



...Through Great People

GraceKennedy
Annual Report 2014



Audited Financial Statements 2014

Independent Auditors' Report to the Members

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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 66 to 173, which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated income statement 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 2014 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.

Auditors' 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 the 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.

Phyllis Walker-Cookson, Chartered Accountant, Public Account, Director, Public Account, Kingston, Jamaica
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2014 Annual Report of GraceKennedy Limited and its subsidiaries for the year ended 31 December 2014
G.K. Report 2014, prepared by PwC



**Members of GraceKennedy Limited
Independent Auditors' Report**
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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 2014, 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.

Priscilla A. Williams
Priscilla A. Williams

Chartered Accountants
2 March 2015
Kingston, Jamaica

Priscilla A. Williams, Chartered Accountant, 2014-2015, 2015-2016, 2016-2017, 2017-2018, 2018-2019, 2019-2020, 2020-2021, 2021-2022, 2022-2023, 2023-2024, 2024-2025, 2025-2026, 2026-2027, 2027-2028, 2028-2029, 2029-2030, 2030-2031, 2031-2032, 2032-2033, 2033-2034, 2034-2035, 2035-2036, 2036-2037, 2037-2038, 2038-2039, 2039-2040, 2040-2041, 2041-2042, 2042-2043, 2043-2044, 2044-2045, 2045-2046, 2046-2047, 2047-2048, 2048-2049, 2049-2050, 2050-2051, 2051-2052, 2052-2053, 2053-2054, 2054-2055, 2055-2056, 2056-2057, 2057-2058, 2058-2059, 2059-2060, 2060-2061, 2061-2062, 2062-2063, 2063-2064, 2064-2065, 2065-2066, 2066-2067, 2067-2068, 2068-2069, 2069-2070, 2070-2071, 2071-2072, 2072-2073, 2073-2074, 2074-2075, 2075-2076, 2076-2077, 2077-2078, 2078-2079, 2079-2080, 2080-2081, 2081-2082, 2082-2083, 2083-2084, 2084-2085, 2085-2086, 2086-2087, 2087-2088, 2088-2089, 2089-2090, 2090-2091, 2091-2092, 2092-2093, 2093-2094, 2094-2095, 2095-2096, 2096-2097, 2097-2098, 2098-2099, 2099-2100, 2100-2101, 2101-2102, 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GraceKennedy Limited
Consolidated Statement of Financial Position
31 December 2014
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	2013 \$'000
Assets			
Cash and deposits	5	9,508,980	9,131,888
Investment securities	6	20,593,899	20,883,838
Pledged assets	6	9,452,340	27,140,200
Receivables	7	11,466,142	9,094,326
Inventories	8	10,797,175	8,345,097
Loans receivable	9	18,364,429	16,238,507
Taxation recoverable		612,505	582,985
Investments in associates	10	1,266,605	1,028,966
Investment properties	40	484,000	365,000
Intangible assets	11	4,131,674	2,425,230
Fixed assets	12	8,707,092	6,946,936
Deferred tax assets	13	1,037,572	953,864
Pension plan asset	14	5,437,116	5,506,469
Total Assets		101,859,529	108,643,306
Liabilities			
Deposits		21,197,427	17,768,017
Securities sold under agreements to repurchase		7,528,474	25,074,089
Bank and other loans	15	11,064,160	11,571,790
Payables	16	19,052,694	15,226,874
Taxation		303,722	291,182
Provisions	17	6,221	6,839
Deferred tax liabilities	13	1,232,954	1,268,515
Other post-employment obligations	14	3,228,905	3,202,616
Total Liabilities		63,614,557	74,409,922
Equity			
Capital and reserves attributable to the company's owners			
Share capital	18	588,533	643,074
Capital and fair value reserves	19	5,185,628	4,356,384
Retained earnings		25,092,735	22,544,646
Banking reserves	20	2,083,726	2,077,782
Other reserves		3,582,479	3,143,798
		36,533,101	32,765,684
Non - Controlling interests	21	1,711,871	1,467,700
Total Equity		38,244,972	34,233,384
Total Equity and Liabilities		101,859,529	108,643,306

Approved for issue by the Board of Directors on 2 March 2015 and signed on its behalf by:



Gordon Shirley



Don Wehby

Chairman

Group Chief Executive Officer

GraceKennedy Limited
Consolidated Income Statement
Year ended 31 December 2014
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	2013 \$'000
Revenues	23	77,970,073	67,257,502
Expenses	24	(74,879,998)	(63,913,042)
Other income	25	3,090,075	3,344,460
Profit from Operations		4,911,065	5,055,092
Interest income – non-financial services		394,244	302,471
Interest expense – non-financial services		(688,416)	(542,539)
Share of results of associated companies	10	230,906	260,175
Profit before Taxation		4,847,799	5,075,199
Taxation	27	(1,048,672)	(1,281,135)
NET PROFIT		3,799,127	3,794,064
Attributable to:			
Owners of GraceKennedy Limited	28	3,285,174	3,221,634
Non-Controlling interests	21	513,953	572,430
		3,799,127	3,794,064
Earnings per Stock Unit for profit attributable to the owners of the company during the year:	30		
Basic		\$9.90	\$9.66
Diluted		\$9.89	\$9.65

GraceKennedy Limited
Consolidated Statement of Comprehensive Income
Year ended 31 December 2014
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	2013 \$'000
Profit for the year		3,799,127	3,794,064
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Gains on revaluation of land and buildings		604,116	101,856
Remeasurements of post-employment benefit obligations		(98,123)	(486,252)
		505,993	(384,396)
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Foreign currency translation adjustments		329,072	682,573
Fair value gains/(losses)		329,230	(569,456)
Share of other comprehensive income of associated companies		175,650	6,813
		833,952	119,930
Other comprehensive income for the year, net of tax		1,339,945	(264,466)
Total comprehensive income for the year		5,139,072	3,529,598
Attributable to:			
Owners of GraceKennedy Limited		4,597,999	2,940,017
Non - Controlling interests	21	541,073	589,581
		5,139,072	3,529,598

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 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Stock Units '000	Attributable to owners of the parent					Non-Controlling Interest \$'000	Total Equity \$'000
			Share Capital \$'000	Capital and Fair Value Reserves \$'000	Retained Earnings \$'000	Banking Reserves \$'000	Other Reserves \$'000		
Balance at 1 January 2013		334,801	808,079	4,695,304	20,714,969	2,000,704	2,483,781	1,165,512	31,868,349
Profit for the year		-	-	-	3,221,634	-	-	572,430	3,794,064
Other comprehensive income for the year		-	-	(462,534)	(479,100)	-	660,017	17,151	(264,466)
Total comprehensive income for 2013		-	-	(462,534)	2,742,534	-	660,017	589,581	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 (f)	-	-	-	15,495	-	-	254	15,749
Dividends paid by subsidiaries to non-controlling interests	21	-	-	-	-	-	-	(287,647)	(287,647)
Dividends paid	29	-	-	-	(727,660)	-	-	-	(727,660)
Total transactions with owners		(2,880)	(165,005)	-	(712,165)	-	-	(287,393)	(1,164,563)
Transfers between reserves:									
To capital reserves		-	-	123,614	(123,614)	-	-	-	-
To banking reserves		-	-	-	(77,078)	77,078	-	-	-
Balance at 31 December 2013		331,921	643,074	4,356,384	22,544,646	2,077,782	3,143,798	1,467,700	34,233,384
Profit for the year		-	-	-	3,285,174	-	-	513,953	3,799,127
Other comprehensive income for the year		-	-	955,815	(81,671)	-	438,681	27,120	1,339,945
Total comprehensive income for 2014		-	-	955,815	3,203,503	-	438,681	541,073	5,139,072
Transactions with owners:									
Issue of shares	18 (a)	18	907	-	-	-	-	-	907
Repurchase of shares	18 (a)	(2,454)	(145,878)	-	-	-	-	-	(145,878)
Issue of treasury shares	18 (b)	2,989	183,710	(5,802)	-	-	-	-	177,908
Purchase of treasury shares	18 (b)	(1,500)	(93,280)	-	-	-	-	-	(93,280)
Transfer of non-controlling interests	21	-	-	-	-	-	-	34,112	34,112
Dividends paid by subsidiaries to non-controlling interests	21	-	-	-	-	-	-	(331,014)	(331,014)
Dividends paid	29	-	-	-	(770,239)	-	-	-	(770,239)
Total transactions with owners		(947)	(54,541)	(5,802)	(770,239)	-	-	(296,902)	(1,127,484)
Transfers between reserves:									
From capital reserves		-	-	(120,769)	120,769	-	-	-	-
To banking reserves		-	-	-	(5,944)	5,944	-	-	-
Balance at 31 December 2014		330,974	588,533	5,185,628	25,092,735	2,083,726	3,582,479	1,711,871	38,244,972

GraceKennedy Limited
Consolidated Statement of Cash Flows
Year ended 31 December 2014
(expressed in Jamaican dollars unless otherwise indicated)

			2014	2013
		Note	\$'000	\$'000
SOURCES/(USES) OF CASH:				
Operating Activities				
Financing Activities				
Loans received		31	4,747,941	(792,398)
Loans repaid			5,702,515	5,090,832
Dividends paid by subsidiary to non-controlling interests			(4,834,798)	(5,708,426)
Repurchase of shares		21	(331,014)	(287,647)
Purchase of treasury shares		18	(145,878)	(99,580)
Sale of treasury shares		18	(93,280)	(65,525)
Issue of shares		18	177,908	-
Interest paid – non financial services		18	907	100
Dividends		29	(724,878)	(510,083)
			(770,239)	(727,660)
			(1,018,757)	(2,307,989)
Investing Activities				
Additions to fixed assets ^(a)		12	(1,131,878)	(717,615)
Proceeds from disposal of fixed assets			20,626	161,938
Additions to investment properties			(185)	-
Additions to investments ^(b)			(5,858,792)	(7,327,066)
Cash outflow on acquisition of subsidiaries		41	(2,669,634)	-
Proceeds from sale of investments ^(b)			5,407,633	7,802,456
Net proceeds from disposal of subsidiary		42	1,863,688	-
Additions to intangibles		11	(465,459)	(462,022)
Interest received – non financial services			307,298	302,471
			(2,526,703)	(239,838)
Increase/(Decrease) in cash and cash equivalents			1,202,481	(3,340,225)
Cash and cash equivalents at beginning of year			6,604,290	9,575,048
Exchange and translation gains on net foreign cash balances			102,870	369,467
CASH AND CASH EQUIVALENTS AT END OF YEAR		5	7,909,641	6,604,290

The principal non-cash transactions include:

- ^(a) Acquisition of fixed assets under finance lease of \$5,870,000 (2013: \$2,056,000), (Note 12).
- ^(b) Investments exchanged under the National Debt Exchange and Private Debt Exchange programmes of \$Nil (2013: \$22,846,885,000).

GraceKennedy Limited
Company Statement of Financial Position
31 December 2014
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	2013 \$'000
Assets			
Cash and deposits	5	2,233,056	1,605,227
Investment securities	6	5,430,199	5,262,815
Receivables	7	1,255,599	1,192,234
Inventories	8	2,071,718	2,071,950
Loans receivable	9	3,305,387	1,569,419
Subsidiaries	34	445,334	82,922
Taxation recoverable		148,029	62,376
Investments in associates	10	49,698	185,173
Investments in subsidiaries		12,933,078	10,681,070
Intangible assets	11	115,552	105,940
Fixed assets	12	230,661	219,697
Pension plan asset	14	5,437,116	5,506,469
Total Assets		33,655,427	28,545,292
Liabilities			
Bank and other loans	15	4,128,016	3,397,782
Payables	16	1,781,118	1,790,265
Subsidiaries	34	2,420,347	240,081
Provisions	17	6,221	6,221
Deferred tax liabilities	13	1,038,498	1,096,490
Other post-employment obligations	14	1,410,009	1,311,018
Total Liabilities		10,784,209	7,841,857
Equity			
Share capital	18	588,533	643,074
Capital and fair value reserves	19	250,564	244,591
Retained earnings		22,032,121	19,815,770
Total Equity		22,871,218	20,703,435
Total Equity and Liabilities		33,655,427	28,545,292

Approved for issue by the Board of Directors on 2 March 2015 and signed on its behalf by:



Gordon Shirley



Don Wehby

Chairman

Group Chief Executive Officer

GraceKennedy Limited
Company Income Statement
Year ended 31 December 2014
(expresses in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	2013 \$'000
Turnover			
Cost of goods sold	23	14,353,162	13,641,116
		(11,199,390)	(10,743,484)
Gross Profit		3,153,772	2,897,632
Other income	25	4,723,531	3,922,285
Administration expenses		(5,164,416)	(5,196,418)
Profit from Operations		2,712,887	1,623,499
Interest income		513,321	366,261
Interest expense		(335,555)	(265,784)
Profit before Taxation		2,890,653	1,723,976
Taxation	27	13,374	(89,705)
NET PROFIT	28	2,904,027	1,634,271

GraceKennedy Limited
Company Statement of Comprehensive Income
Year ended 31 December 2014
(expressed in Jamaican dollars unless otherwise indicated)

	2014	2013
	\$'000	\$'000
Profit for the year	2,904,027	1,634,271
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Gains on revaluation of land and buildings	6,957	39
Remeasurements of post-employment benefit obligations	82,563	(995,128)
	89,520	(995,089)
Items that may be subsequently reclassified to profit or loss:		
Fair value gains/(losses)	4,818	(61,740)
	4,818	(61,740)
Other comprehensive income for the year, net of tax	94,338	(1,056,829)
Total comprehensive income for the year	2,998,365	577,442

