GraceKennedy

ANNUAL REPORT 2015

Focused for

GROWTH

GraceKennedy

Strategy

Community

Focused for GROWTH

Customer

Innovation

CONTENTS

5 YEAR STATISTICS

	'000 **2015**	'000 **2014 ****	'000 **2013**	'000 **2012 ***	'000 **2011 ***
Number of shares (including treasury shares)	330,946	331,223	333,659	335,319	332,330
Stockholders' equity	38,047,441	36,533,101	32,765,684	30,702,837	28,601,255
Percentage increase over prior year	4%	11%	7%	7%	7%
Market capitalisation	26,889,363	20,214,540	18,374,601	16,769,303	20,933,467
Total borrowings	13,936,107	11,064,160	11,571,790	10,338,328	11,808,923
Profit and loss account					
Revenues	79,742,230	70,839,886	67,257,502	61,340,268	58,216,732
Percentage increase over prior year	12.6%	5.3%	9.6%	5.4%	5.2%
Profit before taxation	4,303,813	4,588,432	5,075,199	4,102,404	4,032,443
Percentage increase over prior year	-6.2%	-9.6%	23.7%	1.7%	23.7%
Profit after taxation	3,254,020	3,799,127	3,794,064	3,786,332	2,992,473
Percentage increase over prior year	-14.3%	0.1%	0.2%	26.5%	24.9%
Net profit attributable to stockholders	2,759,498	3,285,174	3,221,634	3,478,888	2,748,813
Percentage increase over prior year	-16.0%	2.0%	-7.4%	26.6%	22.2%
Net dividend - amount	820,030	770,239	727,660	665,937	494,874
Percentage increase over prior year	6.5%	5.9%	9.3%	34.6%	11.2%
Important ratios					
Return on sales	3.5%	4.6%	4.8%	5.7%	4.7%
Debt to equity ratio	36.6%	30.3%	35.3%	33.7%	41.3%
Return on equity	7.4%	9.5%	10.2%	11.7%	9.9%
Profit before taxation/sales	5.4%	6.5%	7.5%	6.7%	6.9%
Dividend cover - times	3.37	4.27	4.43	5.22	5.55
Shareholders equity per stock unit - JA$	114.97	110.30	98.20	91.56	86.06
Earnings per stock unit - basic	8.35	9.90	9.66	10.42	8.33
Productivity per employee - US$'000	11.80	14.19	17.48	21.13	17.56
Number of employees	1,996	2,080	1,827	1,850	1,823
Closing stock price - JSE : JA$	81.25	61.03	55.07	50.01	62.99
Closing stock price - TTSE : TT$	4.05	3.65	3.45	3.53	4.29
Closing stock price - BSE : BD$	-	-	-	-	-
Closing stock price - ECSE. : EC$	-	-	-	-	-
Price-earnings ratio	9.73	6.16	5.70	4.80	7.56

* Restated | ** Re-presented some income statement items for continuing operations

NOTICE OF MEETING

NOTICE is hereby given that the Annual General Meeting of GraceKennedy Limited will be held at 73 Harbour Street, Kingston, Jamaica on Wednesday, 25 May 2016 at 4:00 p.m. for the following purposes:-

1. To receive the Audited Group Accounts for the year ended 31 December 2015 and the reports of the Directors and Auditors circulated herewith.

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

Resolution No. 1

"THAT the Audited Group Accounts for the year ended 31 December 2015 and the reports of the Directors and Auditors circulated with the Notice convening the meeting be and are hereby adopted."

2. To declare the interim dividends paid on 18 May 2015, 30 September 2015 and 16 December 2015 as final for the year under review.

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

Resolution No. 2

"THAT as recommended by the Directors, the interim dividends paid on 18 May 2015, 30 September 2015 and 16 December 2015 be and they are hereby declared as final and no further dividend be paid in respect of the year under review."

3. To elect Directors.

The Directors retiring from office by rotation pursuant to Article 102 of the Company's Articles of Incorporation are Dr. Parris Lyew-Ayee Jr., Mr. Everton McDonald and Mrs. Gina Phillipps Black who, being eligible, offer themselves for re-election.

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

Resolution No. 3 (a)

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

Resolution No. 3 (b)

"THAT Dr. Parris Lyew-Ayee Jr., Mr. Everton McDonald and Mrs. Gina Phillipps Black be and they are hereby re-elected Directors of the Company."

4. To fix the fees of the Directors.

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

Resolution No. 4

"THAT the amount shown in the Accounts of the Company for the year ended 31 December 2015 as fees of the Directors for their services as Directors be and is hereby approved."

5. To appoint Auditors and authorise the Directors to fix the remuneration of the Auditors.

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

Resolution No. 5

"THAT PricewaterhouseCoopers, Chartered Accountants, having signified their willingness to serve, continue in office as Auditors of the Company pursuant to Section 154 of the Companies Act to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."

Karen Chin Quee Akin

By Order of the Board
Karen Chin Quee Akin (Mrs)
Corporate Secretary
Dated: 29 February 2016

Any member of the Company entitled to attend and vote at this meeting is also entitled to appoint one or more proxies to attend and vote in his/her stead. Such proxies need not be members of the Company. Instruments appointing proxies (a specimen of which is included at the back of the Company's Annual Report) must be deposited with the Corporate Secretary of the Company, at 73 Harbour Street, Kingston, Jamaica, not less than forty-eight (48) hours before the meeting.

SHAREHOLDERS' REPORT

IN 2015, THE GRACEKENNEDY GROUP EXPERIENCED MANY SUCCESSES AND SOME CHALLENGES. WE REMAINED LOYAL TO OUR STRATEGIC ROADMAP, DRIVING CURRENT PERFORMANCE WHILE ENSURING THAT WE MADE THE RIGHT DECISIONS TO DELIVER ON OUR LONG-TERM VISION.

Group revenue for 2015 was J$79.74 billion, representing an increase of 12.6% or J$8.90 billion over 2014 (J$70.84 billion). Net profit attributable to the shareholders of the Company was J$2.76 billion for 2015 compared with J$3.29 billion for 2014. Earnings per share was J$8.35 in 2015 compared with J$9.90 in 2014. Performance was impacted by costs associated with the integration of the US foods operations through GraceKennedy Foods (USA) LLC, a non-recurring non-cash credit in 2014 related to post employment obligations under IAS19, lower foreign exchange gains, additional finance costs and an increase in the taxation charge.

Shareholders' equity increased by 4.1% or J$1.51 billion moving from J$36.53 billion in 2014 to J$38.05 billion in 2015. Total assets grew by 6.7% or J$6.83 billion from J$101.86 billion in 2014 to J$108.69 billion in 2015. Dividends totaling J$2.48 per share were paid in 2015 compared with J$2.33 in 2014, an increase of 6.4%. At the end of 2015, the GraceKennedy stock price closed at J$81.25, a 33.1% increase over the prior year. GraceKennedy divested its 58.1% interest in Hardware & Lumber at a price of J$18.50 per share on December 30, 2015. This is in keeping with our goal of increasing shareholder value by focusing on the foods business locally and internationally and financial services in the Caribbean region.

The major areas of focus for the Group during 2015 were the continued integration and optimization of our US foods operations, strengthening our Jamaican businesses, growing our international presence, specifically in Western Africa, Continental Europe and on both the East and West Coasts of North America, expanding our regional financial presence and prioritizing our employees and customers.

