capital                                                    | 808,079                           | -                                                             | 808,079               |
| Capital and fair value reserves                                  | 4,695,304                         | -                                                             | 4,695,304             |
| Retained earnings                                                | 22,789,883                        | (2,074,914)                                                   | 20,714,969            |
| Banking reserves                                                 | 2,000,704                         | -                                                             | 2,000,704             |
| Other reserves                                                   | 2,483,781                         | -                                                             | 2,483,781             |
|                                                                  | 32,777,751                        | (2,074,914)                                                   | 30,702,837            |
| <b>Non-Controlling interest</b>                                  | <b>1,332,340</b>                  | <b>(166,828)</b>                                              | <b>1,165,512</b>      |
| <b>Total Equity</b>                                              | <b>34,110,091</b>                 | <b>(2,241,742)</b>                                            | <b>31,868,349</b>     |
| <b>Total Equity and Liabilities</b>                              | <b>106,376,890</b>                | <b>(2,257,446)</b>                                            | <b>104,119,444</b>    |

**GraceKennedy Limited**

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**42. Restatement (Continued)**

Effect on the results of the operations for the year ended 31 December 2012

| <b>Group</b>                              |                                            |                                                                             |                               |
|-------------------------------------------|--------------------------------------------|-----------------------------------------------------------------------------|-------------------------------|
|                                           | <b>As previously<br/>stated<br/>\$'000</b> | <b>Effects of<br/>restatements<br/>and<br/>reclassifications<br/>\$'000</b> | <b>As restated<br/>\$'000</b> |
| <b>Revenues</b>                           | 61,340,268                                 | -                                                                           | 61,340,268                    |
| <b>Expenses</b>                           | 58,205,777                                 | (26,998)                                                                    | 58,178,779                    |
|                                           | 3,134,491                                  | 26,998                                                                      | 3,161,489                     |
| Other income                              | 1,035,734                                  | -                                                                           | 1,035,734                     |
| <b>Profit from Operations</b>             | 4,170,225                                  | 26,998                                                                      | 4,197,223                     |
| Interest income – non-financial services  | 349,613                                    | -                                                                           | 349,613                       |
| Interest expense – non-financial services | (618,439)                                  | -                                                                           | (618,439)                     |
| Share of results of associated companies  | 176,210                                    | (2,203)                                                                     | 174,007                       |
| <b>Profit before Taxation</b>             | 4,077,609                                  | 24,795                                                                      | 4,102,404                     |
| Taxation                                  | (248,468)                                  | (67,604)                                                                    | (316,072)                     |
| <b>NET PROFIT</b>                         | 3,829,141                                  | (42,809)                                                                    | 3,786,332                     |
| <b>Attributable to:</b>                   |                                            |                                                                             |                               |
| Owners of GraceKennedy Limited            | 3,512,590                                  | (33,702)                                                                    | 3,478,888                     |
| Non-Controlling interests                 | 316,551                                    | (9,107)                                                                     | 307,444                       |
|                                           | 3,829,141                                  | (42,809)                                                                    | 3,786,332                     |

**Earnings per Stock Unit for profit attributable to the owners of the company during the year:**

|                |         |          |         |
|----------------|---------|----------|---------|
| <b>Basic</b>   | \$10.52 | \$(0.10) | \$10.42 |
| <b>Diluted</b> | \$10.51 | \$(0.10) | \$10.41 |