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 2014
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Stock Units '000	Share Capital \$'000	Capital and Fair Value Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2013		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
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		-	-	-	13,188	13,188
Dividends paid	29	-	-	-	(727,660)	(727,660)
Total transactions with owners		(2,880)	(165,005)	-	(714,472)	(879,477)
Balance at 31 December 2013		331,921	643,074	244,591	19,815,770	20,703,435
Profit for the year		-	-	-	2,904,027	2,904,027
Other comprehensive income for the year		-	-	11,775	82,563	94,338
Total comprehensive income for 2014		-	-	11,775	2,986,590	2,998,365
Transactions with owners						
Issue of shares	18 (a)	18	907	-	-	907
Repurchase of shares	18 (a)	(2,454)	(145,878)	-	-	(145,878)
Issue of treasury shares	18 (b)	2,989	183,710	(5,802)	-	177,908
Purchase of treasury shares	18 (b)	(1,500)	(93,280)	-	-	(93,280)
Dividends paid	29	-	-	-	(770,239)	(770,239)
Total transactions with owners		(947)	(54,541)	(5,802)	(770,239)	(830,582)
Balance at 31 December 2014		330,974	588,533	250,564	22,032,121	22,871,218

GraceKennedy Limited
Company Statement of Cash Flows
Year ended 31 December 2014
(expressed in Jamaican dollars unless otherwise indicated)

SOURCES/(USES) OF CASH:	Note	2014 \$'000	2013 \$'000
Operating Activities			
Financing Activities			
Loans received	31	4,469,866	1,061,221
Loans repaid		2,950,713	1,221,552
Repurchase of shares		(1,546,223)	(1,399,460)
Purchase of treasury shares	18	(145,878)	(99,580)
Sale of treasury shares	18	(93,280)	(65,525)
Issue of shares	18	177,908	-
Interest paid	18	907	100
Dividends	29	(335,555)	(235,431)
		(770,239)	(727,660)
		238,353	(1,306,004)
Investing Activities			
Additions to fixed assets ^(a)	12	(70,109)	(41,251)
Proceeds from disposal of fixed assets		187	7,650
Additions to investments ^(b)		(1,946,744)	(596,093)
Loans receivable, net		(1,735,968)	(391,967)
Proceeds from sale of investments ^(b)		2,056,199	9,379
Investment in subsidiary		(2,252,008)	-
Proceeds from disposal of subsidiary		-	15,310
Proceeds from disposal of associated company		170,637	-
Additions to intangibles	11	(106,215)	(105,547)
Interest received		513,322	301,248
		(3,370,699)	(801,271)
Increase/(Decrease) in cash and cash equivalents		1,337,520	(1,046,054)
Cash and cash equivalents at beginning of year		660,775	1,551,163
Exchange and translation gains on net foreign cash balances		59,386	155,666
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	2,057,681	660,775

The principal non-cash transactions include:

- ^(a) Acquisition of fixed assets under finance lease of \$2,837,000 (2013: \$18,771,000), (Note 12).
- ^(b) Investments exchanged under the National Debt Exchange and Private Debt Exchange programmes of \$Nil (2013: \$1,806,954,000).

GraceKennedy Limited

Notes to the Financial Statements

31 December 2014

(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.

- Amendment to IAS 32, 'Financial instruments: Presentation', (effective for annual periods beginning on or after 1 January 2014). This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The Group adopted this amendment effective 1 January 2014. There was no impact from the adoption.
- Amendment to IAS 36, 'Impairment of assets' (effective for annual periods beginning on or after 1 January 2014). This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Group adopted this amendment effective 1 January 2014. There was no impact from the adoption.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

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

- IFRIC 21, 'Levies' (effective for annual periods beginning on or after 1 January 2014). This interpretation sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group adopted this IFRIC 21 effective 1 January 2014. There was no significant impact on the Group's financial statements as a result of this adoption.

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 authorisation of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, 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. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

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 2014

(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 –					
Allied Insurance Brokers Limited	Jamaica	Holding company	100	100	-
Jamaica International Insurance Company Limited	Jamaica	Insurance brokerage	-	100	-
GraceKennedy Money Services Caribbean SRL and its subsidiary –	Jamaica	General Insurance	-	100	-
GraceKennedy Remittance Services Limited and its subsidiaries –	Barbados	Holding company	-	75	25
Grace Kennedy Currency Trading Services Limited	Jamaica	Money services	-	75	25
Grace Kennedy 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	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
GraceKennedy Money Services (BVI) Limited (formerly 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	Money services	-	75	25
EC Global Insurance Company Limited	St. Lucia	General Insurance	-	80	20
First Global Insurance Brokers Limited	Turks & Caicos	Insurance brokerage	-	100	-
Knutsford Re	Turks & Caicos	Insurance	-	100	-
First Global Holdings Limited and its subsidiaries–	Jamaica	Holding company	25	100	-
First Global Bank Limited	Jamaica	Banking	-	100	-
GK Capital Management Limited	Jamaica	Investment management	-	100	-
GraceKennedy Properties Limited	Jamaica	Property rental	-	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	-
Horizon Shipping Limited	Jamaica	Dormant	100	100	-
Hardware and Lumber Limited	Jamaica	Retail & Trading	58.1	58.1	41.9
International Communications Limited	Jamaica	Dormant	100	100	-
Port Services Limited	Jamaica	Dormant	90.7	97.2	2.8

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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 %
Grace Foods Limited, St. Lucia	St. Lucia	Brand owner	100	100	-
GraceKennedy (Belize) Limited	Belize	Food trading	100	100	-
GraceKennedy (Ontario) Inc. and its subsidiary – Grace, Kennedy (Caribbean) Limited	Canada	Food trading	100	100	-
Grace Kennedy (Guyana) Limited	Turks & Caicos	Dormant	-	100	-
Grace Kennedy (USA) Inc. and its subsidiary – Grace Foods (USA) Inc. and its subsidiary – GraceKennedy Foods (USA) LLC	Guyana	Dormant	100	100	-
Grace, Kennedy Remittance Services (Trinidad & Tobago) Limited	USA	Food trading	100	100	-
GraceKennedy Trade Finance Limited	USA	Food trading	-	100	-
GraceKennedy (St. Lucia) Limited and its subsidiaries – Graken Holdings Limited	USA	Food trading	100	100	-
GraceKennedy Remittance Services (Turks and Caicos) Limited	Trinidad and Tobago	Dormant	100	100	-
GK Foods (UK) Limited, United Kingdom and its subsidiaries – Grace Foods UK Limited	United Kingdom (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	-
GraceKennedy Ghana Limited	Ghana	Food trading	-	100	-
GK Foods Limited	Nigeria	Food trading	-	100	-

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

During the year GraceKennedy Foods (USA) LLC, GK Capital Management Limited and GraceKennedy Properties Limited were formed and commenced operations.

Effective 18 July 2014, the Group acquired the business of La Fe Foods Inc. by way of an asset purchase through its wholly owned subsidiary GraceKennedy Foods (USA) LLC. On 12 September 2014, the Group acquired an additional 50% shareholding in EC Global Insurance Company Limited. Both acquisitions are further described in Note 41.

The Group disposed of its 100% interest in First Global Financial Services Limited during the year (Note 42).

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 recognise 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 Year-end	Country of Incorporation	Nature of Business	Group's percentage interest	
				2014	2013
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
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 company'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:

- (a) 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;
- (b) 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
- (c) 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 ranges from 3 to 5 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 5 to 15 years.

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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 within 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. 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 termination 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.

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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) Payables

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 operates a loyalty programme in which the parent company has contracted certain subsidiaries to participate in the programme in the capacity of an issuer and/or redeemer of loyalty points. Under this programme, customers accumulate points for purchases made at certain subsidiaries within the Group, which entitle them to goods and services at redeeming subsidiaries and/or third party suppliers. Commission is recognised by the participating subsidiaries in their capacity as agents at the point the parent company is obligated to supply the awards and is entitled to receive consideration for doing so, that is, when points are issued. Revenue is recognised on a gross basis by the parent company in the capacity of principal at the point at which the company has fulfilled its obligations in respect of the awards, that is when points are issued. Amounts payable to participating subsidiaries and third parties for acting as suppliers in the programme are recognised by the parent company as an expense. One of the Group's subsidiaries operates a loyalty programme under similar arrangements to that of the parent company.

(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.

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2. Significant Accounting Policies (Continued)

(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.

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.

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.

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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:

	2014		2013	
	Policy Limit \$'000	Maximum Net Retention \$'000	Policy Limit \$'000	Maximum Net Retention \$'000
Commercial property:				
Fire and consequential loss	583,389	6,863	524,933	3,181
Boiler and machinery	257,378	4,826	238,606	4,474
Engineering	343,170	6,434	318,141	5,965
Burglary, money and goods in transit	14,299	10,009	13,256	6,628
Glass and other	5,720	4,004	5,302	2,651
Liability	343,170	34,317	318,141	31,814
Marine, aviation and transport	34,317	5,720	26,512	5,302
Motor	10,000	10,000	10,000	7,500
Pecuniary loss:				
Fidelity	14,299	10,009	13,256	6,628
Surety/Bonds	50,000	10,000	50,000	10,000
Personal accident	25,738	18,016	23,861	11,930
Personal property	583,389	6,863	524,933	3,181

3. Insurance and Financial Risk Management (Continued)

(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 2010 - 2014 has changed at successive year-ends, up to 2014. 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.

	2010	2010 and prior	2011	2011 and prior	2012	2012 and prior	2013	2013 and prior	2014	2014 and prior
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2010										
Paid during year	559,019	1,026,854								
UCAE, end of year	509,260	1,382,399								
IBNR, end of year	63,254	63,254								
Ratio: excess (deficiency)										
2011										
Paid during year	265,315	503,092	558,956	1,062,048						
UCAE, end of year	300,526	810,100	640,405	1,450,505						
IBNR, end of year	2,365	2,365	67,945	70,310						
Ratio: excess (deficiency)		9.00%								
2012										
Paid during year	77,639	212,152	302,781	514,933	523,539	1,038,472				
UCAE, end of year	257,595	666,416	428,924	1,095,340	645,918	1,741,258				
IBNR, end of year	-	-	4,023	4,023	78,759	82,782				
Ratio: excess (deficiency)		4.43%		(6.15%)						
2013										
Paid during year	57,095	186,693	148,236	334,929	338,425	673,354	603,514	1,276,868		
UCAE, end of year	249,243	682,287	414,066	1,096,353	477,954	1,574,307	768,396	2,342,703		
IBNR, end of year	-	-	-	-	10,023	10,023	80,193	90,216		
Ratio: excess (deficiency)		(9.59%)		(27.97%)		(23.77%)				
2014										
Paid during year	57,206	139,723	109,272	248,995	156,030	405,025	380,436	785,461	511,167	1,296,628
UCAE, end of year	186,061	511,794	321,385	833,179	360,597	1,193,776	511,862	1,705,638	604,208	2,309,846
IBNR, end of year	-	-	-	-	-	-	18,964	18,964	74,986	93,950
Ratio: excess (deficiency)	(12.37%)	(7.46%)	(24.47%)	(27.04%)	(17.99%)	(24.57%)	(7.39%)	(3.17%)		

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:

- a) The retention limit or maximum exposure on insurance policies under the reinsurance treaties range between \$4,004,000 and \$34,317,000 (2013: \$2,651,000 and \$31,814,000).
- b) 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.
- c) 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.
- d) The amount of reinsurance recoveries recognised during the period is as follows:

	Group	
	2014	2013
	\$'000	\$'000
Property	130,623	28,400
Motor	2,881	8,755
Marine	1,192	(5,223)
Liability	988	17,127
Pecuniary loss	9,880	(7,834)
Accident	(340)	(876)
	145,224	40,349

(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 and currency 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 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.

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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 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.

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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.

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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.

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	2014			2013
	Loans, Leases, Premium and Trade Receivables \$'000	Impairment Provision \$'000	Loans, Leases, Premium and Trade Receivables \$'000	Impairment Provision \$'000
Low risk	43,687	-	33,973	-
Standard risk	27,958,416	-	24,246,908	-
Sub-Standard	1,659,414	604,786	976,176	549,203
	29,661,517	604,786	25,257,057	549,203

Company's rating

	2014			2013
	Loans, Leases, Premium and Trade Receivables \$'000	Impairment Provision \$'000	Loans, Leases, Premium and Trade Receivables \$'000	Impairment Provision \$'000
Standard risk	4,420,570	-	2,613,274	-
Sub-Standard	166,081	108,119	181,402	116,203
	4,586,651	108,119	2,794,676	116,203

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 2014 and 2013, without taking account of any collateral held or other credit enhancements.

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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**

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

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Neither past due nor impaired -				
Low risk	43,687	33,973	-	-
Standard risk	24,722,495	21,606,958	4,266,374	2,507,712
	24,766,182	21,640,931	4,266,374	2,507,712
Past due but not impaired	3,235,921	2,639,950	154,196	105,562
Impaired	1,659,414	976,176	166,081	181,402
Gross	29,661,517	25,257,057	4,586,651	2,794,676
Less: provision for credit losses	(604,786)	(549,203)	(108,119)	(116,203)
Net	29,056,731	24,707,854	4,478,532	2,678,473

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 2014, loans and leases, premium and trade receivables of \$3,235,921,000 (2013: \$2,639,950,000) and \$154,196,000 (2013:\$105,562,000) 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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Less than 1 month	1,889,846	1,708,030	-	-
Within 1 to 3 months	839,979	632,719	140,907	103,180
Over 3 months	506,096	299,201	13,289	2,382
	3,235,921	2,639,950	154,196	105,562

As of 31 December 2014, loans and leases, premium and trade receivables of \$1,659,414,000 (2013: \$976,176,000) and \$166,081,000 (2013: \$181,402,000) for the Group and company respectively were impaired. The amount of the provision was \$604,786,000 (2013: \$549,203,000) and \$108,119,000 (2013: \$116,203,000) for the Group and company respectively. There are no financial assets other than loans, leases, premium and trade receivables that are past due.