During 2015 we took significant steps to rationalize and optimize the operating systems and organizational structure of GraceKennedy Foods (USA) LLC, from which we have started to reap the benefits through efficiency gains as well as improvements in logistics and controls. These steps along with planned infrastructure and brand development investments will place the company firmly on a path to achieving sustainable profitability for 2016 and beyond. We remain confident that our entry into the Hispanic food and beverage market, one of the fastest growing segments in the United States, represents an exciting opportunity for future growth. We continue to invest in long-term strategic relationships, partnering with American beverage giants, AriZona, to distribute Grace beverages in select markets in the United States. This partnership, which started in January of 2015, has already resulted in improved sales of beverages in the US market. There is the potential to expand the parameters of the partnership which will bring even more benefits to the Grace brand.

A core part of our strategy in the European foods market is to increase listings in key markets and we made great strides in this area. The

foods business achieved several new listings including at Albert Heijn, the number one supermarket chain in Holland. At our UK factory, we transitioned to Jamaican pepper in the production of our hot sauce. This will be a source of continued growth for our pepper production facility, Grace Agro Processors (GAP) in Jamaica. GraceKennedy Ghana Limited continues to maintain the visibility of the Grace brand in Africa and will be the foundation from which we will nurture our relationship with this continent. Our Nigerian company, GK Foods Limited, launched Nurishment drink and Dunn's River dry spices in Nigeria. The company will be focused on building these brands over 2016.

GraceKennedy Ontario continues to perform well and is leading our efforts to expand into the mainstream foods market. The company has introduced several new products which have transitioned from the ethnic to the mainstream food aisles. Grace Coconut Water is now the number one coconut water brand in Western Canada. We continue to work on building the coconut category in this market with the aim of becoming one of the top brands of choice.

Our foods business in Jamaica showed strong results, surpassing prior year's revenue and profit. The Jamaican foods distribution business experienced significant growth through a continued focus on re-engaging our consumers through a number of promotional activities. Our main promotional activity for 2015, "Grace on the Move", was very successful. World Brands Services, one of our foods distribution businesses, continued to deliver quality products while adding value and expanding markets for GraceKennedy's principals. This business is expected to show further growth as we look for opportunities to deliver products that meet the needs of our Jamaican customers.

Hi-Lo Food Stores, our supermarket chain in Jamaica, delivered growth in profit. Profit margins were higher than that of 2014 due to improvement in product mix and assortment and the implementation of sustainable cost containment measures. Arising from our on-going renovation exercise, the Manor Park and Barbican branches have seen strong revenue growth and efficiency gains. We continue to invest in the Hi-Lo chain as we strengthen our presence in the Jamaican market.

Our manufacturing operations performed exceptionally well due to strong demand from both our Jamaican and overseas markets, efficiency gains, yield improvements and favorable commodity prices. Grace Agro Processors (GAP), the company's processing plant in Hounslow, St Elizabeth, Jamaica has been performing well despite challenges associated with the severe drought last year. It is expected that GAP's export business will grow significantly, which would directly benefit local farmers with whom GAP partners.

> DURING 2016 WE WILL CONTINUE TO FOCUS ON OUR MANUFACTURING AND DISTRIBUTION PORTFOLIOS WITH NEW AND ENHANCED PRODUCTS, AS WELL AS THE RE-LAUNCH AND REFRESHING OF SOME OF OUR GRACE AND GRACE OWNED BRANDS. WE ARE COMMITTED TO IMPROVING OUR EFFICIENCIES, AND ON CREATING STRONG BRAND AND PRODUCT AWARENESS, THROUGH STRATEGIC LEADERSHIP AND AN ENGAGED AND MOTIVATED TEAM.

The GraceKennedy Financial Group (GKFG) had a good year with strong growth in revenue and profit. The Insurance segment reported growth in revenue and profit, primarily attributable to the performance of GK General Insurance Company and Allied Insurance Brokers. In 2015, GraceKennedy rebranded Jamaica International Insurance Company Limited (JIIC) as GK General Insurance Company Limited and First Global Insurance Brokers Limited in Turks and Caicos as GK Insurance Brokers Limited. In July 2015, GK General Insurance Company officially launched its internet-based solution, *GKGOnline,* which allows customers to purchase motor insurance via the Internet. The portal has been enthusiastically received by our customers and provides the foundation for future expansion in the Caribbean region.

First Global Bank (FGB) continued to pursue a strategy focused on convenience and technology with the launch of its Video Teller Machines (VTM) and mobile banking app in the latter part of 2015. Video Teller Machines, the first of its kind in the Caribbean region, is an interactive video technology that allows a live teller to interact with customers using video chat. The mobile banking product was launched with over 1,000 downloads in the first month.

GraceKennedy Money Services (GKMS) now offers remittance services in 11 markets, after its recent entry in the Cayman Islands in November 2015 and Turks & Caicos, in February 2016. This is a major milestone for the Group as we continue to expand our money services in the English speaking Caribbean and strengthen our relationship with Western Union, with whom we celebrated 25 years of partnership in 2015. In line with our strategy to deliver innovative and convenient solutions GKMS is expected to officially launch an electronic service in 2016 that will allow for payment of transactions using cellular phones. We are very excited about the opportunities that this will present for the Group.

GraceKennedy partnered with the Inter-Secondary Schools Sports Association (ISSA) to form a company called Greenfield Media Productions Limited. This will enable the management of media rights for ISSA's entire portfolio of sporting events and the promotion of brand Jamaica's sporting accomplishments to the diaspora and the world.

Our commitment to excellence was again recognized at the Jamaica Stock Exchange's Best Practice Awards where we received the first place award for Corporate Disclosure and Investor Relations (Main Market) and tied as first runner-up for the JSE/PSOJ Best Practice Award for Corporate Governance.

The GraceKennedy and Grace and Staff Community Development Foundations continue to positively impact our communities and exemplify our commitment to "We Care" particularly in the areas of community development, education, sports and environmental awareness. The Grace & Staff Foundation supports nearly 400 students that are pursuing studies at the high school and tertiary level, and over 400 students registered across the five (5) Homework Centres. The Foundation also stages its Annual 5K Education Run which is the flagship event that is used to raise funds and awareness of the educational needs of our students. The Foundation received the 2015 Environmental Health Foundation's Award for contribution to social wellness.
We are optimistic about the prospects for 2016 and beyond, as we strengthen the foundation for future growth, increase our global footprint and develop our people. Continued customer engagement remains a top priority going forward and this will go a far way in transforming GraceKennedy into a more marketing led organization. We remain focused on execution of our strategy and growing market share in our core businesses.

We would like to recognize and thank our employees whose commitment, talent, innovation and hard work continue to guide the achievement of our shared goals. We would also like to recognise and thank you our shareholders, for your investment and continued confidence as we work towards our goal of becoming a Global Consumer Group. To our consumers and customers, thank you for your loyal support.

As we work to achieve our goals, we remain grounded in and guided by our values of

HONESTY
INTEGRITY
& TRUST.