**GraceKennedy Limited**

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

**42. Restatement (Continued)**

Effect on total comprehensive income for the year ended 31 December 2012

| <b>Group</b>                                                         | <b>As previously<br/>stated<br/>\$'000</b> | <b>Effects of<br/>restatements and<br/>reclassifications<br/>\$'000</b> | <b>As restated<br/>\$'000</b> |
|----------------------------------------------------------------------|--------------------------------------------|-------------------------------------------------------------------------|-------------------------------|
| <b>Profit for the year</b>                                           | 3,829,141                                  | (42,809)                                                                | 3,786,332                     |
| <b>Other comprehensive income:</b>                                   |                                            |                                                                         |                               |
| <i>Items that will not be reclassified to profit or loss:</i>        |                                            |                                                                         |                               |
| Gains on revaluation of land and buildings                           | 351,914                                    | -                                                                       | 351,914                       |
| Remeasurement of post-employment benefit obligations                 | -                                          | (1,314,175)                                                             | (1,314,175)                   |
|                                                                      | 351,914                                    | (1,314,175)                                                             | (962,261)                     |
| <i>Items that may be subsequently reclassified to profit or loss</i> |                                            |                                                                         |                               |
| Foreign currency translation adjustments                             | 399,775                                    | -                                                                       | 399,775                       |
| Fair value losses                                                    | (346,111)                                  | -                                                                       | (346,111)                     |
| Share of other comprehensive income of associated companies          | 22,464                                     | 22,892                                                                  | 45,356                        |
|                                                                      | 76,128                                     | 22,892                                                                  | 99,020                        |
| <b>Other comprehensive income for the year, net of tax</b>           | 428,042                                    | (1,291,283)                                                             | (863,241)                     |
| <b>Total comprehensive income for the year</b>                       | 4,257,183                                  | (1,334,092)                                                             | 2,923,091                     |
| <b>Attributable to:</b>                                              |                                            |                                                                         |                               |
| Owners of GraceKennedy Limited                                       | 3,923,433                                  | (1,338,273)                                                             | 2,585,160                     |
| Non - Controlling interests                                          | 333,750                                    | 4,181                                                                   | 337,931                       |
|                                                                      | 4,257,183                                  | (1,334,092)                                                             | 2,923,091                     |

**GraceKennedy Limited**

Notes to the Financial Statements

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**42. Restatement (Continued)**

Effect on statement of financial position as at 31 December 2011

| Company                             |                                   |                                                               |                       |
|-------------------------------------|-----------------------------------|---------------------------------------------------------------|-----------------------|
|                                     | As previously<br>stated<br>\$'000 | Effects of<br>restatements and<br>reclassifications<br>\$'000 | As restated<br>\$'000 |
| <b>Assets</b>                       |                                   |                                                               |                       |
| Subsidiaries                        | 1,149,813                         | 1,238,114                                                     | 2,387,927             |
| Pension plan assets                 | 8,148,310                         | 109,381                                                       | 8,257,691             |
| Other assets                        | 19,691,288                        | -                                                             | 19,691,288            |
| <b>Total Assets</b>                 | <b>28,989,411</b>                 | <b>1,347,495</b>                                              | <b>30,336,906</b>     |
| <b>Liabilities</b>                  |                                   |                                                               |                       |
| Subsidiaries                        | -                                 | 1,238,114                                                     | 1,238,114             |
| Deferred tax liabilities            | 2,591,547                         | (93,757)                                                      | 2,497,790             |
| Other post-employment obligations   | 751,169                           | 390,656                                                       | 1,141,825             |
| Other liabilities                   | 5,491,129                         | -                                                             | 5,491,129             |
| <b>Total Liabilities</b>            | <b>8,833,845</b>                  | <b>1,535,013</b>                                              | <b>10,368,858</b>     |
| <b>Equity</b>                       |                                   |                                                               |                       |
| Share capital                       | 593,968                           | -                                                             | 593,968               |
| Capital and fair value reserves     | 373,242                           | -                                                             | 373,242               |
| Retained earnings                   | 19,188,356                        | (187,518)                                                     | 19,000,838            |
| <b>Total Equity</b>                 | <b>20,155,566</b>                 | <b>(187,518)</b>                                              | <b>19,968,048</b>     |
| <b>Total Equity and Liabilities</b> | <b>28,989,411</b>                 | <b>1,347,495</b>                                              | <b>30,336,906</b>     |