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:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
3 to 6 months	589,319	241,202	-	-
Over 6 months	648,057	297,487	-	-
	1,237,376	538,689	-	-

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

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
At 1 January	165,185	151,415	-	-
Provision for receivables impairment	148,858	51,115	-	-
Receivables written off during the year as uncollectible	(66,280)	-	-	-
Unused amounts reversed	-	(37,345)	-	-
At 31 December	247,763	165,185	-	-

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

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
3 to 6 months	201,460	206,139	40,156	56,037
Over 6 months	220,578	231,348	125,925	125,365
	422,038	437,487	166,081	181,402

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

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
At 1 January	384,018	397,946	116,203	115,756
Provision for receivables impairment	117,987	102,429	19,978	10,660
Receivables written off during the year as uncollectible	(73,611)	(104,004)	(12,392)	(4,043)
Unused amounts reversed	(71,371)	(12,353)	(15,670)	(6,170)
At 31 December	357,023	384,018	108,119	116,203

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

The overall ageing of the impaired loans and leases, premium and trade receivables is as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
3 to 6 months	790,779	447,341	40,156	56,037
Over 6 months	868,635	528,835	125,925	125,365
	1,659,414	976,176	166,081	181,402

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

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
At 1 January	549,203	549,361	116,203	115,756
Provision for receivables impairment	266,845	153,544	19,978	10,660
Receivables written off during the year as uncollectible	(139,891)	(104,004)	(12,392)	(4,043)
Unused amounts reversed	(71,371)	(49,698)	(15,670)	(6,170)
At 31 December	604,786	549,203	108,119	116,203

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:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Public sector	320,258	197,880	-	-
Professional and other services	2,884,792	2,596,467	-	-
Personal	5,604,412	4,276,868	203,034	66,503
Agriculture, fishing and mining	482,316	423,461	-	-
Construction and real estate	2,219,337	2,169,384	77,721	-
Electricity, gas and water	247,340	683,109	-	-
Distribution	3,601,145	3,104,825	2,834,234	1,113,268
Manufacturing	1,334,379	997,542	-	-
Transportation	2,392,675	2,353,700	-	-
Tourism and entertainment	746,185	790,805	187,561	223,944
Financial and other money services	1,018,882	1,180,450	191,385	389,897
Brokers and agents	1,178,761	762,462	-	-
Reinsurers and coinsurers	1,316,340	1,076,919	-	-
Supermarket chains	1,672,962	1,133,371	413,961	339,623
Wholesalers	1,016,325	521,788	222,716	234,857
Retail and direct customers	2,292,067	1,502,541	271,366	272,341
Other	1,067,884	1,392,470	184,673	154,243
	29,396,060	25,164,042	4,586,651	2,794,676
Less: Provision for credit losses	(604,786)	(549,203)	(108,119)	(116,203)
	28,791,274	24,614,839	4,478,532	2,678,473
Interest receivable	265,457	93,015	-	-
	29,056,731	24,707,854	4,478,532	2,678,473

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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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Loans and leases	1,237,376	538,689	-	-
Trade and other receivables	422,038	437,487	166,081	181,402

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. Repossessed 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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Government of Jamaica:				
Available-for-sale securities	14,481,743	35,561,343	3,341,135	3,286,938
Corporate:				
Available-for-sale securities	6,479,202	6,390,152	971,985	634,299
Other government				
Available-for-sale securities	389,118	468,745	-	-
Bank of Jamaica	5,895,674	3,261,234	-	-
Other (Note 6)	2,572,896	2,140,026	1,063,311	1,302,485
	29,818,633	47,821,500	5,376,431	5,223,722

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.

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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 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000
As at 31 December 2014:				
Deposits	17,601,846	3,699,236	21,618	-
Securities sold under agreements to repurchase	4,454,696	2,178,235	1,037,247	-
Bank and other loans	3,580,092	4,091,826	3,132,051	1,466,135
Trade and other payables	18,603,379	449,315	-	-
Total financial liabilities (contractual dates)	44,240,013	10,418,612	4,190,916	1,466,135
				60,315,676

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial liabilities cash flows (continued)

	Company			
	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Total \$'000
As at 31 December 2014:				
Bank and other loans	1,795,896	2,367,490	54,238	4,217,624
Trade and other payables	1,781,118	-	-	1,781,118
Subsidiaries	2,420,347	-	-	2,420,347
Total financial liabilities (contractual dates)	5,997,361	2,367,490	54,238!	8,419,089

	Company			
	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Total \$'000
As at 31 December 2013:				
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
Total financial liabilities (contractual dates)	3,086,684	2,287,840	120,037	5,494,561

The 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Floating rate –				
Expiring within one year	9,118,212	6,712,851	6,376,827	5,457,920
Expiring beyond one year	-	477,212	-	477,212

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.

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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 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
As at 31 December 2014:				
Loan commitments	2,043,880	-	-	2,043,880
Guarantees, acceptances and other financial facilities	693,953	-	-	693,953
Operating lease commitments	1,037,870	3,076,257	1,215,643	5,329,770
	3,775,703	3,076,257	1,215,643	8,067,603
As at 31 December 2013:				
Loan commitments	2,898,656	-	-	2,898,656
Guarantees, acceptances and other financial facilities	562,574	-	-	562,574
Operating lease commitments	988,005	2,747,394	666,815	4,402,214
	4,449,235	2,747,394	666,815	7,863,444

(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 and interest rates. 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.

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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\$ J\$'000	US\$ J\$'000	GBP J\$'000	CAN\$ J\$'000	EURO J\$'000	Other J\$'000
As at 31 December 2014:						
Financial Assets						
Cash and deposits	5,348,030	2,017,160	547,302	172,282	722,962	701,244
Investment securities and pledged assets	11,404,083	18,022,483	141,552	10,971	-	467,150
Trade and other receivables	4,219,426	3,592,116	1,754,661	400,560	48,879	676,660
Loans receivable	14,235,758	4,128,671	-	-	-	-
Total financial assets	35,207,297	27,760,430	2,443,515	583,813	771,841	1,845,054
Financial Liabilities						
Deposits	9,100,777	10,924,901	332,542	121,259	717,948	-
Securities sold under agreements to repurchase	2,818,072	4,657,477	11	-	-	52,914
Bank and other loans	6,082,056	3,659,373	1,041,358	238,848	-	42,525
Trade and other payables	9,374,183	5,947,057	2,263,032	543,763	133,173	791,486
Total financial liabilities	27,375,088	25,188,808	3,636,943	903,870	851,121	886,925
Net financial position	7,832,209	2,571,622	(1,193,428)	(320,057)	(79,280)	958,129

	Group					
	Jamaican\$ J\$'000	US\$ J\$'000	GBP J\$'000	CAN\$ J\$'000	EURO J\$'000	Other J\$'000
As at 31 December 2013:						
Financial Assets						
Cash and deposits	3,716,074	3,694,745	560,565	196,224	471,249	493,031
Investment securities and pledged assets	19,749,447	27,938,998	68,710	-	-	266,883
Trade and other receivables	4,016,665	2,272,669	1,542,266	315,966	54,701	267,080
Loans receivable	12,040,435	4,198,072	-	-	-	-
Total financial assets	39,522,621	38,104,484	2,171,541	512,190	525,950	1,026,994
Financial Liabilities						
Deposits	7,016,631	9,857,597	308,741	131,148	453,900	-
Securities sold under agreements to repurchase	9,120,945	15,851,270	-	-	-	101,874
Bank and other loans	6,510,819	3,488,739	1,419,902	146,173	-	6,157
Trade and other payables	8,525,489	4,252,633	1,650,351	418,465	124,191	255,745
Total financial liabilities	31,173,884	33,450,239	3,378,994	695,786	578,091	363,776
Net financial position	8,348,737	4,654,245	(1,207,453)	(183,596)	(52,141)	663,218

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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\$ J\$'000	US\$ J\$'000	GBP J\$'000	CAN\$ J\$'000	EURO J\$'000	Total J\$'000
As at 31 December 2014:						
Financial Assets						
Cash and deposits	1,899,694	329,131	-	-	-	2,233,056
Investment securities	1,798,672	3,588,273	-	-	-	5,430,199
Trade and other receivables	1,149,957	23,188	-	-	-	1,173,145
Subsidiaries	122,915	322,419	-	-	-	445,334
Loans receivable	1,930,303	1,375,084	-	-	-	3,305,387
Total financial assets	6,901,541	5,638,095	-	-	-	12,587,121
Financial Liabilities						
Bank and other loans	1,713,866	2,414,150	-	-	-	4,128,016
Trade and other payables	1,049,161	728,457	1,336	151	2,013	1,781,118
Subsidiaries	2,233,949	185,801	597	-	-	2,420,347
Total financial liabilities	4,996,976	3,328,408	1,933	151	2,013	8,329,481
Net financial position	1,904,565	2,309,687	(1,933)	(151)	(2,013)	4,257,640

	Company					
	Jamaican\$ J\$'000	US\$ J\$'000	GBP J\$'000	CAN\$ J\$'000	EURO J\$'000	Total J\$'000
As at 31 December 2013:						
Financial Assets						
Cash and deposits	598,402	1,003,881	-	-	-	1,605,227
Investment securities	2,229,295	2,992,935	-	-	-	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	-	-	-	9,629,437
Financial Liabilities						
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
Net financial position	1,394,017	2,763,763	-	-	-	4,201,309

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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 10% increase (2013: 15%) and a 1% decrease (2013: 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 is less/more sensitive to movement in currency/US dollar exchange rates in 2014 than 2013 because the net foreign currency exposure has decreased/increased for the Group and the company respectively. 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 assessed on an individual basis.

Group				
	% Change in Currency Rate	Effect on Profit before taxation	% Change in Currency Rate	Effect on Profit before taxation
	2014	2014	2013	2013
Currency:		\$'000		\$'000
USD		242,450		781,965
GBP	+10%	1,511	+15%	(14,856)
CAN	+10%	519	+15%	6,670
EURO	+10%	61	+15%	110
USD	-1%	(24,245)	-1%	(52,131)
GBP	-1%	(151)	-1%	990
CAN	-1%	(52)	-1%	(445)
EURO	-1%	(6)	-1%	(7)

Company					
	% Change in Currency Rate	Effect on Profit before taxation	% Change in Currency Rate	Effect on Profit before taxation	
	2014	\$'000	2013	\$'000	2013
Currency:					\$'000
USD	+10%	233,206	+15%	417,561	
GBP	+10%	(130)	+15%	-	
CAN	+10%	(15)	+15%	-	
EURO	+10%	(200)	+15%	-	
USD	-1%	(23,321)	-1%	(27,837)	
GBP	-1%	13	-1%	-	
CAN	-1%	1	-1%	-	
EURO	-1%	20	-1%	-	

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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 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non-rate Sensitive \$'000	Total \$'000
At 31 December 2014:							
Assets							
Cash and deposits	6,285,204	703,057	-	-	-	2,520,719	9,508,980
Investment securities and pledged assets	4,040,705	2,682,726	3,466,403	9,295,270	9,165,049	1,396,086	30,046,239
Loans receivable	249,409	2,967,167	1,577,992	8,273,344	5,093,375	203,142	18,364,429
Trade and other receivables	-	-	-	-	-	10,692,302	10,692,302
Total financial assets	10,575,318	6,352,950	5,044,395	17,568,614	14,258,424	14,812,249	68,611,950
Liabilities							
Deposits	13,939,558	3,636,874	3,601,563	19,432	-	-	21,197,427
Securities sold under agreements to repurchase	1,623,360	2,805,844	2,121,584	977,686	-	-	7,528,474
Bank loans	2,076,416	370,445	4,762,520	3,050,572	804,207	-	11,064,160
Trade payables	-	-	-	-	-	19,052,694	19,052,694
Total financial liabilities	17,639,334	6,813,163	10,485,667	4,047,690	804,207	19,052,694	58,842,755
Total interest repricing gap	(7,064,016)	(460,213)	(5,441,272)	13,520,924	13,454,217	(4,240,445)	9,769,195

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	Company					
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non-rate Sensitive \$'000
						Total \$'000
At 31 December 2014:						
Assets						
Cash and deposits	509,583	1,277,847	-	-	-	445,626
Investment securities	-	719,000	1,631,969	1,021,418	2,004,045	53,767
Loans receivable	-	-	1,819,259	-	-	1,486,128
Trade and other receivables	-	-	-	-	-	1,173,145
Subsidiaries	-	-	-	-	-	445,334
Total financial assets	509,583	1,996,847	3,451,228	1,021,418	2,004,045	3,604,000
Liabilities						
Bank loans	1,806,139	-	2,270,777	51,100	-	-
Trade payables	-	-	-	-	-	1,781,118
Subsidiaries	-	-	-	-	-	2,420,347
Total financial liabilities	1,806,139	-	2,270,777	51,100	-	4,201,465
Total interest repricing gap	(1,296,556)	1,996,847	1,180,451	970,318	2,004,045	(597,465)
						4,257,640

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

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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 Components of Equity	Change in basis points:	Effect on Profit before taxation	Effect on Other Components of Equity
2014	2014	2014	2013	2013	2013
JMD / USD	\$'000	\$'000	JMD / USD	\$'000	\$'000
-100/-50	690	259,238	-100/-50	16,805	502,495
+250/+200	(102,305)	(962,717)	+250/+200	(217,715)	(1,751,053)

Company					
Change in basis points:	Effect on Profit before taxation	Effect on Components of Equity	Change in basis points:	Effect on Profit before taxation	Effect on Other Components of Equity
2014	2014	2014	2013	2013	2013
JMD / USD	\$'000	\$'000	JMD / USD	\$'000	\$'000
-100/-50	(7,190)	54,138	-100/-50	(6,545)	62,292
+250/+200	17,975	(179,452)	+250/+200	15,396	(201,975)

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 \$Nil (2013: \$1,674,000) in income and \$21,245,000 (2013: \$15,943,000) 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% (2013: 250%).

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.

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.