Gordon V. Shirley, OJ
Chairman

Donald G. Wehby
Group Chief Executive Officer

February 29, 2016

MANAGEMENT DISCUSSION & ANALYSIS

MD&A

MANAGEMENT DISCUSSION & ANALYSIS

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2012 | 2013 | 2014 | 2015 | 2020

Jamaican Trading Group

Performance Driven Organisation
- Accountability and Execution culture
- Align all employees with the Strategy and Vision
- Build international expertise
- Reward system aligned with strategy & performance
- Develop effective leaders and staff at all levels
- Do things right the first time, on time, within budget

Consumer Centricity & Innovation
- Develop global market research capabilities
- Design solutions rooted in consumer needs, attitudes, and behaviours
- Seek cross-product synergies and technological solutions
- Ensure high levels of consumer satisfaction

Growth & Sustainability
- Grow GraceKennedy owned brands
- Grow our international Food Business
- Develop strategic partnerships
- Mobilise financial resources
- Grow domestic & regional Financial & Money Services

Operational Excellence
- Strengthen M&A capabilities and resources
- Leverage IT platforms and improve efficiency
- Manage capital effectively
- Enhance Risk Management and internal controls
- Optimise Group structure
- Targeting International benchmarking for operational excellence

Globally Rationalise Operations
- Optimal platforms

Global Consumer Group

Caribbean Financial Services Group

Rebalance Jamaica versus International
- Internationalise systems
- Significant staff rotation

DISCLOSURE

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

WHO WE ARE

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

- Food Trading Segment: This comprises the business of food manufacturing through our own factories as well as through external suppliers, the distribution of Grace and Grace-owned brands in Jamaica and internationally, and the operation of retail outlets through our Hi-Lo Food Stores chain in Jamaica. The Group also manufactures and distributes third party brands in Jamaica and internationally. The segment operates primarily in Jamaica, the Caribbean, Central America, North America, Europe and Africa.

- Financial Services Segments: This comprises our commercial banking, general insurance, insurance brokerage, investment banking, remittance, cambio and payment services businesses. Our financial services companies presently operate within the English-speaking Caribbean.

On December 30, 2015 the GraceKennedy Group divested its 58.1% interest in Hardware & Lumber in keeping with our goal of increasing shareholder value by focusing on the Foods and Financial Services businesses.

The financial information presented below represents the continuing operations of GraceKennedy Limited. As such, the results for Hardware and Lumber are not included. Information about discontinued operations can be found in Note 43 of the Financial Statements.

OUR VISION

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

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

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

OUR MISSION

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

PERFORMANCE MEASUREMENT

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

- **Learning and Growth:** Our team is critical to our success. This segment of the Balanced Scorecard monitors the relationship with our team. We therefore monitor retention and development of the team as well as staff satisfaction.
- **Internal Processes:** The focus of this aspect of our scorecard is to increase the efficiency of our internal business processes and strengthen risk management within the Group.
- **Customer:** Critical to our strategy is our focus on the customer and consumer. This is central to the delivery of our products and services, and as such, the Group consistently monitors customer experience and service levels to ensure that we anticipate the needs of our customers and consumers, delighting them in all segments of our business.
- **Financial:** The focus of this aspect of our scorecard is to assess how well the Group's strategy, implementation and execution have maximised shareholder value. The key metrics evaluated relate to our revenue strategy and productivity levels. The Group carefully monitors revenue earned through existing and new markets, our ability to translate revenue to profits and our allocation of capital. These measures are in keeping with the Group's long term vision to provide investors with a competitive return on equity.

KEY EXPECTATIONS FOR 2015 - HOW WE DID

We indicated our key expectations for 2015 in 2014's Annual Report and we are pleased to indicate that our expectations were largely met. A summary of our performance is shown to the right.

Goal
Reinvest in our Jamaican businesses

Status
We made significant investments in all our segments during 2015. This includes the renovation of the Barbican and Manor Park Hi-Lo Food Stores locations. These two locations have shown significant increases in revenue following the renovation exercise. We have also secured a new location in Liguanea and are expecting to be open for business in the second quarter of 2016.

Several new products were also introduced into the Jamaican market through our manufacturing and distribution businesses. These include our new range of sachet seasoning and several new variants to our Grace Aloe drink.

Investments were also made in First Global Bank which as a result showed growth in both its deposit and loan portfolios.

Goal
Further expand our Foods business across the United Kingdom (UK), Europe and Africa

Status
Our Foods business in Europe experienced several new listings including Albert Heijn, the number one supermarket chain in Holland. Our UK operations expanded its distribution through prominent retailers located in Germany and The Netherlands.

Our Food distribution business in Ghana faced several challenges during 2015 including those experienced as we transitioned our distribution arrangements. The transition is now complete and we have deployed experienced talent to Africa to strengthen our presence on the ground.

Goal
Integrate our traditional Foods business in the USA and deepen our expansion in Western Canada

Status
The integration of the Grace brand in GraceKennedy Foods (USA) LLC was completed during 2015. This has allowed us to regain margins that were once with the third party distributor, have better control of our route to market and the price of our products.

GK Ontario (GKO) continues to perform well. For 2015, the company continued to build out the coconut category and was able to achieve double digit growth in that category for the year. GKO's coconut water also continues to be the # 1 coconut water in that market. The company also made great strides in western Canada which also recorded double digit growth for the year.

Goal
Introduce new and innovative products and services in our Financial Services business

Status
GK General Insurance, formerly Jamaica International Insurance Company, introduced its online insurance solution, *GKGOnline*, which has received significant support and take-up. First Global Bank introduced its Video Teller Machine and mobile banking app which will make banking more convenient for our customers. GraceKennedy Money Services introduced two new digital channels in the Jamaican market, TeleSend and Deposit Direct, aimed at better meeting the needs of our customers.

Goal
Utilise technology and data analytics as an enabler to our strategy

Status
The Group has made significant investment in technology in all segments. This is expected to improve controls, drive operational efficiency and improve customer service.

The GK Value Rewards programme was rolled out to the public during the first quarter of 2015. This programme is expected to create a better value proposition for our consumers and will allow GraceKennedy to benefit from improved awareness of our customers' needs through data analytics.

Goal
Optimise the structure of the Group, ensuring greater productivity and appropriate allocation of capital

Status
GraceKennedy's divestment of its interest in Hardware & Lumber was in keeping with our goal of increasing shareholder value by focusing on the Foods and Financial Services businesses.

The Group eliminated its divisional offices in order to have a flatter, more nimble structure, and to reduce duplication of efforts.

FINANCIAL PERFORMANCE

> REVENUE GREW BY 12.6% TO TOTAL $79.74 BILLION FOR THE YEAR.

Pre-tax profit decreased by 6.2% mainly due to costs associated with the integration of the US Foods operations through GraceKennedy Foods (USA) LLC, a non-recurring non-cash credit in 2014 related to post employment obligations under IAS19, lower foreign exchange gains and additional finance costs. The performance of GraceKennedy Foods (USA) LLC was impacted by integration costs including; investments in warehousing and logistics, the implementation of new technology and controls and the transition from third party distribution. We made significant investments in our businesses during 2015 with total capital expenditure for the period amounting to $1.99 billion compared to a spend of $1.60 billion in 2014. Net profit for the Group declined by 14.4% due to an increase in the taxation charge. Non-controlling interest for the year declined by 3.8% representing a change from $513.95 million in 2014 to $494.52 million in 2015, while profit attributable to shareholders decreased from $3.29 billion to $2.76 billion, representing a 16.0% decline.

Total assets grew by 6.7% or $6.83 billion, moving from $101.86 billion in 2014 to $108.69 billion in 2015. During the year, the Group's liabilities increased by 9.0% while the capital base grew by 2.9%. Capital comprised shareholders' equity of $38.05 billion and non-controlling interest of $1.33 billion. Return on equity for 2015 was 7.4% compared to 9.5% for 2014, while earnings per share decreased from $9.90 to $8.35.