Effect on statement of financial position as at 31 December 2012

| Company                             |                                   |                                                               |                       |
|-------------------------------------|-----------------------------------|---------------------------------------------------------------|-----------------------|
|                                     | As previously<br>stated<br>\$'000 | Effects of<br>restatements and<br>reclassifications<br>\$'000 | As restated<br>\$'000 |
| <b>Assets</b>                       |                                   |                                                               |                       |
| Subsidiaries                        | -                                 | 473,294                                                       | 473,294               |
| Pension plan assets                 | 8,377,640                         | (1,207,955)                                                   | 7,169,685             |
| Other assets                        | 21,299,776                        | -                                                             | 21,299,776            |
| <b>Total Assets</b>                 | <b>29,677,416</b>                 | <b>(734,661)</b>                                              | <b>28,942,755</b>     |
| <b>Liabilities</b>                  |                                   |                                                               |                       |
| Subsidiaries                        | 527,416                           | 473,294                                                       | 1,000,710             |
| Deferred tax liabilities            | 1,958,046                         | (391,366)                                                     | 1,566,680             |
| Other post-employment obligations   | 854,747                           | 357,510                                                       | 1,212,257             |
| Other liabilities                   | 4,157,638                         | -                                                             | 4,157,638             |
| <b>Total Liabilities</b>            | <b>7,497,847</b>                  | <b>439,438</b>                                                | <b>7,937,285</b>      |
| <b>Equity</b>                       |                                   |                                                               |                       |
| Share capital                       | 808,079                           | -                                                             | 808,079               |
| Capital and fair value reserves     | 306,292                           | -                                                             | 306,292               |
| Retained earnings                   | 21,065,198                        | (1,174,099)                                                   | 19,891,099            |
| <b>Total Equity</b>                 | <b>22,179,569</b>                 | <b>(1,174,099)</b>                                            | <b>21,005,470</b>     |
| <b>Total Equity and Liabilities</b> | <b>29,677,416</b>                 | <b>(734,661)</b>                                              | <b>28,942,755</b>     |

#### 42. Restatement (Continued)

Effect on the results of the operations for the year ended 31 December 2012

| Company                       | As previously<br>stated<br>\$'000 | Effects of<br>restatements and<br>reclassifications<br>\$'000 | As restated<br>\$'000 |
|-------------------------------|-----------------------------------|---------------------------------------------------------------|-----------------------|
| <b>Turnover</b>               | 13,249,138                        | -                                                             | 13,249,138            |
| Cost of goods sold            | (10,234,700)                      | -                                                             | (10,234,700)          |
| <b>Gross Profit</b>           | 3,014,438                         | -                                                             | 3,014,438             |
| Other income                  | 3,450,279                         | -                                                             | 3,450,279             |
| Administration expenses       | (4,599,941)                       | (31,984)                                                      | (4,631,925)           |
| <b>Profit from Operations</b> | 1,864,776                         | (31,984)                                                      | 1,832,792             |
| Interest income               | 412,061                           | -                                                             | 412,061               |
| Interest expense              | (292,044)                         | -                                                             | (292,044)             |
| <b>Profit before Taxation</b> | 1,984,793                         | (31,984)                                                      | 1,952,809             |
| Taxation                      | 541,312                           | (15,442)                                                      | 525,870               |
| <b>NET PROFIT</b>             | 2,526,105                         | (47,426)                                                      | 2,478,679             |

Effect on total comprehensive income for the year ended 31 December 2012

| Company                                                              | As previously<br>stated<br>\$'000 | Effects of<br>restatements and<br>reclassifications<br>\$'000 | As restated<br>\$'000 |
|----------------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------|-----------------------|
| <b>Profit for the year</b>                                           | 2,526,105                         | (47,426)                                                      | 2,478,679             |
| <b>Other comprehensive income:</b>                                   |                                   |                                                               |                       |
| <i>Items that will not be reclassified to profit or loss:</i>        |                                   |                                                               |                       |
| Gains on revaluation of land and buildings                           | 8,600                             | -                                                             | 8,600                 |
| Remeasurement of post-employment benefit obligations                 | -                                 | (939,155)                                                     | (939,155)             |
|                                                                      | 8,600                             | (939,155)                                                     | (930,555)             |
| <i>Items that may be subsequently reclassified to profit or loss</i> |                                   |                                                               |                       |
| Fair value losses                                                    | (22,045)                          | -                                                             | (22,045)              |
|                                                                      | (22,045)                          | -                                                             | (22,045)              |
| <b>Other comprehensive income for the year, net of tax</b>           | (13,445)                          | (939,155)                                                     | (952,600)             |
| <b>Total comprehensive income for the year</b>                       | 2,512,660                         | (986,581)                                                     | 1,526,079             |





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