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3. Insurance and Financial Risk Management (Continued)

(d) Capital management

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 2014, the Group's strategy, which was unchanged from 2013, was to maintain a debt to equity ratio not exceeding 100%. The debt to equity ratios at 31 December 2014 and 2013 were as follows:

	Group	
	2014 \$'000	2013 \$'000
Total borrowings (Note 15)	11,064,160	11,571,790
Owners equity	36,533,101	32,765,684
Gearing ratio	30.3%	35.3%

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 1% increase in the discount rate would result in a reduction in the value in use by \$2,210,171,000, 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

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	6,612,896	5,894,397	496,976	386,533
Deposits	2,896,084	3,237,491	1,736,080	1,218,694
	9,508,980	9,131,888	2,233,056	1,605,227

Included in deposits is interest receivable of \$6,947,000 (2013: \$199,000) and \$5,193,000 (2013: \$3,939,000) for the Group and company, respectively. The weighted average effective interest rate on deposits was 5.72% (2013: 4.34%) and 6.87% (2013: 3.75%) for the Group and company, respectively, and these deposits have an average maturity of under 3 months.

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

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	6,612,896	5,894,397	496,976	386,533
Deposits	2,896,084	3,237,491	1,736,080	1,218,694
Bank overdrafts (Note 15)	9,508,980	9,131,888	2,233,056	1,605,227
	(1,599,339)	(2,527,598)	(175,375)	(944,452)
	7,909,641	6,604,290	2,057,681	660,775

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6. Cash and Deposits

(a) Investment securities

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Available-for-sale:				
Quoted equities	212,450	159,425	53,433	38,758
Bank of Jamaica	5,895,674	3,261,234	-	-
Government of Jamaica securities	14,481,743	35,561,343	3,341,135	3,286,938
Foreign government securities	389,118	468,745	-	-
Corporate bonds	6,479,202	6,390,152	971,985	634,299
Other debt securities	2,572,896	2,140,026	1,063,311	1,302,485
Other	6,425	21,425	335	335
	30,037,508	48,002,350	5,430,199	5,262,815
Financial assets at fair value through profit or loss:				
Derivative financial instruments (Note 37)	8,731	4,944	-	-
Quoted equities	-	16,744	-	-
	8,731	21,688	-	-
Total	30,046,239	48,024,038	5,430,199	5,262,815
Less: Pledged assets (Note 6b)	(9,452,340)	(27,140,200)	-	-
Investment securities in the statement of financial position	20,593,899	20,883,838	5,430,199	5,262,815

Included in investment securities is interest receivable of \$434,924,000 (2013: \$801,462,000) and \$86,946,000 (2013: \$82,727,000) 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 6.36% (2013: 5.54%) and 4.00% (2013: 4.75%) for the Group and the company respectively.

Included in Bank of Jamaica securities is \$2,447,911,000 (2013: \$2,197,310,000) held at the Bank of Jamaica under Section 14(1) of the Banking Act, 1992, representing the required ratio of 12% (2013: 12%) for Jamaican dollar cash reserves and 9% (2013: 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 Group is \$7,087,341,000 (2013: \$9,579,998,000) and company \$1,842,342,000 (2013: \$691,382,000) which matures within the next 12 months.

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6. Investment Securities and Pledged Assets (Continued)**(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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Total in the statement of financial position (Note 6a)	9,452,340	27,140,200	9,127,789	25,362,823

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	
	2014	2013
	\$'000	\$'000
Pledged assets with right to sell or repledge	9,452,340	7,763,259

(c) Available-for-sale securities

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
At 1 January	48,002,350	45,716,442	5,262,815	4,346,337
Exchange differences	995,750	3,426,650	267,109	402,705
Additions	5,850,061	7,322,122	1,946,744	596,093
Disposals	(25,296,780)	(7,682,025)	(2,052,893)	-
Net losses transfer to/(from) equity	486,127	(780,839)	6,424	(82,320)
At 31 December	30,037,508	48,002,350	5,430,199	5,262,815
Less non-current portion	(22,950,167)	(38,422,352)	(3,587,857)	(4,571,433)
Current portion	7,087,341	9,579,998	1,842,342	691,382

The Group removed profits of \$90,275,000 (2013: \$360,687,000) and losses of \$Nil (2013: \$292,626,000) 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 \$Nil (2013: \$8,614,000) and losses of \$Nil (2013: \$21,096,000) from equity into the income statement. Losses were due to impairments.

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7. Receivables

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Trade receivables, less provision for impairment	6,908,212	5,393,836	1,074,180	1,037,694
Insurance receivables, less provision for impairment	2,369,414	2,292,714	-	-
Receivable from associates (Note 34e)	2,586	17,327	1,862	15,914
Prepayments	773,840	624,979	82,454	83,180
Other receivables	1,412,090	765,470	97,103	55,446
	11,466,142	9,094,326	1,255,599	1,192,234

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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Raw materials and spares	414,452	561,332	-	-
Finished goods	1,861,352	1,767,260	-	-
Merchandise	6,926,819	4,427,749	1,617,247	1,671,070
Goods in transit	1,594,552	1,588,756	454,471	400,880
	10,797,175	8,345,097	2,071,718	2,071,950

The inventory write-down recognised as an expense amounted to \$348,441,000 (2013: \$303,476,000) and \$95,298,000 (2013: \$135,411,000) for the Group and the company respectively.

9. Loans Receivable

(a) Loans receivable comprise:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Finance leases, less deferred profit	264,954	262,764	-	-
Loans and receivables:				
Loans to subsidiaries (Note 34e)	-	-	3,102,352	1,502,916
Loans to others	18,099,462	15,975,730	203,035	66,503
Other receivables	13	13	-	-
	18,364,429	16,238,507	3,305,387	1,569,419

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

Included in loans receivable is interest receivable of \$265,457,000 (2013: \$93,015,000) for the Group.

Included in loans receivable is \$6,268,755,000 (2013: \$3,423,640,000) and \$1,463,361,000 (2013: \$753,822,000) 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:

	Group	
	2014 \$'000	2013 \$'000
Gross receivables from finance leases:		
Not later than 1 year	148,217	147,116
Later than 1 year and not later than 5 years	165,814	169,715
Later than 5 years	-	5,007
Unearned future finance income on finance leases	314,031 (49,077)	321,838 (59,074)
Net investment in finance leases	264,954	262,764
The net investment in finance leases is analysed as follows:		
Not later than 1 year	122,780	118,594
Later than 1 year and not later than 5 years	142,174	139,481
Later than 5 years	-	4,689
Total	264,954	262,764

10. Investments in Associates

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
At beginning of year	1,028,966	899,027	185,173	185,173
Amounts recognised in the income statement	230,906	260,175	-	-
Amounts recognised in other comprehensive income	175,650	6,813	-	-
Dividends paid	(127,990)	(137,049)	-	-
Disposal within the group	-	-	(135,475)	-
Transfer to subsidiary	(40,927)	-	-	-
Amounts recognised in the statement of financial position	1,266,605	1,028,966	49,698	185,173
Dairy Industries (Jamaica) Limited			649,786	562,364
CSGK Finance Holdings Limited			560,218	398,970
Immaterial associated companies			56,601	67,632
Amounts recognised in the statement of financial position			1,266,605	1,028,966

10. Investments in Associates (Continued)

Dairy Industries (Jamaica) Limited (DIJL) and CSGK Finance Holdings Limited (CSGK), in the opinion of the directors, are material to the Group.

DIJL has share capital consisting solely of ordinary shares, which are partially owned by the Group and held directly by the parent company. 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.

CSGK has share capital consisting solely of ordinary shares, which are held indirectly by the parent company through a banking and investment subsidiary. The Group owns 40% of the share capital in CSGK. CSGK is a finance company whose principal activities, through its wholly owned subsidiary Signia Financial Group Inc., are the provision of term finance, motor vehicle leasing, acceptance of deposits, foreign exchange dealing and stock broking.

DIJL and CSGK are private companies and there is no quoted market price available for the shares.

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

The summarised information for DIJL and CSGK that was accounted for using the equity method for the years ended 31 December 2014 and 31 December 2013 is as follows:

Summarised statement of financial position

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Current				
Cash and cash equivalents	163,138	164,103	1,592,049	1,531,454
Other current assets (excluding cash)	965,384	1,076,440	105,800	115,535
Total current net assets	1,128,522	1,240,543	1,697,849	1,646,989
Financial liabilities (excluding trade payables)	11,111	37,778	9,324,824	8,355,427
Other current liabilities (including trade payables)	323,457	451,179	283,486	225,449
Total current liabilities	334,568	488,957	9,608,310	8,580,876
Non-current				
Assets	672,701	513,435	9,311,005	7,931,311
Non-financial liabilities	167,084	140,293	-	-
Total non-current liabilities	167,084	140,293	-	-
Net assets	1,299,571	1,124,728	1,400,544	997,424

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10. Investments in Associates (Continued)

Summarised income statement

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Revenue	2,675,348	2,533,632	1,039,590	904,006
Depreciation	(33,643)	(31,812)	(19,935)	(18,226)
Interest income	9,476	5,904	928,130	796,854
Interest expense	(14,921)	(13,556)	(392,889)	318,877
Profit before income tax	374,987	512,188	234,279	242,663
Taxation expense	(93,471)	(153,958)	(76,110)	(60,666)
Profit after tax	281,516	358,230	158,169	181,997
Other comprehensive income	98,327	13,626	108,676	229,639
Total comprehensive income	379,843	371,856	266,845	411,636
Dividends received by the Group from associate	102,500	115,000	25,490	22,049

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

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Summarised financial information				
Opening net assets at 1 January	1,124,728	982,872	997,424	640,911
Profit for the period	281,516	358,230	158,169	181,997
Other comprehensive income	98,327	13,626	308,676	229,639
Dividends paid	(205,000)	(230,000)	(63,725)	(55,123)
Closing net assets	1,299,571	1,124,728	1,400,544	997,424
Interest in associates (%)	50	50	40	40
Interest in associates (J\$)	649,786	562,364	560,218	398,970
Carrying value	649,786	562,364	560,218	398,970

The amounts recognised in the income statement in respect of immaterial associates are as follows:

	Group	
	2014	2013
	\$'000	\$'000
Profit or loss from continuing operations	26,880	8,261
Other comprehensive income	3,016	-
Total comprehensive income	29,896	8,261

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11. Intangible Assets

Summarised income statement

	Brands and Customer Relationships \$'000	Goodwill \$'000	Computer Software \$'000	Policy Contracts \$'000	Total \$'000
Group					
Cost					
At 1 January 2013	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
Additions	-	-	465,459	-	465,459
Acquisition through business combination (Note 41)	934,998	834,193	-	-	1,769,191
Retirement of asset	-	(625)	(589,012)	-	(589,637)
Exchange differences	66,868	19,075	1,247	-	87,190
At 31 December 2014	2,644,237	1,662,265	2,263,764	589,088	7,159,354
Accumulated Amortisation					
At 1 January 2013	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
Amortisation charge for the year	142,794	-	288,683	39,273	470,750
Impairment charge	-	625	126,596	-	127,221
Retirement of asset	-	(625)	(589,012)	-	(589,637)
Exchange differences	16,454	-	971	-	17,425
At 31 December 2014	804,438	308,490	1,561,300	353,452	3,027,680
Net Book Amount					
31 December 2014	1,839,799	1,353,775	702,464	235,636	4,131,674
31 December 2013	997,181	501,132	652,008	274,909	2,425,230

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:

	2014 \$'000	2013 \$'000
Food Trading		
- Jamaica operations	16,854	17,479
- United Kingdom operations	489,522	483,653
- United States operations	847,399	-
	1,353,775	501,132

For the year ended 31 December 2014, 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 Growth Rate	EBITDA to Revenue	Capital Expenditure to Revenue	Discount Rate
Food Trading				
- Jamaica operations	12.43%	0.65%	2.71%	16.51%
- United Kingdom operations	13.31%	5.44%	1.06%	11.10%
- United States operations	19.64%	4.26%	1.09%	13.05%

	Computer Software \$'000	Company
Cost		
At 1 January 2013	485,919	
Additions	105,547	
Retirement of asset	275	
At 31 December 2013	591,741	
Additions	106,215	
Retirement of asset	(25)	
At 31 December 2014	697,931	
Accumulated Amortisation		
At 1 January 2013	386,683	
Amortisation charge for the year	98,843	
Retirement of asset	275	
At 31 December 2013	485,801	
Amortisation charge for the year	96,604	
Retirement of asset	(26)	
At 31 December 2014	582,379	
Net Book Amount		
31 December 2014	115,552	
31 December 2013	105,940	

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12. Fixed Assets

	Freehold Land and Buildings \$'000	Leasehold Buildings and Improvements \$'000	Plant, Equipment, Fixtures & Vehicles \$'000	Capital Work in Progress \$'000	Total \$'000
Group					
Cost					
At 1 January 2013	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
Additions	99,497	62,080	680,285	295,886	1,137,748
Acquisition through business combination (Note 41)	743,209	24,650	145,964	-	913,823
Revaluation adjustment	557,697	-	-	-	557,697
Transfers	26,597	36,141	140,511	(203,249)	-
Transfer to investment properties (Note 40)	(94,000)	-	-	-	(94,000)
Disposals	(128,500)	(67,153)	(330,862)	(874)	(527,389)
Exchange differences	12,124	9,786	36,033	-	57,943
At 31 December 2014	5,733,290	1,443,087	6,978,478	286,927	14,441,782
Accumulated Amortisation					
At 1 January 2013	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
Charge for the year	85,130	98,046	579,042	-	762,218
Revaluation adjustment	(170,014)	-	-	-	(170,014)
On disposals	(919)	(50,776)	(287,749)	-	(339,444)
Exchange differences	-	6,441	26,465	-	32,906
At 31 December 2014	-	893,611	4,841,079	-	5,734,690
Net Book Amount					
31 December 2014	5,733,290	549,476	2,137,399	286,927	8,707,092
31 December 2013	4,430,863	537,683	1,783,226	195,164	6,946,936

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12. Fixed Assets (Continued)

	Freehold Land and Buildings \$'000	Leasehold Buildings and Improvements \$'000	Plant, Equipment, Fixtures & Vehicles \$'000	Capital Work in Progress \$'000	Total \$'000
Cost					
At 1 January 2013	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
Additions	-	7,160	65,199	587	72,946
Revaluation adjustment	7,000	-	-	-	7,000
Disposals	-	-	(3,505)	-	(3,505)
At 31 December 2014	67,000	96,352	778,162	587	942,101
Accumulated Amortisation					
At 1 January 2013	-	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
Charge for the year	1,088	3,428	66,432	-	70,948
Revaluation adjustment	(2,276)	-	-	-	(2,276)
On disposals	-	-	(3,195)	-	(3,195)
At 31 December 2014	-	70,866	640,574	-	711,440
Net Book Amount					
31 December 2014	67,000	25,486	137,588	587	230,661
31 December 2013	58,812	21,754	139,131	-	219,697

(a) The tables above include carrying values of \$12,753,000 (2013: \$23,097,000) and \$13,283,000 (2013: \$23,497,000) 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.