How We Earned

The Group's revenue growth was driven by increases in revenue in all segments. The Food Trading segment reported the highest growth of 14.6%, followed by Insurance, Banking & Investments and Money Services, which showed growth of 13.5%, 2.4% and 2.0% respectively. Total expenses increased by 13.3% from $67.94 billion in 2014 to $76.95 billion in 2015, mainly due to increases in cost of inventory expensed (increase of $5.1 billion), staff costs (increase of $2.2 billion) and occupancy costs (increase of $0.45 million). The increase in the cost of inventory was due to the growth in our Foods segment. The increase in staff cost was due to a non-recurring non-cash credit in 2014 related to post employment obligations under IAS19 and the acquisition of GraceKennedy Foods (USA) LLC, while the increase in occupancy costs was due mainly to the acquisition of GraceKennedy Foods (USA) LLC.

Other income decreased by 9.2% during the year, largely attributable to lower net foreign exchange gains and lower gains on disposals of investments. Gain on disposal of investments for 2014 would have taken into account the sale of First Global Financial Services Limited.

The Group's net profit was represented by profit attributable to shareholders of $2.76 billion and non-controlling interest of $494.52 million mainly attributable to the performance of GraceKennedy Money Services.

Balance Sheet Review

(Statement of Financial Position)

During 2015, the increase in the Group's asset base was mainly attributable to an increase in loan receivables due to the growth in First Global Bank's customer loan portfolio, as well as an increase in investment securities within the Group. The Group increased its use of debt in 2015 taking advantage of the low interest rate environment in Jamaica and in the international market. This resulted in a debt to equity ratio of 36.6% compared to 30.3% as at December 2014. Bank and other loans increased by 26% to total $13.94 billion while deposits grew by 14.4% to total $24.26 billion. The growth in deposits is in line with First Global Banks's strategy to grow its deposit base.

The Group's equity base increased by 4.2% to total $38.05 billion as at December 2015, compared to $36.53 billion as at December 2014. The capital growth for the Group in 2015 was mainly driven by a 3.5% increase in retained earnings. Non-controlling interest decreased by 22.6% to total $1.3 billion due to the divestment of our interest in Hardware & Lumber during 2015.

Shareholders' Return

GraceKennedy's stock price recorded a 33.1% increase on the Jamaica Stock Exchange during 2015, opening at $61.03, and closing the year at $81.25. This represented a price earnings multiple of 9.73 times, an increase over the 2014 multiple of 6.16. The stock as at December 31, 2015 traded at 71% of its book value per share of $115.07, compared to a price to book ratio of 55% in 2014. The Group increased its dividend payment during the period by 6.5% or $49.8 million to total $820.03 million.

Segment Analysis

The GraceKennedy Group earns in four major segments: Food Trading, Banking and Investments, Insurance and Money Services. The Foods segment generated the largest share of revenue, accounting for 79%, compared to 77% in 2014. Profit before tax was earned in the following proportions:

- **Food Trading :**
  14%, down from 19% in 2014
- **Banking and Investments :**
  12%, up from 6% in 2014
- **Insurance :**
  13%, up from 10% in 2014
- **Money Services :**
  57%, up from 52% in 2014

Corporate and other unallocated amounts accounted for 4% of profit before tax down from 13% in 2014.

The performance of our segments reflected mixed results. Revenue increased in all segments while pre-tax profit followed a similar trend with the exception of Food Trading, which was impacted by the performance of GraceKennedy Foods (USA) LLC.

Our Banking and Investment segment reported an 83.8% growth in pre-tax profit. The main drivers were growth in First Global Bank's loan portfolio resulting in an increase in interest income, increased fees from higher credit card take-up and usage, higher foreign currency trading gains due to improved transaction volumes on foreign exchange trades and cost savings from the restructuring of the segment's shared services.

The Insurance segment experienced growth of 26.6% in profit before tax, which was primarily due to the performance of GK General Insurance Company and Allied Insurance Brokers. GK General Insurance showed increased revenue which along with better claims performance resulted in an improved underwriting ratio. Allied Insurance Brokers' strong performance was due primarily to an increase in new business.

FOOD TRADING

The Domestic Foods business showed significant growth over prior year in revenue, volumes and profit while the International Foods operations made significant strides toward the effective integration and optimization of GraceKennedy Foods (USA) LLC. We made significant investments in our Food Trading operations; especially in manufacturing and our Hi-Lo Food Stores supermarket chain, in order to improve operational efficiency and controls.

THE REPORT CARD BELOW SHOWS THE PERFORMANCE OF THE FOOD TRADING SEGMENT.

Goal
Growth of market share for our Jamaican business and improved efficiency at our manufacturing plants

Status
The success of our major consumer promotion, "Grace on the Move" reflects the strong brand loyalty of the Jamaican market and the continued support to our brand values. Margin and cost management coupled with significant growth in revenue resulted in positive results for the Jamaican distribution business. The manufacturing plants in Jamaica had a profitable year and have implemented several efficiency initiatives which are expected to have a positive impact on performance going forward. The manufacturing plants also benefitted from the reduction in global oil prices.

Goal
Integration and strengthening of our new distribution business in North America

Status
The Grace brand was successfully integrated into our acquired distribution business. This has brought significant increase in volumes, requiring further investment in logistics, warehousing, information technology and control systems. Having made those investments in 2015, we have already started to reap the rewards and have seen significant growth in the Grace and La Fe brands in the USA.

Goal
Building out our African business to be a substantial contributor to the foods segment

Status
Our performance in Africa was affected by an increase in import duties on malted beverages, rebalancing of the product portfolio, the restructuring of the sales team and the transition from distributor model to own operation. With the right structure now in place bolstered by the introduction of new products we expect to see growth in these countries. We introduced several products into the African market, including Dunn's River dry spices and Nurishment. It is expected that other products will be introduced and registered as we improve and increase our brand presence in the Africa.

Goal
Increased penetration across Europe with increased listings and new products

Status
Our Foods business in Europe made significant strides in 2015, achieving new listings for coconut water, Aloe and Encona across Europe in key German and Dutch wholesalers and supermarkets. This business is well positioned for continued growth in 2016.

Goal
Growth and development of effective and efficient Global Category Management

Status
The Global Category Management Unit has been well established and has achieved significant savings for the Foods segment. The Unit has also successfully collaborated with the markets on the implementation of marketing initiatives which have resulted in the growth of the Grace brand globally.

2016 Goals for Food Trading Segment

As we work towards growing the Food Trading segment our 2016 goals are:

1. Optimising the Food Distribution business in North America through improved operational efficiency and exploring new channels for the Grace and La Fe food brands
2. Pursuing further growth opportunities in the UK and Europe and improving our distribution business in Ghana
3. Strengthening our leading market position in Jamaica through product innovation and efficiency
4. Transforming and growing the Hi-Lo Food Stores business in Jamaica

Jamaica

We currently operate in the Jamaican market through Hi-Lo Food Stores, Grace Foods & Services and World Brands Services. These retail and distribution businesses are supported by our manufacturing plants and logistics centre.

Our Jamaican Food Distribution business performed significantly better than 2014. All subsidiaries, with the exception of Hi-Lo Food Stores, reported improved revenue while pre-tax profit for all subsidiaries was above 2014. Our volumes benefitted from the continued focus on brand building through various promotional activities and innovations with several of our key products showing double-digit growth in volumes. We introduced several new products and variants to existing products, including variants to the successful Grace Aloe drink and a new range of powdered seasonings in sachet. The response from the consumers to these new products has been tremendous.

World Brands Services performed significantly better than the prior year, reporting both higher revenue and profit. Some of the major brands contributing significantly to this positive performance were Frito Lay, Anchor, Turbo, Soyfresh, Vitamalt and Lucozade.

Hi-Lo Food Stores' revenue was affected by the sale of the Mandeville and Ocho Rios locations during 2015. The company however reported higher profits due to improvements in product mix and assortment and the implementation of sustainable cost containment measures.

The Manor Park and Barbican locations underwent significant refurbishing, with both stores reporting significant growth in revenue following the renovation exercise. As we work to grow this business we will continue to renovate several other locations as we improve the look and feel of the stores, building deeper connections with and providing an excellent experience for our customers.

The Manufacturing Division performed exceptionally well, with both revenue and profit being significantly above prior year. This was due primarily to increase in demand from both Jamaica and overseas for our factory made products. Volumes from the factory were also positively affected by the decision to manufacture products that were once manufactured overseas. Along with increased volumes at the factories, attendant cost containment resulted in efficiency gains. The reduction in global oil prices resulted in significant energy savings which allowed our products to be more competitive on the global market.

International Market

All of GraceKennedy's International Food companies, with the exception of GraceKennedy Foods (USA) LLC, surpassed their 2014 profit. While GraceKennedy Foods (USA) LLC's operational changes had an adverse impact on the company's 2015 results, both the Grace and La Fe brands showed growth in sales for the year. The strategic partnership with AriZona has allowed for our beverages, including Grace Coconut Water and Grace Tropical Rhythms to increase our product penetration in New York and New Jersey. This will expand the distribution of Grace Beverages beyond the traditional Caribbean and Hispanic trade to the urban mainstream consumer in the US North East.

GraceKennedy Ontario introduced several new organic and natural coconut products which are now mainstream. We continue to work on building out the coconut category in the Canadian market with the aim of becoming one of the top brands of choice for coconut products within the Ontario market.

> THE UK BUSINESS CONTINUED TO GAIN LISTINGS IN EUROPEAN MARKETS, INCLUDING A PARTICULARLY IMPORTANT LISTING IN ALBERT HEIJN, THE NUMBER ONE SUPERMARKET CHAIN IN HOLLAND, AS WELL AS THE GERMAN CASH N' CARRY CHAINS, TRANSGOURMET AND SELGROS. WE ANTICIPATE THAT THIS WILL PUT OUR EUROPEAN BUSINESS ON A SOLID GROWTH PATH FOR 2016.

Our operation in Ghana was impacted by several factors including an increase in import duties on Malted beverages. This negatively impacted our flagship product in Ghana, "Grace Mighty Malt". We are currently exploring the opportunity to develop relationships with regional suppliers to improve our competitiveness. To strengthen our product offering and brand we introduced several products into the market during 2015 and we will also be registering key products in the market to build out a more competitive portfolio.

FINANCIAL SERVICES SEGMENTS

(Banking and Investments, Insurance and Money Services)

The Financial Services businesses showed growth in both revenue and profit before tax for all three segments. This was driven by a combination of growth in the loans and deposit portfolios, the strategic management of risks and claims and the implementation of sustainable cost controls. Pre-tax profit for all three segments showed an overall increase of 13.5%, moving from $3.13 billion in 2014 to $3.55 billion in 2015. This increase in profits was driven by the strong performance of both the Banking and Investments and Insurance segments. Revenue growth showed an overall increase of 5.3% over 2014.

The 2015 GK Financial Services segment report card is below:

Goal
The successful roll out of product innovations with special emphasis on 'Mobile Money'

Status
Our approach to the 'Mobile Money' offering has been to spend the time to ensure that we deliver to the market a product that anticipates and meets the needs of our customers. We have made significant strides in this effort and we are pleased to report that in January 2016 we commenced the pilot phase. We expect that subject to final approval from the Bank Of Jamaica, we will launch to the public during 2016.

Goal
The increased penetration of our Insurance businesses across the Caribbean

Status
The Insurance segment submitted one application and commenced the second for a submission in early 2016 to do business in other countries in the Eastern Caribbean as underwriters. EC Global Insurance in St. Lucia is being used as the hub for regional growth in the Eastern Caribbean.

Goal
Continued use of technology to drive operational efficiency

Status
In 2015, First Global Bank launched a number of technological solutions geared towards driving operational efficiencies. These included the implementation of its Credit Collections application in January 2015 to enhance the efficiency of the collections process, the mobile banking app and the launch of the Video Teller Machines, Multi-Currency Machines and Interactive Teller Machines in December 2015. This allows our customers to conduct most of their in-branch transactions at the machines and also facilitates extended banking, 7am to 7pm on weekdays and 10am to 2pm on Saturdays at select locations.

The launch to the public of *GKGOnline* in August 2015 has been well received. In addition to adding an additional channel and convenience for customers, GK Insurance is projected to improve its underwriting efficiency ratios.

Goal
The strengthening and growth of our Banking business

Status
First Global Bank achieved growth in both revenue and profit. This strong growth was mainly attributable to the Bank's focus on growing core business through a wide range of products, services and technological solutions, tailored to the needs of customers in the retail and Small & Medium Enterprises market.

Due to the exponential growth in the customer base of the Manor Park branch, in 2015, First Global Bank expanded the Manor Park branch to a larger and more convenient location to enhance the in-branch experience for all customers.

Goal
The introduction of innovative digital products in our Money Services business

Status
GraceKennedy Money Services (GKMS) launched two innovative digital products in Jamaica during 2015. The TeleSend product allows customers to initiate an outbound remittance transaction over the telephone without having to visit a branch. Deposit Direct allows customers to receive remittances directly into their bank account. It is expected that these products will be introduced into our regional market during 2016.

Insurance

The Insurance segment reported growth in revenue and profit, primarily attributable to the performance of GK General Insurance Company and Allied Insurance Brokers. In May 2015, GraceKennedy reinforced its relationship with two of its insurance subsidiaries through the re-branding of Jamaica International Insurance Company Limited and First Global Insurance Brokers Limited in Turks and Caicos to GK General Insurance Company Limited and GK Insurance Brokers Limited respectively. This was done to further align these businesses to the GraceKennedy brand, which is known for honesty, integrity and trust. In July 2015, GK General Insurance Company officially launched an innovative internet-based solution, *GKGOnline*, which allows customers to purchase motor insurance via the Internet.

> OVER THE COMING YEARS WE WILL BE USING TECHNOLOGY TO DRIVE THE GROWTH IN THE INSURANCE BUSINESS.

Technology-based solutions are expected to reduce our overall operating costs while providing convenience and value-added services to our customers. We are also very excited about our participation in the micro-insurance space. To date we have introduced several innovative products that have helped Jamaicans to better manage unexpected events. Our St Lucian underwriter, EC Global Insurance Company, had a good year and reported strong growth in profits due to lower claims cost.