12. Fixed Assets (Continued)

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

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cost	4,321,413	3,539,323	41,123	41,123
Accumulated depreciation	386,739	333,714	8,832	7,804
Net Book Value	3,934,674	3,205,609	32,291	33,319

(c) The Group's land and buildings were revalued during 2014 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 and 2014 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

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.

As a result of the Government of Jamaica's tax reform in 2013, 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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
At beginning of year	(314,651)	(305,674)	(1,096,490)	(1,566,680)
Income statement credit/(charge) (Note 27)	329,549	(305,064)	89,438	117,861
Tax (charge)/credit relating to components of other comprehensive income (Note 27)	(229,194)	264,942	(31,446)	352,329
Exchange differences	18,914	31,145	-	-
At end of year	(195,382)	(314,651)	(1,038,498)	(1,096,490)

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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 \$2,609,289,000 (2013: \$1,631,599,000) and recognised tax credits of \$257,013,000 (2013: \$271,318,000) to carry forward indefinitely against future taxable income.

Deferred income tax liabilities of \$295,852,000 (2013: \$127,126,000) 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 \$1,183,409,000 (2013: \$508,505,000).

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						
	Unrealised			Pension			Total \$'000
Deferred tax liabilities	Fixed Assets \$'000	Fair Value Gains \$'000	Foreign Exchange Gains \$'000	Assets \$'000	Plan Assets \$'000	Other \$'000	
At 1 January 2013	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
(Credited)/charged to the income statement	(164,272)	124,119	(18,598)	2,278		(56,543)	(113,016)
Charged/(credited) to other comprehensive income	123,595	4,837	-	(19,616)		-	108,816
Exchange differences	-	-	-	-		14	14
At 31 December 2014	308,797	165,443	41,401	1,359,279		313,882	2,188,802
Deferred tax assets	Fixed Assets \$'000	Fair Value Losses \$'000	Unutilised Tax Losses and Credits \$'000	Employee Benefit Obligations \$'000	Other \$'000	Total \$'000	
At 1 January 2013	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	
Credited/(charged) to the income statement	21,532	-	241,597	(34,635)	(11,961)	216,533	
Credited/(charged) to other comprehensive income	-	(152,329)	-	31,951	-	(120,378)	
Exchange differences	(294)	-	19,151	-	71	18,928	
At 31 December 2014	65,794	4,693	998,826	867,199	56,908	1,993,420	

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13. Deferred Income Taxes (Continued)

	Company				
	Unrealised				
	Fixed Assets \$'000	Fair Value Gains \$'000	Foreign Exchange Gains \$'000	Pension Plan Assets \$'000	Total \$'000
Deferred tax liabilities					
At 1 January 2013	13,927	56,517	6,158	1,792,421	1,885,638
Charged/(credited) to the income statement	8,359	-	(2,450)	(98,711)	(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	1,448,597
(Credited)/charged to the income statement	(14,987)	-	(3,380)	(75,167)	(88,679)
Charged to other comprehensive income	2,319	1,606	-	57,829	61,754
At 31 December 2014	9,579	37,543	328	1,359,279	1,421,672
	Employee				
	Fixed Assets \$'000	Benefit Obligations \$'000		Other \$'000	Total \$'000
Deferred tax assets					
At 1 January 2013	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
Credited/(charged) to the income statement	4,499	(5,561)		1,821	759
Credited to other comprehensive income	-	30,308		-	30,308
At 31 December 2014	15,634	352,502		15,038	383,174

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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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	1,037,572	953,864	-	-
Deferred tax liabilities	(1,232,954)	(1,268,515)	(1,038,498)	(1,096,490)
	(195,382)	(314,651)	(1,038,498)	(1,096,490)

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	1,931,819	1,652,517	368,136	338,890
Deferred tax assets to be recovered within 12 months	61,601	225,820	15,038	13,217
	1,993,420	1,878,337	383,174	352,107

Deferred tax liabilities:

Deferred tax liabilities to be settled after more than 12 months	(1,668,076)	(1,726,091)	(1,368,858)	(1,398,864)
Deferred tax liabilities to be settled within 12 months	(520,726)	(466,897)	(52,814)	(49,733)
	(2,188,802)	(2,192,988)	(1,421,672)	(1,448,597)
Deferred tax liabilities net	(195,382)	(314,651)	(1,038,498)	(1,096,490)

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 \$168,317,000 (2013: \$93,968,000) and \$26,397,000 (2013: \$18,218,000) 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 PWL Transition 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.

14. Pension and Other Post-Employment Obligations (Continued)

Pension benefits

The amounts recognised in the statement of financial position are determined as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Present value of funded obligations	16,410,579	14,229,610	16,410,579	7,163,328
Fair value of plan assets	(21,847,695)	(19,736,079)	(21,847,695)	(12,669,797)
Asset in the statement of financial position	(5,437,116)	(5,506,469)	(5,437,116)	(5,506,469)

The movement in the defined benefit obligation over the year is as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Beginning of year	14,229,610	13,154,421	7,163,328	5,777,511
Current service cost	537,075	609,721	200,342	209,143
Interest cost	1,344,932	1,431,009	672,405	619,546
Past service cost	-	(621,029)	205,972	695,372
Curtailment	(282,640)	-	-	-
Adjustment to plan liabilities	515,288	-	7,894,752	-
	2,114,655	1,419,701	8,973,471	1,524,061
Remeasurements -				
Loss from change in financial assumptions	-	44,049	-	52,036
Experience losses/(gains)	728,334	(166,123)	812,264	(50,708)
	728,334	(122,074)	812,264	1,328
Members' contributions	230,842	245,536	96,219	21,453
Benefits paid	(892,862)	(467,974)	(634,703)	(161,025)
End of year	16,410,579	14,229,610	16,410,579	7,163,328

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14. Pension and Other Post-Employment Obligations (Continued)***Pension benefits (continued)***

The movement in the fair value of plan assets for the year is as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Beginning of year	19,736,079	18,996,677	12,669,797	12,947,196
Interest income on plan assets	1,864,151	1,980,459	1,193,553	1,350,413
Return on plan assets, excluding amounts included in interest income	703,504	(566,211)	1,043,579	(1,267,043)
Members' contributions	230,842	245,536	96,219	21,453
Employers' contributions	749	754	311	49
Benefits paid	(892,862)	(467,974)	(634,703)	(161,025)
Administration costs	(95,040)	-	(37,288)	-
Adjustment to plan assets	300,272	(453,162)	7,516,227	(221,246)
End of year	21,847,695	19,736,079	21,847,695	12,669,797

For the Group, adjustments to plan assets and plan liabilities for 2014 relate to associated companies and adjustments for 2013 relate to associated companies and the transfer of members of a subsidiary to a defined contribution scheme.

During the year the company assumed the defined benefit pension obligations of all companies within the Group participating in this scheme. As a result the parent company recognises the total pension assets and obligations in respect of this plan. The obligation of other participating companies is limited to the regular monthly pension contributions. Adjustments to plan assets and plan liabilities for the company reflect the impact of this change.

The amounts recognised in the income statement are as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Current service cost	537,075	609,721	200,342	209,143
Interest income (net)	(519,219)	(549,450)	(521,148)	(730,867)
Past service cost	-	(621,029)	205,972	695,372
Adjustment to plan assets	215,016	453,162	378,525	221,246
Curtailment	(282,640)	-	-	-
Administration costs	95,040	-	37,288	-
Total, included in staff costs (Note 26)	45,272	(107,596)	300,979	394,894

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately \$9,305,171,000 (2013: \$8,084,087,000) relating to active employees, \$1,377,176,000 (2013: \$1,192,390,000) relating to deferred members and \$5,728,232,000 (2013: \$4,953,133,000) relating to members in retirement.

14. Pension and Other Post-Employment Obligations (Continued)

Pension benefits (continued)

The plan assets are comprised of:

	Group	
	2014 \$'000	2013 \$'000
Equity	3,512,374	3,459,766
Debt	1,396,875	861,421
Real Estate	2,344,340	1,827,169
Government securities	12,393,963	10,948,191
Other	2,200,143	2,639,532
	21,847,695	19,736,079
		100%

	Company	
	2014 \$'000	2013 \$'000
Equity	3,512,374	2,221,035
Debt	1,396,875	552,999
Real Estate	2,344,340	1,172,971
Government securities	12,393,963	7,028,314
Other	2,200,143	1,694,478
	21,847,695	12,669,797
		100%

The pension plan assets include the company's ordinary stock units with a fair value of \$935,879,000 (2013: \$843,593,000), buildings occupied by Group companies with fair values of \$1,051,574,000 (2013: \$ 871,075,000), and repurchase agreement investments with Group companies of \$Nil (2013: \$1,662,386,000).

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 2015 are \$584,000. The actual return on plan assets was \$2,567,652,000 (2013: \$ 1,414,248,000).

The principal actuarial assumptions used were as follows:

	2014	2013
Discount rate	9.5%	9.5%
Long term inflation rate	5.5%	5.5%
Future salary increases	6.0%	6.0%
Future pension increases	5.5%	5.5%

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:

	2014	2013
Male	23.26	23.18
Female	26.02	25.98

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14. Pension and Other Post-Employment Obligations (Continued)***Pension benefits (continued)***

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	Impact on post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	Decrease by 14.4%	Increase by 18.6%
Future salary increases	1%	Increase by 5.2%	Decrease by 4.6%
Expected pension increase	1%	Increase by 12.4%	Decrease by 10.3%

Group and Company

	Increase Assumption by One Year	Decrease Assumption by One Year
Life expectancy	Increase by 2.1%	Decrease by 2.3%

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 schemes, the main actuarial assumption is a long term increase in health costs of 7.0% per year (2013: 7.0% per year).

14. Pension and Other Post-Employment Obligations (Continued)

Other post-employment obligations (continued)

The amounts recognised in the statement of financial position were determined as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Present value of unfunded obligations	3,228,905	3,202,616	1,410,009	1,311,018

Movement in the defined benefit obligation is as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Beginning of year	3,202,616	2,887,948	1,311,018	1,212,257
Current service cost	198,452	174,071	56,827	50,155
Interest cost	295,515	314,975	120,555	128,481
Past service cost - vested benefits	(394,477)	(141,643)	(91,424)	(49,221)
	99,490	347,403	85,958	129,415
Remeasurements -				
Loss from change in financial assumptions	-	214,325	-	72,306
Experience losses/(gains)	124,860	(93,559)	121,231	(13,839)
	124,860	120,766	121,231	58,467
Benefits paid	(198,061)	(153,501)	(108,198)	(89,121)
End of year	3,228,905	3,202,616	1,410,009	1,311,018

The amounts recognised in the income statement were as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Current service cost	198,452	174,071	56,827	50,155
Interest cost	295,515	314,975	120,555	128,481
Past service cost	(394,477)	(141,643)	(91,424)	(49,221)
Total included in staff costs (Note 26)	99,490	347,403	85,958	129,415

The total charge was included in administration expenses.

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14. Pension 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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Gratuity Plan	565,114	778,136	254,879	271,522
Group Life Plan	542,132	491,768	222,172	183,595
Insured Group Health	832,361	692,609	281,529	228,110
Self Insured Health Plan	804,593	750,091	303,510	271,698
Supplementary Pension Plan	484,705	490,012	347,919	356,093
Liability in the statement of financial position	3,228,905	3,202,616	1,410,009	1,311,018

The sensitivity of the post-employment medical benefits 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 13.6%	Increase by 17.2%
Medical inflation rate	1%	Increase by 17.4%	Decrease by 14.0%

	Company		
	Impact on post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	Decrease by 12.0%	Increase by 15.0%
Medical inflation rate	1%	Increase by 15.2%	Decrease by 12.4%

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.

14. Pension 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 2014 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:

Plans	Years)
Gratuity Plan	10.1
Group Life Plan	14.2
Insured Group Health	19.1
Pension Plan	17.1
Self Insured Health Plan	12.9
Superannuation plan	7.1

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15. Bank and Other Loans

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Secured on assets	2,649,096	1,970,447	-	-
Unsecured	8,415,064	9,601,343	4,128,016	3,397,782
	11,064,160	11,571,790	4,128,016	3,397,782

(a) Unsecured loans of subsidiaries are supported by letters of comfort from the parent company. Interest rates on these loans range between 2.52% - 13.5% (2013: 2.51% - 13.5%).

(b) Bank and other loans comprise:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Bank overdrafts (Note 5)	1,599,339	2,527,598	175,375	944,452
Bank borrowings	6,613,203	5,504,371	3,130,287	1,624,745
Finance leases	16,079	19,883	28,719	42,590
Derivative financial instruments (Note 37)	404	9,544	-	-
Other loans	2,835,135	3,510,394	793,635	785,995
Total borrowings	11,064,160	11,571,790	4,128,016	3,397,782

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 \$117,399,000 (2013: \$126,385,000) and \$43,895,000 (2013: \$40,336,000) for the Group and the company, respectively.

Included in bank borrowings and other loans is \$7,238,800,000 (2013: \$7,973,327,000) and \$4,069,397,000 (2013: \$3,304,092,000) for the Group and the company respectively, which matures in the next 12 months.

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 7.01% (2013: 6.64%) and are within level 2 of the fair value hierarchy.