Banking and Investments

First Global Bank reported strong growth in revenue and profit, largely attributable to higher net interest income as a result of growth in the loan portfolio. Non-performing loans as a percentage of total loans declined over the year and deposits showed impressive growth. First Global Bank continues to pursue a strategy focused on convenience and technology with the launch of its Video Teller Machines (VTM) and mobile banking app during 2015. The VTMs are unique as they allow our customers to interact with a live teller while conducting transactions. First Global Bank is the first commercial bank to launch this technological solution in Jamaica and across the region. Ninety-five per cent (95%) of transactions conducted in the branch can now be done by a VTM. This is expected to revolutionise the way we interact with our customers as we continue to modernise our infrastructure and focus on delivering products and services through digital channels. One of the objectives of launching the mobile application is to push the channel migration strategy, which effectively reduces the number of in-branch transactions. First Global Bank's vision for in-branch banking is to be less transaction driven and more sales and relationship management focused. First Global Bank also opened its seventh location in Ocho Rios in January 2016. Along with the VTM, the new branch will feature a multi-currency dispenser and an intelligent deposit ATM which will give customers access to a range of automated services. We believe that our investment in customer service and delivery, innovative products and services positions the company to grow revenue and diversify our product offerings and service delivery.

GK Capital Management Ltd. (GK Capital) is our investment and advisory firm focused on offering unique investment opportunities, innovative financial products and personalized client service. During 2015 the company had multiple successes which include setting the stage to be selected in 2016 by the Development Bank of Jamaica to be one of four venture capital fund managers to help in the development of a venture capital market in Jamaica. GK Capital was also the lead financial adviser on several transactions including the divestment of Hardware and Lumber, the Initial Public Offering (IPO) of tTech and the divestment of United Petroleum (Unipet).

Money Services

GraceKennedy Money Services (GKMS) had a successful 2015 with growth in revenue and profit. The performance of the Jamaica remittance business line and the Trinidad cambio business line was largely responsible for the growth in revenue and profit. Our remittance business entered the Cayman market in November 2015 and the Turks and Caicos market in February 2016.

We are very proud of this achievement and as a part of our long term strategy we will continue our expansion into other English-speaking Caribbean countries.

We have made significant progress in our development of Mobile Wallet which will allow for payment transactions to be conducted through cellular phones. We are currently in the pilot stage and anticipate being able to officially launch this product in 2016. The market remains competitive with GraceKennedy Money Services continuing to dominate the remittance market in the Caribbean. We will continue to review our value proposition in our various markets and interact with our customers to provide timely solutions.

We remain committed to meeting all our regulatory responsibilities, following best practices and market standards in areas of accountability, transparency and business ethics. Compliance with laws and regulations is an integral part of our business and we continue to make the necessary investment in the right processes, technology and infrastructure in order to promote sustainability and confidence in our activities.

2016 Goals for Financial Services Segments

The major goals for 2016 are:

1. Optimising domestic insurance and increasing penetration of our Insurance businesses across the Caribbean region
2. Continued use of technology to drive operational efficiency and to improve customer service
3. The strengthening and growth of our Banking business
4. Protect, grow and enhance the Money Services business and introduce innovative digital products in our Money Services business

Revenue by Geographical Area					
(J$ Millions)	2011	2012	2013	2014	2015
Jamaica	38,880	40,599	43,041	37,497	40,248
Europe	8,973	9,331	11,165	14,282	14,290
North America	7,096	7,793	9,042	14,205	19,744
Caribbean and Other	3,255	3,576	3,931	4,673	5,364
Africa	12	41	79	183	96
Total	58,217	61,340	67,258	70,840	79,742

WHERE WE EARN

One of the key elements of GraceKennedy's long term vision of becoming a Global Consumer Group is the expansion of our businesses outside of Jamaica. This involves achieving at least 15% of our revenue from each of three different continents or regions namely North America, Europe (including the United Kingdom) and Africa.

Our business from North America is accounting for a larger share of our revenue, growing by 39% over 2014. This is due to the integration of our Grace brand into the GraceKennedy Foods (USA) LLC operations, the growth of the La Fe brand and the reporting of a full year's revenue from the operation of LLC.

The European market recorded flat revenue and reduced percentage contribution to the Group's revenue. Africa's revenue was impacted by the further build out of our distribution business in the continent. With the structure now in place we expect that GraceKennedy Ghana Ltd will be able to grow its revenue contribution to the Group.

Revenue outside of Jamaica represented 49.5% of revenue compared to 47.1% in 2014.

OUR TEAM

There were a series of executive leadership and structural changes, in the Foods and Financial Services segments during the year, stemming from the elimination of our divisional offices. As a result, the leadership of our Foods business was split into two CEO roles - one for Jamaica and the other for our International businesses. Ryan Mack was appointed CEO of International Business for GK Foods, a title which will give him responsibility for all of GK's Foods businesses outside of Jamaica. Andrea Coy was appointed CEO of GraceKennedy Foods – Jamaica (Domestic), spanning Hi-Lo, Grace Foods & Services (GFS), World Brands Services and the factories operated by GraceKennedy in Jamaica. Both CEOs report to the Group CEO, along with the CEOs for Insurance, Money Services and Banking and Investment. The changes have contributed to the minimising of duplication, the improvement of the decision-making process across all businesses and overall cost savings.

HR Transformation in Support of Becoming a Global Consumer Group

The growth strategy of the Group triggered the reshaping of the Human Resource (HR) function towards one of a strategic business partner. The objective is to reduce the time spent by HR practitioners in the Group on administration, and increase time spent on the mission critical areas of talent retention and development, recruiting effectiveness, productivity, and performance management and employee engagement. The transformation has commenced with milestones towards the centralisation of transactional activities and the introduction of specialist functions in Total Rewards and Talent and Global Mobility. Additionally, automation through a Human Resource Management Information System (HRMIS) is well underway in Jamaica with the rollout of the Employee Central module which allows employees and managers to interface online on areas such as vacation and performance management. HRMIS will be deployed in some of our overseas territories in 2016.

Talent and Global Mobility Management

As a part of the continuous focus on business integration at GraceKennedy Foods (USA) LLC, we facilitated eight outbound assignees to support the US operations. Additionally, we relocated three senior leaders to our subsidiaries in the USA and Ghana, as we continue to build the business with the strategic placement of key talent from our Global Mobility Pool. International opportunities were granted to employees with mission critical skills where there were mutual needs, resulting in placements at our Canada and UK based companies.

The inaugural Retail Management Programme (RMP) further supported our commitment to investing in the Food Retail business, with ten persons from the 2015 group successfully completing the programme. The Senior Leadership Development Programme (SLDP) was enhanced to incorporate modules that focused on developing global leadership competencies. Modules in Developing a Global Mind-Set, Managing Diversity and Project Management have been incorporated into the Programme. Fifteen participants graduated from this programme in 2015 and 24 from the Supervisory Development Programme (SDP).

In light of the leadership changes and the need to structurally prepare the next wave of young high potential team members, Career/Professional Development and Executive Succession have been accelerated in preparation for the next two to three years.

CORPORATE SOCIAL RESPONSIBILITY

Fulfilling our Corporate Social Responsibility (CSR) means exemplifying our "We Care" mantra. Through our Foundations and varying initiatives, we seek to contribute to society's wider goal of an improved way of life for all. We remain committed to sports, youth development, nation building, education, the environment and social intervention. Our GraceKennedy/Heather Little-White Household Worker of the Year Award continues to gain tremendous support. We continue to operate to meet the expectations of diverse global stakeholders and believe that our commitment to the highest standards of corporate social responsibility strengthens our business, workforce and communities.

Sports

Our commitment to sports development continues to be reflected in our support of various sporting activities. We are especially proud of our strong relationship with the Inter-Secondary Schools Sports Association (ISSA) which has resulted in the formation of Greenfield Media Productions Limited. GK Capital Management will oversee the sale and distribution of media rights for all of ISSA's sporting events for the next 15 years through this company, on behalf of GraceKennedy. The relationship with ISSA is seen as a positive strategic partnership because it will contribute to the development of Jamaica's youth, the improvement of infrastructure and facilities to support the continued development of Jamaica's sporting programme and the strengthening of Brand Jamaica internationally. GraceKennedy was once again title sponsor for the GraceKennedy/ISSA Boys and Girls Championships. The company also fostered sportsmanship throughout the Group through its intercompany events, staged by its Sports, Arts and Culture (SPARC) Department.

GraceKennedy Foundation

The GraceKennedy Foundation had a very busy and fulfilling year in meeting some of the social and economic needs of Jamaica primarily through our educational, environmental and diaspora initiatives.

Thirteen grants were awarded to organizations that focus on early childhood education, special needs and environmental sustainability. The grants made a tremendous difference in the lives of the beneficiaries. In 2015, the Foundation spent approximately $17M on scholarships and bursaries. At the tertiary level, our scholarships and bursaries programmes continue to face pressure from the increasing cost of education and the rising number of qualified students experiencing financial need. Most of our awardees would have had to defer their studies had it not been for the assistance from the Foundation.

The Annual Lecture, entitled "Why Climate Demands Change" was delivered by Prof. Michael A. Taylor. It focused on the need for Caribbean countries to develop solutions to tackle climate change and its impact on all aspects of our livelihoods.

Our partnership with the University of the West Indies (UWI) was further strengthened through

...we continue to build the business with the **STRATEGIC PLACEMENT** of key talent...

the continued funding of two professorial Chairs. Professor Ian Boxill, the S. Carlton Alexander Chair in Management, continued to make strides with his community film project. Under the project, over 100 persons have been trained and the project has expanded to the UWI's Western Jamaica campus and has also now been replicated in Cartagena, Colombia. Professor Dale Webber, the James S. Moss-Solomon Snr. Chair in Environmental Management, spearheaded the establishment of a robust recycling programme at GraceKennedy that continues to expand. It is hoped that a new Chair will be appointed in 2016.

2015 saw an increase in the engagement of GraceKennedy employees in environmental initiatives, as staff partnered with the Foundation on a number of initiatives such as International Coastal Clean-up Day and Jamaica's first Climate Walk. The GraceKennedy Environmental Programme has been well received. GraceKennedy employees are actively recycling at work, and have started taking their plastic bottles from home for weekly collections. The Foundation launched a plastic bottle separation initiative at the ISSA/GraceKennedy Boys and Girls Championships in 2015 which resulted in the collection of over 2,000 lbs of plastic bottles over a four-day period. In 2016, the initiative will continue with the hope of garnering even more participation.

The Foundation re-launched the GraceKennedy Jamaican Birthright Programme in 2015 and received tremendous support from the Jamaican diaspora and corporate Jamaica. Four University students from the United States, Canada and the United Kingdom were hosted for a five week-long internship in Jamaica where they had the opportunity to not only work at GraceKennedy but to also explore the island and connect with their Jamaican heritage.

Grace and Staff Community Development Foundation

The Grace and Staff Foundation saw the development of a robust Science, Technology, Engineering and Math (STEM) Programme in Jamaica, the establishment of an additional Homework Centre to now total five centres, and continued strong commitment to community development. There are now 120 students registered at our STEM Centre.

The Grace and Staff Foundation was recognized by the Environmental Health Foundation for our contribution to social wellness in Jamaica.

The number of Homework Centres was increased, with the addition of the Quarry Hill Centre in St Catherine. There are 16 primary school students now registered at this centre. For the 2015/2016 academic year, approximately 251 high school students and 144 tertiary students received bursaries. Over 40 students were assisted weekly with lunch and transportation support.

Of the over 4,000 registrants for the GraceKennedy Education Run, which took place on July 12, 2015, 3,985 participated. A record amount of over $7M was realised, largely through sponsorship. Cycling was a new and exciting addition to the event.

For each quarter of 2015, an average of 185 individuals received counselling support in areas of employment, psychotherapy, career and education planning. We continued our work with community-based organisations and other stakeholders. The Christmas outreach was a success, with 750 seniors receiving packages filled with Grace products. We continue to offer quarterly financial contributions to the Salvation Army Geriatric Clinic to assist with medication for the community's seniors.

ENGAGING THE DIASPORA

We are grateful for the continued support of the Jamaican and Caribbean Diaspora. Our companies serve the Diaspora by connecting them to their families as well as investing in programmes that support the development of our communities both at home and overseas.

GraceKennedy Money Services staged its third annual Town Hall Forum Series over the period May 6-8, 2015. Meetings were held in New York, Florida and Canada under the theme, "The Caribbean Diaspora: Borderless Possibilities". The keynote speaker for the year's series was the Most Honorable P.J. Patterson, former Prime Minister of Jamaica and President of HeisConsults. Hundreds of Jamaicans and members of the Caribbean diaspora were present at each meeting to discuss developments in their home countries, share thoughts on the issues that are of importance to their community and discuss solutions and ways to contribute to the development of the Caribbean. We are very encouraged from the response of our Caribbean Diaspora and we are grateful to them for their support. We know that with their support, we will continue to grow from strength to strength.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk is inherent in all business activities. It is not always possible or indeed desirable to eliminate all risk in developing and executing business strategies. However, there are some risks that can and should be managed. It is therefore critical that all events, whether they are risks or opportunities, are properly identified, measured and managed in order to minimise losses and maximise opportunities.

IN 2015, WORK CONTINUED TO STRENGTHEN THE GRACEKENNEDY RISK MANAGEMENT FRAMEWORK (RMF) THAT WAS RE-DESIGNED IN 2012 TO REFLECT THE GROUP'S DESIRE TO PURSUE ENTERPRISE-WIDE RISK MANAGEMENT. THE RMF PROVIDES A COMMON BASIS FOR THE IDENTIFICATION, ASSESSMENT, MANAGEMENT, MONITORING AND REPORTING OF RISK ON A CONTINUOUS BASIS. ELEMENTS OF THE RMF INCLUDE:

- A Risk Policy that governs the management of the Risk Management Framework and outlines the risk management responsibilities of the GraceKennedy Board of Directors, Audit Committee and Management
- A GraceKennedy Risk Appetite Statement that defines the boundaries within which the Management, Executive Committee and Board of Directors will pursue the strategic objectives of the Group
- A governance framework that supports formal reporting by company executives on topical risk and control issues, control self-assessments and the results of internal and external audit reports
- Monitoring mechanisms that help provide assurance to the Audit Committee and Board on the maintenance of internal controls
- The Risk Assessment Reporting Standard that identifies the mandatory requirements relating to risk assessment and mitigation

- The Risk Assessment Guidelines that outline how all areas of the business must identify, evaluate, manage, monitor, and report on risks on an on-going basis

- Tools and methodologies that allow for the nimble identification and reporting of material risks to the GraceKennedy Executive Committee, the subsidiary Audit Committees, the Group Audit Committee, and the Board of Directors