(c) Finance lease liabilities – minimum lease payments:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	4,672	4,938	14,674	18,439
Later than 1 year and not later than 5 years	12,849	17,110	18,766	33,440
	17,521	22,048	33,440	51,879
Future finance charges on finance leases	(1,442)	(2,165)	(4,721)	(9,289)
Present value of finance lease liabilities	16,079	19,883	28,719	42,590

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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Between 1 and 2 years	8,079	8,274	21,548	25,790
Between 2 and 5 years	8,000	11,609	7,171	16,800
	16,079	19,883	28,719	42,590

16. Payables

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Trade payables	8,774,754	6,412,286	854,032	718,525
Payable to associates (Note 34 e)	138,265	384,891	91,962	184,665
Accruals	2,916,532	2,278,097	397,254	486,745
Claims outstanding	2,562,323	2,625,501	-	-
Insurance reserves	2,531,325	2,244,394	-	-
Other payables	2,129,495	1,281,705	437,870	400,330
	19,052,694	15,226,874	1,781,118	1,790,265

All payables balances are due within the next 12 months.

17. Provisions

Provisions comprise warranties as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
At beginning of year	6,839	6,839	6,221	6,221
Additional provisions	-	3,907	-	-
Unused amounts reversed	(618)	-	-	-
Utilised during year	-	(3,907)	-	-
At end of year	6,221	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.

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18. Share Capital

	2014	2013	2014	2013
	'000	'000	'000	'000
Authorised -				
Ordinary shares	400,000	400,000	400,000	400,000
Issued and fully paid -				
Ordinary stock units	331,223	333,659	603,798	748,769
Treasury shares	(249)	(1,738)	(15,265)	(105,695)
Issued and outstanding	330,974	331,921	588,533	643,074

- (a) During the year, the company issued 18,000 (2013: 2,000) shares to its employees for cash of \$907,000 (2013: \$100,000). The shares were issued under the Directors and Senior Managers Stock Option Plans. The company, under its share buy-back programme which commenced in 2013, repurchased 2,454,000 (2013: 1,662,000) units at a fair value of \$145,878,000 (2013: \$99,580,000).
- (b) During the year, the company through its employee investment trust sold 2,989,000 (2013: Nil) units of its own shares at a fair value of \$177,908,000 (2013: \$Nil) and purchased 1,500,000 (2013: 1,220,000) units at a fair value of \$93,280,000 (2013: \$65,525,000). The total number of treasury shares held by the company at the end of the year was 249,000 (2013: 1,738,000) at a cost of \$15,265,000 (2013: \$105,695,000).
- (c) 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 2011, under the rules of the Stock Option Plan, the following allocation was made:

	No. of Shares
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:	2014	2013
	'000	'000
At 1 January	2,469	2,683
Exercised	(18)	(2)
Forfeited	(123)	(212)
At 31 December	2,328	2,469

18. Share Capital (Continued)

- (d) 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 2011, under the rules of the Stock Offer Plan, the following allocation was made:

	No. of Shares	
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.		
Movement on this option:		
At 1 January and 31 December	2014	2013
	'000	'000
	226	226

On 8 December 2011, under the rules of the Stock Offer Plan, the following allocation was made:

	No. of Shares	
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.		
Movement on this option:	2014	2013
At 1 January	'000)	'000)
Forfeited	1,103	1,103
	(32)	-
At 31 December	1,071	1,103

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18. Share Capital (Continued)

(e) Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

	2014		2013	
Movement on this option:	Average exercise price in \$ per share	Options '000	Average exercise price in \$ per share	Options '000
At 1 January	53.81	3,798	53.65	4,012
Exercised	53.01	(18)	50.83	(2)
Forfeited	50.83	(155)	50.83	(212)
At 31 December	50.86	3,625	53.81	3,798

Shares totalling 3,625,000 (2013: 1,857,000) 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:

	2014		2013	
	Exercise price in \$ per share	Options '000	Exercise price in \$ per share	Options '000
2016	50.78	2,554	50.78	2,695
2017	61.20	1,071	61.20	1,103
		3,625		3,798

- (f) 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 expense recognised in the income statement for stock options granted to directors and employees was \$Nil (2013: \$15,749,000). No new options were issued in 2014.
- (g) During 2014, 2,989,000 shares (2013: Nil) were sold to key management personnel through the employee investment trust at a discount of 25% from the average of the last 3 trading days' closing prices of the stock as at 25 September 2014. The cost of the discount expensed in the income statement was \$43,525,000 (2013: \$Nil).

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19. Capital and Fair Value Reserves

	Group					
	Capital Reserve	Loan Loss Reserve	Fair Value Reserves	Total	Capital Reserve	Fair Value Reserves
	2014			2013		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Realised gains on disposal of assets	102,738	-	-	102,738	87,487	-
Capital distributions received	46,750	-	-	46,750	46,750	-
Realised gain on sale of shares	83,763	-	-	83,763	89,565	-
Profits capitalised by Group companies	2,239,411	-	-	2,239,411	2,302,086	-
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	-	1,998,409	1,998,409	-	1,386,329
Fair value gains/(losses), net of deferred taxes	-	-	159,339	159,339	-	(169,622)
Loan loss reserve	-	475,706	-	475,706	-	516,708
Catastrophe reserve	12,270	-	-	12,270	12,270	-
Other	67,242	-	-	67,242	84,811	-
	2,552,174	475,706	2,157,748	5,185,628	2,622,969	516,708
					1,216,707	4,356,384

	Company					
	Capital Reserve	Fair Value Reserves	Total	Capital Reserve	Fair Value Reserves	Total
	2014			2013		
	\$'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	-	29,036	29,036	-	22,079	22,079
Fair value gains, net of deferred taxes	-	197,021	197,021	-	198,005	198,005
	24,507	226,057	250,564	24,507	220,084	244,591

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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

	2014	2013
	\$'000	\$'000
Beginning of year	1,467,700	1,165,512
Share of total comprehensive income:		
Share of net profit of subsidiaries	513,953	572,430
Revaluation surplus	25,683	-
Remeasurement of post-employment benefit obligations	(15,710)	(5,405)
Other	17,147	22,556
	541,073	589,581
Acquisition of non-controlling interest	34,112	-
Employee share option scheme: value of services received	-	254
Dividends paid	(331,014)	(287,647)
End of year	1,711,871	1,467,700

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 \$1,711,871,000 of which \$588,581,000 is for Hardware and Lumber Limited and \$1,090,977,000 is for GraceKennedy Money Services Caribbean SRL. The non-controlling interest in respect of other subsidiaries is not material.

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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Current				
Assets	2,539,191	2,195,000	5,160,336	5,344,013
Liabilities	(1,451,118)	(1,094,176)	(1,382,597)	(1,887,475)
Total current net assets	1,088,073	1,100,824	3,777,739	3,456,538
Non-current				
Assets	814,967	621,821	838,324	692,275
Liabilities	(498,313)	(550,561)	(252,156)	(242,609)
Total non-current net assets	316,654	71,260	586,168	449,666
Net assets	1,404,727	1,172,084	4,363,907	3,906,204

21. Non - Controlling Interests (Continued)

Summarised income statement

	Hardware & Lumber Limited		GraceKennedy Money Services Caribbean SRL	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Revenue	7,137,579	6,810,600	6,448,216	5,543,657
Profit before income tax	259,367	814,420	2,488,694	1,895,593
Taxation expense	(65,086)	(215,763)	(749,309)	(609,223)
Profit after tax	194,281	598,657	1,739,385	1,286,370
Other comprehensive income	64,232	(84,422)	(1,833)	210,099
Total comprehensive income	258,513	514,235	1,737,552	1,496,469
Total comprehensive income allocated to non-controlling interest	108,317	215,464	434,388	374,117
Dividends paid to non-controlling interest	(10,839)	(10,162)	(319,959)	(277,485)

Summarised cash flows

	Hardware & Lumber Limited		GraceKennedy Money Services Caribbean SRL	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Cash generated from operations	96,873	488,855	1,678,763	1,952,115
Interest paid	(31,366)	(49,350)	(1,191)	(418)
Income tax (paid)/recovered	(69,447)	1,935	(814,722)	(591,441)
Net cash (used in)/generated from operating activities	(3,940)	441,440	862,850	1,360,256
Net cash used in investing activities	(98,542)	(38,360)	(203,642)	(81,238)
Net cash used in financing activities	(165,633)	(191,554)	(1,314,334)	(1,077,584)
Net (decrease)/increase in cash and cash equivalents	(268,115)	211,526	(655,126)	201,434
Cash and cash equivalents at the beginning of year	417,892	205,936	3,685,324	3,419,419
Exchange gains on cash and cash equivalents	232	430	4,142	64,471
Cash and cash equivalents at end of year	150,009	417,892	3,034,340	3,685,324

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

	2014					
	Food Trading		Retail & Trading		Banking & Investments	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE						
External sales	54,667,152	7,130,187	4,887,704	4,836,814	6,448,216	-
Inter-segment sales	257,958	7,392	55,714	431,939	-	(753,003)
Total Revenue	54,925,110	7,137,579	4,943,418	5,268,753	6,448,216	(753,003)
Operating results	1,119,428	310,781	344,319	423,615	2,354,027	84,216
Unallocated income	-	-	-	-	-	274,679
Profit from operations	-	-	-	-	-	-
Finance income	13,552	3,665	19,707	14,811	34,781	307,728
Finance expense	(398,348)	(29,924)	(137,881)	(11,166)	(1,191)	(109,906)
Share of results of associates	140,759	-	63,267	26,880	-	-
Profit before taxation	875,391	284,522	289,412	454,140	2,387,617	556,717
Taxation						(1,048,672)
Net Profit						3,799,127
Operating assets	34,649,278	3,281,312	44,773,793	10,693,532	5,707,495	(5,599,679)
Investment in associates	649,786	-	560,218	46,468	10,133	-
Unallocated assets	-	-	-	-	-	7,087,193
Total assets	35,299,064	3,281,312	45,334,011	10,740,000	5,717,628	1,487,514
Operating liabilities	18,555,326	1,587,858	36,315,322	6,658,714	1,303,615	(5,571,859)
Unallocated liabilities	-	-	-	-	-	4,765,581
Total liabilities	18,555,326	1,587,858	36,315,322	6,658,714	1,303,615	(806,278)
Other segment items						
Additions to non-current assets ^(b)	819,414	98,545	443,577	41,313	200,358	-
Depreciation	(492,958)	(46,782)	(87,817)	(56,610)	(78,051)	-
Amortisation	(201,467)	(5,194)	(149,076)	(82,366)	(32,647)	-
Impairment	(625)	-	(126,596)	-	-	-
						(127,221)
						63,614,557

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22. Segment Information (Continued)

Operating segments (continued)

	2013													
	Food Trading		Retail & Trading		Banking & Investments		Insurance		Money Services		Unallocated/ Elimination		Group	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE														
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)		-	
Total Revenue	44,896,656		6,810,600		5,558,971		5,159,088		5,543,657		(711,470)		67,257,502	
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	
Profit before taxation	1,145,810		342,730		692,210		122,081		1,919,637		852,731		5,075,199	
Taxation													(1,281,135)	
Net Profit													3,794,064	
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	
Total assets	28,275,770		2,742,010		59,567,011		9,704,769		5,744,408		2,609,338		108,643,306	
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	
Total liabilities	14,205,190		1,299,057		50,720,962		6,131,419		1,636,467		416,827		74,409,922	
Other segment items														
Additions to non-current assets ^(b)	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 (Continued)***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	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total for reportable segments	4,291,082	4,222,468	100,372,015	106,033,968	64,420,835	73,993,095
Inter-segment eliminations	-	-	(5,599,679)	(4,433,980)	(5,571,859)	(4,345,486)
Unallocated amounts:						
Corporate central office results	546,194	954,032	-	-	-	-
Post-employment benefits	54,048	(85,552)	-	-	-	-
Share-based payments	(43,525)	(15,749)	-	-	-	-
Taxation recoverable	-	-	612,505	582,985	-	-
Deferred tax assets	-	-	1,037,572	953,864	-	-
Pension plan asset	-	-	5,437,116	5,506,469	-	-
Taxation	-	-	-	-	303,722	291,182
Deferred tax liabilities	-	-	-	-	1,232,954	1,268,515
Other post-employment obligations	-	-	-	-	3,228,905	3,202,616
Total unallocated	556,717	852,731	7,087,193	7,043,318	4,765,581	4,762,313
Total per financial statements	4,847,799	5,075,199	101,859,529	108,643,306	63,614,557	74,409,922

Geographical information

	Revenue ^(a)		Non-current assets ^(b)	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Jamaica	44,627,627	43,040,726	9,285,864	8,333,375
United Kingdom	13,027,327	10,255,588	1,470,567	1,536,909
United States of America	9,553,568	4,909,927	2,748,286	614
Canada	4,650,987	4,132,025	24,371	25,312
Other Caribbean countries	4,538,068	3,798,290	1,060,283	869,922
Other European countries	1,255,054	909,280	-	-
Africa	182,977	78,955	-	-
Other countries	134,465	132,711	-	-
Total	77,970,073	67,257,502	14,589,371	10,766,132

^(a) Revenue is attributed to countries on the basis of the customer's location.

^(b) 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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Sales of products	61,797,339	51,415,500	14,353,162	13,641,116
Sales of services	6,440,882	5,535,171	-	-
Financial services income	6,051,598	5,787,333	-	-
Interest income on investments classified as – Available-for-sale securities	1,554,756	2,656,005	-	-
Interest income on loans receivable	2,125,498	1,863,493	-	-
	77,970,073	67,257,502	14,353,162	13,641,116

24. Expense by Nature

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration	147,381	129,312	15,107	13,894
Advertising and marketing	2,443,666	2,007,667	549,376	488,459
Amortisation of intangibles	470,750	351,291	96,604	98,843
Commissions and other money services costs	1,571,985	1,329,065	-	-
Cost of inventory recognised as expense	43,586,082	36,585,708	10,859,670	10,505,341
Depreciation	762,218	687,612	70,948	71,222
Impairment	127,221	21,096	-	21,096
Insurance	563,174	574,084	97,435	95,841
Interest expense and other financial services expenses	4,303,709	5,549,432	-	-
Legal, professional and other fees	2,523,663	1,603,549	335,582	436,853
Occupancy costs - Lease rental charges, utilities, etc.	2,699,261	2,251,590	565,110	758,348
Repairs and maintenance expenditure	530,994	469,327	31,538	13,280
Staff costs (Note 26)	10,847,074	9,082,723	2,640,749	2,525,857
Transportation	1,596,904	1,235,023	334,956	302,304
Other expenses	2,705,916	2,035,563	766,731	608,564
	74,879,998	63,913,042	16,363,806	15,939,902

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25. Other Income

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Dividend income	8,812	11,873	2,690,376	1,383,097
Net foreign exchange gains	586,606	761,613	323,734	443,784
Change in fair value of investment properties	24,815	-	-	-
Gain on disposal of investments	158,030	132,995	35,163	24,669
(Loss)/gain on disposal of fixed assets	(25,300)	7,645	(123)	8
Fees and commissions	318,310	208,263	1,612,320	1,682,745
Interest income – available-for-sale securities	359,813	271,466	-	-
Rebates, reimbursements and recoveries	258,916	211,630	53,838	374,283
Miscellaneous	130,988	105,147	8,223	13,699
	1,820,990	1,710,632	4,723,531	3,922,285

26. Staff Costs

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	8,081,731	6,807,558	1,670,249	1,517,883
Pension (Note 14)	45,272	(107,596)	300,979	394,894
Pension contributions to defined contribution scheme (Note 14)	168,317	93,968	26,397	18,218
Other post-employment benefits (Note 14)	99,490	347,403	85,958	129,415
Share options granted to employees	-	15,749	-	13,188
Shares offered at a discount to employees	43,525	-	25,844	-
Statutory contributions	768,942	611,427	189,058	148,188
Other costs	1,639,797	1,314,214	342,264	304,071
	10,847,074	9,082,723	2,640,749	2,525,857

27. Taxation

Taxation is based on the profit for the year adjusted for taxation purposes:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Current tax	1,486,550	1,041,333	75,719	208,793
Adjustment to prior year provision	(108,329)	(65,262)	345	(1,227)
Deferred tax (Note 13)	(329,549)	305,064	(89,438)	(117,861)
	1,048,672	1,281,135	(13,374)	89,705

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:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Profit before tax	4,847,799	5,075,199	2,890,653	1,723,976
Tax calculated at a tax rate of 25%	1,211,950	1,268,800	722,663	430,994
Adjusted for the effects of:				
Different tax rates in other countries	(45,797)	70,370	-	-
Different tax rate of regulated Jamaican companies	209,881	192,780	-	-
Income not subject to tax	(253,483)	(248,012)	(728,670)	(337,027)
Expenses not deductible for tax purposes	164,946	166,349	19,356	16,433
Adjustment to prior year provision	(108,329)	(65,262)	345	(1,227)
Share of profits of associates included net of tax	(76,969)	(86,725)	-	-
Employment tax credit	(41,447)	-	(24,447)	-
Recognition/utilisation of previously unrecognised tax losses	(5,267)	-	-	-
Recognition/utilisation of previously unrecognised tax credits	-	(16,087)	-	(16,087)
Other	(6,813)	(1,078)	(2,621)	(3,381)
Tax expense/(credit)	1,048,672	1,281,135	(13,374)	89,705

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27. Taxation (Continued)

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	Group			
	2014		2013	
	Before tax \$'000	Tax (charge)/ credit \$'000	After tax \$'000	Before tax \$'000
				Tax (charge)/ credit \$'000
				After tax \$'000
<i>Items that will not be reclassified to profit or loss:</i>				
Revaluation surplus	727,711	(123,595)	604,116	126,948
Remeasurements of post-employment benefit obligations	(149,690)	51,567	(98,123)	(564,903)
	578,021	(72,028)	505,993	(437,955)
				53,559
				(384,396)
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Foreign currency translation adjustments	329,072	-	329,072	682,573
Fair value gains/(losses)	486,396	(157,166)	329,230	(780,839)
Share of other comprehensive income of associated companies	175,650	-	175,650	6,813
	991,118	(157,166)	833,952	(91,453)
	1,569,139	(229,194)	1,339,945	(529,408)
Other comprehensive income				264,942
Deferred tax (Note 13)	-	(229,194)	-	-
				264,942

	Company			
	2014		2013	
	Before tax \$'000	Tax charge \$'000	After tax \$'000	Before tax \$'000
				Tax credit \$'000
				After tax \$'000
<i>Items that will not be reclassified to profit or loss:</i>				
Revaluation surplus	9,276	(2,319)	6,957	-
Remeasurements of post-employment benefit obligations	110,084	(27,521)	82,563	(1,326,838)
	119,360	(29,840)	89,520	(1,326,838)
				331,749
				(995,089)
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Fair value gains/(losses)	6,424	(1,606)	4,818	(82,320)
	6,424	(1,606)	4,818	(82,320)
Other comprehensive income	125,784	(31,446)	94,338	(1,409,158)
Deferred tax (Note 13)	-	(31,446)	-	-
				352,329
				(1,056,829)
				-

28. Net Profit Attributable to the owners of GraceKennedy Limited

Dealt with as follows in the financial statements of:

	2014	2013
	\$'000	\$'000
The company	2,904,027	1,634,271
Intra-group dividends and gain on disposal of subsidiaries within the Group eliminated on consolidation	(2,721,957)	(1,382,764)
Adjusted company profit	182,070	251,507
The subsidiaries	2,872,198	2,709,952
The associates	230,906	260,175
	3,285,174	3,221,634

29. Dividends

	2014	2013
	\$'000	\$'000
Paid,		
Interim – 70 cents per stock unit (2013 : 70 cents)	231,518	233,933
Interim – 78 cents per stock unit (2013 : 78 cents)	257,261	260,221
Final – 85 cents per stock unit (2013 : 70 cents)	281,460	233,506
	770,239	727,660

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.

	2014	2013
Net profit attributable to owners (\$'000)	3,285,174	3,221,634
Weighted average number of stock units outstanding ('000)	331,982	333,581
Basic earnings per stock unit (\$)	9.90	9.66

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) 1,297,000 (2013: 1,329,000) ordinary stock units for the full year in respect of the Stock Option Plan for directors (Note 18).
(b) 2,328,000 (2013: 2,469,000) ordinary stock units for the full year in respect of the Stock Option Plan for managers (Note 18).

	2014	2013
Net profit attributable to owners (\$'000)	3,285,174	3,221,634
Weighted average number of stock units outstanding ('000)	331,982	333,581
Adjustment for share options ('000)	312	216
	332,294	333,797
Diluted earnings per stock unit (\$)	9.89	9.65

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31. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	Note	Group		Company	
		2014	2013	2014	2013
		\$'000	\$'000	\$'000	\$'000
Net profit		3,799,127	3,794,064	2,904,027	1,634,271
Items not affecting cash:					
Depreciation	12	762,218	687,612	70,948	71,222
Amortisation	11	470,750	351,291	96,604	98,843
Impairment charge		127,221	21,096	-	21,096
Change in value of investment properties		(24,815)	-	-	-
Loss(gain) on disposal of fixed assets		25,300	(7,645)	123	(8)
Gain on disposal of investments		(158,030)	(132,995)	(35,163)	(24,669)
Share options – value of employee services expensed	18	-	15,749	-	13,188
Exchange loss/(gain) on foreign balances		44,870	184,366	(211,135)	(350,307)
Interest income – non financial services		(394,244)	(302,471)	(513,321)	(366,261)
Interest income – financial services		(4,040,067)	(4,631,507)	-	-
Interest expense – non financial services		688,416	542,539	335,555	265,784
Interest expense – financial services		1,126,068	1,567,173	-	-
Taxation expense	27	1,048,672	1,281,135	(13,374)	89,705
Unremitted equity income in associates		(102,916)	(123,126)	-	-
Pension plan surplus		44,523	(108,350)	300,668	394,845
Other post-employment obligations		(98,571)	193,902	(22,240)	40,294
		3,318,522	3,332,833	2,912,692	1,888,003
Changes in working capital components:					
Inventories		(1,748,957)	(1,775,722)	231	(641,506)
Receivables		(1,535,042)	(587,202)	(51,781)	(130,724)
Loans receivable, net		(1,959,350)	(2,357,886)	-	-
Payables		2,553,956	1,716,311	(47,412)	385,046
Deposits		2,574,211	808,144	-	-
Securities sold under repurchase agreements		36,465	(4,619,459)	-	-
Subsidiaries		-	-	1,817,853	(370,257)
Provisions		(618)	-	-	-
Total provided by/(used in) operating activities		3,239,187	(3,482,981)	4,631,583	1,130,562

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31. Cash Flows from Operating Activities (Continued)

Reconciliation of net profit to cash generated from operating activities (continued):

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash provided by/(used in) operating activities	3,239,187	(3,482,981)	4,631,583	1,130,562
Interest received – financial services	3,976,280	4,628,690	-	-
Interest paid – financial services	(1,065,977)	(1,641,520)	-	-
Translation gains	171,220	359,956	-	-
Taxation paid	(1,572,769)	(656,543)	(161,717)	(69,341)
Net cash provided by/(used in) operating activities	4,747,941	(792,398)	4,469,866	1,061,221

32. Commitments

(a) Future lease payments under operating leases at 31 December 2014 were as follows:

In financial year	2015	2016	2017	2018 and beyond	\$'000
					1,037,870
					913,552
					865,277
					2,513,071

(b) At 31 December 2014 and 2013 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 2010, 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 2010, 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 2011 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 24-25 September 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
(a) Sales of goods and services				
Sales of goods	6,202	5,469	397,791	415,275
Sales of services	99,742	68,439	1,553,375	1,909,800
(b) Purchase of goods and services				
Purchases of goods	2,340,645	2,135,585	5,302,906	5,141,667
Purchases of services	-	-	416,389	550,671
(c) Interest				
Interest income	970	-	147,192	80,106
Interest expense	9,102	5,904	48,589	47,880

Dividends received by the company from subsidiaries and associated companies were \$2,585,994,000 (2013: \$1,244,993,000) and \$102,500,000 (2013: \$137,049,000) 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Salaries and other short-term employee benefits	304,055	242,681	200,772	166,038
Fees paid to directors	28,930	37,282	24,796	32,951
Post-employment benefits	(55,944)	(76,275)	(48,950)	(66,942)
Share-based payments	18,034	12,528	13,810	10,631
	295,075	216,216	190,428	142,678

The following amounts are in respect of directors' emoluments:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Fees	28,930	37,282	24,796	32,951
Management remuneration	216,565	171,416	168,136	129,334
Post-employment benefits paid	32,542	29,655	6,267	5,669
Share-based payments	14,560	-	12,429	-
	292,597	238,353	211,628	167,954

34. Related Party Transactions and Balances (Continued)

(d) Transactions with key management (continued)

Transactions with directors and other key management personnel (and their families)

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Sale of goods and services –				
Sales of goods	497	484	497	484
Sales of services	1,934	1,116	-	-
Interest earned and incurred –				
Interest income	1,791	1,745	-	-
Interest expense	4,400	5,988	-	-

Transactions with companies controlled by directors and other key management personnel

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Sale of goods and services –				
Sales of services	587	617	-	-

(e) Year-end balances with related parties

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash and deposits with subsidiaries	-	-	1,023,521	287,432
Investment securities with subsidiaries	-	-	26,279	349,879
Receivable from subsidiaries	-	-	445,334	82,922
Receivable from associates (Note 7)	2,586	17,327	1,862	15,914
Loans receivable from subsidiaries (Note 9)	-	-	3,102,352	1,502,916
Payable to subsidiaries	-	-	2,420,347	240,081
Payable to associates (Note 16)	138,265	384,891	91,962	184,665
Loans & leases payable to subsidiaries	-	-	149,831	159,870
Deposits payable to associates	167,698	176,168	-	-

(f) Loans to related parties

Loans receivable from subsidiaries are repayable in the years 2015 and 2017 and bear interest at 0% - 10.0% (2013: 0% - 9.75%). No provision was required in 2014 and 2013 for loans made to subsidiaries.

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34. Related Party Transactions and Balances (Continued)**(f) Loans to related parties (continued)**

	Company	
	2014 \$'000	2013 \$'000
Loans to subsidiaries:		
At 1 January	1,502,916	1,103,937
Loans advanced during the year	1,920,811	396,954
Loan repayments received	(374,173)	-
Exchange differences	33,506	-
Interest charged	50,273	43,801
Interest received	(30,981)	(41,776)
At 31 December	3,102,352	1,502,916

(g) Year end balances with directors and other key management

Balances with directors and other key management personnel (and their families)

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Receivables	201	362	201	228
Loans receivable	137,114	85,840	118,869	66,503
Payables	-	364	-	-
Deposits payable	178,201	122,445	-	-
Securities sold under agreements to repurchase	-	120,169	-	-

Balances with companies controlled by directors and other key management personnel

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Receivables	-	218	-	-

34. Related Party Transactions and Balances (Continued)

(h) Loans to directors and other key management

The loans receivable attract interest at rates ranging between 0% - 10.5% (2013: 0% - 14.75%) and are repayable in the years 2017 - 2022. These loans are secured and are made on terms similar to those offered to other employees. No provision was required in 2014 and 2013 for the loans made to directors and senior managers.

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Loans to directors and other key management:				
At 1 January	85,840	89,669	66,503	73,515
Loans advanced during the year	60,846	6,743	59,718	-
Loan repayments received	(9,572)	(10,572)	(7,352)	(7,012)
Interest charged	1,791	1,745	-	-
Interest received	(1,791)	(1,745)	-	-
At 31 December	137,114	85,840	118,869	66,503

(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 1,297,000 (2013: 1,329,000).

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35. Fair Values Estimation**Financial Instruments**

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

The following 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			
	2014			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Available-for-sale securities:				
Quoted equities	212,450	-	-	212,450
Bank of Jamaica	-	5,895,674	-	5,895,674
Government of Jamaica securities	-	14,481,743	-	14,481,743
Foreign governments	-	389,118	-	389,118
Corporate bonds	-	6,169,192	310,010	6,479,202
Other debt securities	-	2,572,896	-	2,572,896
Other	-	5,779	646	6,425
Financial assets at fair value through profit or loss:				
Derivative financial instruments	-	8,731	-	8,731
Total Assets	212,450	29,523,133	310,656	30,046,239
Liabilities				
Financial assets at fair value through profit or loss:				
Derivative financial instruments	-	404	-	404
Total Liabilities	-	404	-	404

35. Fair Values Estimation (Continued)

Financial Instruments (continued)

	Group			
	2013			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
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
Total Assets	176,169	47,363,406	484,463	48,024,038
Liabilities				
Financial assets at fair value through profit or loss:				
Derivative financial instruments	-	9,544	-	9,544
Total Liabilities	-	9,544	-	9,544
	Company			
	2014			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Available-for-sale securities:				
Quoted equities	53,433	-	-	53,433
Government of Jamaica securities	-	3,341,135	-	3,341,135
Corporate bonds	-	971,985	-	971,985
Other debt securities	-	1,063,311	-	1,063,311
Other	-	335	-	335
Total Assets	53,433	5,376,766	-	5,430,199

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35. Fair Values Estimation (Continued)**Financial Instruments (continued)**

	Company			
	2013			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Assets				
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
Total Assets	38,758	5,224,057	-	5,262,815

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 Estimation (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.

	Group	
	2014 \$'000	2013 \$'000
At beginning of year	484,463	-
Acquisitions	51,630	484,463
Disposals	(225,437)	-
At end of year	310,656	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 2014. 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).

Land and buildings and investment properties are classified as level 3. The valuations have been performed using the sales comparison and income approaches for all properties except the Distribution Centre, which is valued using the cost approach.

The carrying value of land and buildings classified as level 3 is \$5,733,290,000 (2013: \$4,430,863,000) and \$67,000,000 (2013: \$58,812,000) for the Group and company respectively. Included in Group's land and buildings is the Distribution Centre with a carrying value of \$3,050,400,000 (2013: \$2,557,034,000).

The carrying value of investment properties classified as level 3 is \$484,000,000 (2013: \$365,000,000).

Reconciliation of the opening and closing balances of the Group's land and buildings:

	2014			2013		
	Distribution center	Other land and buildings	Total	Distribution center	Other land and buildings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	2,557,034	1,873,829	4,430,863	2,620,000	2,030,816	4,650,816
Additions and transfers in	1,944	867,359	869,303	2,599	183,548	186,147
Revaluation adjustment	557,036	170,675	727,711	-	126,948	126,948
Disposals and transfers out	-	(221,581)	(221,581)	-	(447,046)	(447,046)
Depreciation	(65,614)	(19,516)	(85,130)	(65,565)	(21,040)	(86,605)
Translation adjustment	-	12,124	12,124	-	603	603
Closing balance	3,050,400	2,682,890	5,733,290	2,557,034	1,873,829	4,430,863

There were no transfers to/from Level 3 during the year.

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35. Fair Values Estimation (Continued)

Fair Value of Land and Buildings and Investment Properties (continued)

A reconciliation of the opening and closing balances for the company's land and buildings and the Group's investment properties are disclosed in Notes 12 and 40 respectively.

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 and investment properties. The most recent valuations were performed as at 31 December 2014.

Sales Comparison Approach

There have been a limited number of similar sales in the local market, and consequently the sales comparison approach incorporates unobservable inputs which in the valuator's judgement reflects suitable adjustments regarding size, age, condition, time of sale, quality of land and buildings and improvements. The most significant input into this valuation is the price per square foot. The higher the price per square foot the higher the fair value.

Income Approach

The projected net income of the subject properties are discounted using an appropriate capitalisation rate. The most significant inputs to this valuation is the rental rate per square foot and the capitalisation rate. Rental rates of the subject properties are adjusted to reflect the market rent for properties of similar size, location and condition. The higher the rental rate per square foot the higher the fair value. The higher the capitalisation rate the lower the fair value. The average rent per square foot ranges between \$500 to \$550 and the capitalisation rate ranges between 9% - 10%.

Cost Approach

The fair value of the Distribution Centre has been determined using the cost approach due to specialised nature of the asset. The key inputs into this valuation are shown in the table below.

Description	Distribution Centre			Relationship of unobservable inputs
	Fair value at 31 December 2014 \$'000	Fair value at 31 December 2013 Valuation \$'000 technique(s)	Range of unobservable inputs	
Distribution centre	3,050,400	2,557,034 Cost approach	Certified costs of construction as at date of completion of property US\$21,500,000 - US\$22,000,000 Rate of increase in construction costs from date of completion of property to date of valuation 22% up to the finalisation of construction and 16% thereafter	The higher the costs of construction the higher the fair value The higher the rate of increase in construction costs the higher the fair value The higher the professional fees the higher the fair value
			Professional fees - architects, quantity surveyors, engineers 8%	
			Interest cost 2014: 12% - 15% 2013: 10%	The higher the interest cost the higher the fair value
			Estimated profit margin required by developer 5%	The higher the developer's profit the higher the fair value
			Rate of obsolescence 5%	The higher the rate of obsolescence the lower the fair value
	3,050,400	2,557,034		

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36. Financial Instruments by Category

	Group			
	Loans and receivables \$'000	Assets at fair value through profit or loss \$'000	Available for sale \$'000	Total \$'000
As at 31 December 2014:				
Cash and deposits	9,508,980	-	-	9,508,980
Investment securities and pledged assets	-	8,731	30,037,508	30,046,239
Loans receivable	18,364,429	-	-	18,364,429
Trade and other receivables	10,692,302	-	-	10,692,302
Total financial assets	38,565,711	8,731	30,037,508	68,611,950

	Group			
	Loans and receivables \$'000	Assets at fair value through profit or loss \$'000	Available for sale \$'000	Total \$'000
As at 31 December 2013:				
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
Total financial assets	33,839,742	21,688	48,002,350	81,863,780

	Group			
	Liabilities at fair value through profit or loss \$'000	Other financial liabilities at amortised cost \$'000	Total \$'000	
As at 31 December 2014:				
Deposits	-	21,197,427	21,197,427	
Securities sold under agreements to repurchase	-	7,528,474	7,528,474	
Bank and other loans	404	11,063,756	11,064,160	
Trade and other payables	-	19,052,694	19,052,694	
Total financial assets	404	58,842,351	58,842,755	

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36. Financial Instruments by Category (Continued)

	Group		
	Liabilities at fair value through profit or loss \$'000	Other financial liabilities at amortised cost \$'000	Total \$'000
As at 31 December 2013:			
Deposits	-	17,768,017	17,768,017
Securities sold under agreements to 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
Total financial assets	9,544	69,631,226	69,640,770

	Company		
	Loans and receivables \$'000	Available for sale \$'000	Total \$'000
As at 31 December 2014:			
Cash and deposits	2,233,056	-	2,233,056
Investment securities and pledged assets	-	5,430,199	5,430,199
Loans receivable	3,305,387	-	3,305,387
Trade and other receivables	1,173,145	-	1,173,145
Subsidiaries	445,334	-	445,334
Total financial assets	7,156,922	5,430,199	12,587,121

	Company		
	Loans and receivables \$'000	Available for sale \$'000	Total \$'000
As at 31 December 2013:			
Cash and deposits	1,605,227	-	1,605,227
Investment securities and pledged assets	-	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
Total financial assets	4,366,622	5,262,815	9,629,437

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36. Financial Instruments by Category (Continued)

	Company	Other financial liabilities at amortised cost \$'000
As at 31 December 2014:		
Bank and other loans		4,128,016
Trade and other payables		1,781,118
Subsidiaries		2,420,347
Total financial assets		8,329,481

	Company	Other financial liabilities at amortised cost \$'000
As at 31 December 2013:		
Bank and other loans		3,397,782
Trade and other payables		1,790,265
Subsidiaries		240,081
Total financial assets		5,428,128

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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			
	2014		2013	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Forward foreign exchange contracts	8,731	404	4,944	9,544
Total	8,731	404	4,944	9,544

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 2014 were \$417,749,000 (2013: \$ 929,825,000).

38. Custodial Services

One of the Group's investment subsidiaries provided custody and brokerage services to certain third parties. This activity ended on 30 May 2014. 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 \$Nil (2013: \$17,701,512,000). Fees earned in relation to custodial services were \$4,427,000 (2013: \$15,655,000).

39. Fiduciary Activities

One of the Group's investment subsidiaries provided pension administration and management services. This activity ended on 30 May 2014. At the statement of financial position date, the subsidiary had pension assets held under management amounting to approximately \$Nil (2013: \$30,129,685,000). Fees earned in relation to fiduciary activities were \$78,320,000 (2013: \$172,463,000).

40. Investment Properties

	Group	
	2014 \$'000	2013 \$'000
At 1 January	365,000	-
Additions	185	-
Change in fair value	24,815	-
Transfer from fixed assets (Note 12)	94,000	365,000
At 31 December	484,000	365,000

The following amounts have been recognised in the income statement:

	Group	
	2014 \$'000	2013 \$'000
Rental income arising from investment properties	21,866	-

Investment properties comprise commercial properties that are leased to third parties. In 2013, the transfer from fixed assets was done at the end of the year resulting in no amounts being recognised in profit or loss.

41. Business Combinations

On 18 July 2014, the Group acquired the operating assets and business of a United States of America food company, La Fe Foods Inc., which is a full service distributor of a range of products in the categories of grocery, frozen, dairy and beverages, representing some of the top brands of food products from the Caribbean, Central America, South America and Europe.

On 12 September 2014, the Group acquired an additional 50% of the share capital of St. Lucian company, EC Global Insurance Company Limited, a general insurance company which underwrites non-life insurance risks. The share purchase brings the Group's total shareholdings in the company to 80%, having previously held 30% of the share capital since 2004.

The fair value of trade and other receivables is \$982,080,000. The gross contractual amount for receivables due is \$1,031,085,000, of which \$49,005,000 is expected to be uncollectible.

The acquired businesses contributed revenue of \$4,083,475,000 and \$166,926,000 and net loss of \$176,804,000 and \$8,403,000 to the Group since being acquired, for the La Fe business and EC Global Insurance Company Limited respectively.

Had the businesses been consolidated from 1 January 2014, the consolidated income statement would show pro-forma revenue of \$82,407,245,000 and net profit of \$3,541,442,000. The amounts have been calculated by adjusting the results of the subsidiaries to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 January 2014, together with the consequential tax effects.

The goodwill is attributable to market participant synergies including the workforce in place.

The non-controlling interest in EC Global Insurance Company Limited is based on the proportionate fair value of the net assets acquired.

Acquisition-related costs of \$276,802,000 have been charged to administration expenses in the consolidated income statement for the year ended 31 December 2014.

The following table summarises the consideration paid, net assets acquired, goodwill and the non-controlling interest at the acquisition dates:

	Operating assets and business of La Fe Foods Inc. \$'000	EC Global Insurance Company Limited \$'000	Total \$'000
Purchase consideration:			
Cash paid	2,849,080	95,523	2,944,603
Fair value of equity interest held previously	-	40,927	40,927
Total consideration	2,849,080	136,450	2,985,530
Fair value of net assets acquired	(2,014,887)	(170,562)	(2,185,449)
Non-controlling interest	-	34,112	34,112
Goodwill (Note 11)	834,193	-	834,193

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41. Business Combinations (Continued)

The assets and liabilities arising from the acquisitions are as follows:

	Operating assets and business of La Fe Foods Inc. \$'000	EC Global Insurance Company Limited \$'000	Total \$'000
Cash and cash equivalents	167,222	107,747	274,969
Fixed assets (Note 12)	906,377	7,446	913,823
Brands (included in intangibles) (Note 11)	900,859	-	900,859
Customer relationships (included in intangibles) (Note 11)	-	34,139	34,139
Investment securities	-	119,254	119,254
Inventories	703,121	-	703,121
Trade and other receivables	721,703	260,377	982,080
Trade and other payables	(1,384,395)	(358,401)	(1,742,796)
Total identifiable net assets	2,014,887	170,562	2,185,449
Non-controlling interest (Note 21)	-	(34,112)	(34,112)
Goodwill (Note 11)	834,193	-	834,193
Total consideration	2,849,080	136,450	2,985,530
Purchase consideration settled in cash	2,849,080	95,523	2,944,603
Cash and cash equivalents in business acquired	(167,222)	(107,747)	(274,969)
Cash outflow/(inflow) on acquisitions	2,681,858	(12,224)	2,669,634

There were no acquisitions in the year ended 31 December 2013.

42. Disposal of Subsidiary

On 30 May 2014, the Group disposed of its 100% interest in First Global Financial Services Limited (FGFS). The principal activities of FGFS comprised investment and fund management, pension management, stock broking and rental of properties.

The following table summarises the net assets and net proceeds from the disposal of the subsidiary:

	\$'000
Cash and cash equivalents	35,762
Investment securities and pledged assets	20,043,951
Trade and other receivables	145,306
Taxation recoverable	203,727
Fixed assets	142,020
Securities sold under agreements to repurchase	(18,083,230)
Bank and other loans	(558,782)
Trade and other payables	(90,307)
Taxation payable	(33,058)
Deferred tax liabilities	(28,658)
Net assets disposed	1,776,731
Fair value gains recycled from other comprehensive income	(33,611)
Gain on disposal of subsidiary	156,330
Sales proceeds net of transaction costs	1,899,450
Sales proceeds net of transaction costs	1,899,450
Cash and cash equivalents of disposed subsidiary	(35,762)
Net cash inflow on disposal of subsidiary	1,863,688

There were no disposals in the year ended 31 December 2013.



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