- Self-Audit guidelines and accompanying tool kit that has been designed to encourage the Group's business and support units to proactively identify and act quickly on process and control weaknesses

Risk Management Governance

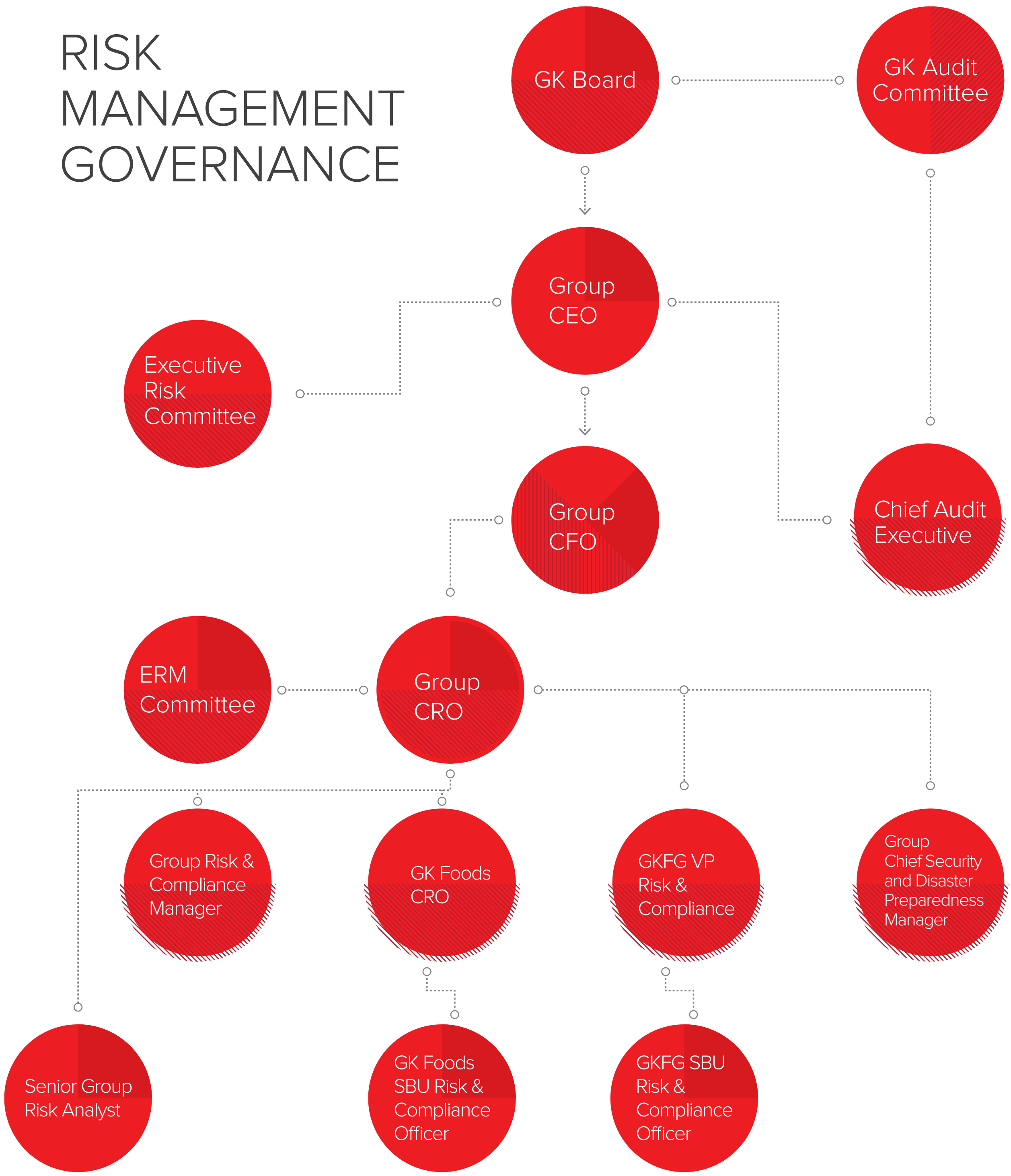
The GraceKennedy Board is ultimately accountable for determining the Group's risk profile and ensuring that management has appropriate policies and internal controls in place. The Board has charged the Group Audit Committee with the responsibility for overseeing the Risk Management Programme on its behalf in accordance with its Terms of Reference. The Audit Committee meets seven times per year and inquires of management and assurance providers about significant risks or exposures including illegal acts and assesses the steps management has taken to minimise such risk to the GraceKennedy Group.

> GRACEKENNEDY'S FIRST LINE OF DEFENCE IN MANAGING RISK IS ITS MANAGEMENT.

Management is responsible for identifying, assessing, quantifying, reporting and managing all risks within lines of business. The management team is accountable to the Board for designing, implementing, and monitoring of the risk policy and the process of risk management and integrating it into the day-to-day activities of the Group. Management ensures alignment of business strategy with corporate culture, appetite, and policy through the Executive Risk Committee that meets seven times a year and is chaired by the Group Chief Executive Officer. Members of the Executive Risk Committee include the Executive Committee members as well as the Group Chief Risk Officer and the Chief Audit Executive.

The Group's risk management team provides the second line of defence and is responsible for creating a framework in which the management and staff can deliver on the Group's strategy while still managing the risks that accompany the opportunities available. The Enterprise Risk Management Committee (ERM) is chaired by the Group Chief Risk Officer (CRO) and its mandate is to provide the Group CRO with guidance and support in continuing to develop GraceKennedy's Risk Management Framework and ERM Strategy. The ERM Committee meets six times a year and monitors the progress of the Group's ERM programme through a Balanced Scorecard.

RISK MANAGEMENT GOVERNANCE



Milestones and Developments in 2015

To support GraceKennedy's Vision of becoming a Global Consumer Group by 2020, the Risk Management and Assurance functions of the Group have to be robust and flexible enough to act as an enabler in the execution of the Group's strategy. As GraceKennedy's effectiveness in managing the Group's risks improve, the strategic initiatives necessary to continue to progress along the risk maturity continuum require the Group to be innovative and create solutions to satisfy the needs expressed by the business, as comparative benchmarks are difficult to find. As such, in 2015, the company actively pursued four risk management initiatives:

- The creation of a methodology to systematically aggregate risks across the Group that synthesises the potential likelihood and impact a risk has across companies and industries.
- The development of a reporting scorecard to aggregate risk indicators across the Group for analysis and action
- The engagement across the Group to proactively communicate with all members of staff about their roles and responsibilities in managing risk and to conduct on-going training of staff in the use of the risk management tools
- The creation and implementation of a self-audit rating system that outlines the effectiveness of the self-audit programme in select business and support units

Risk Assessment

GraceKennedy operates in various geographical regions across several industries. The Group monitored the following external risks quite carefully throughout 2015:

- Economic stagnation, recession and currency fluctuation in some of the markets in which GraceKennedy operates
- The global escalation of cybercrime
- The effect that terrorism, mass migration and climate change may have on supply chain management and expansion plans
- Developments in the international regulatory environment for both food and financial services

Risk assessments are done both at the Group level and by the individual companies, where keen monitoring of identified risks is undertaken. The Group operates within the Financial Services sector as well as in the Manufacturing and Distribution segments. These areas have their own unique risk considerations. The major risks affecting the Group are operational, insurance, credit, liquidity and market risk.

Operational Risk

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

Insurance Risk

Insurance risk for the GraceKennedy Group is attributable to policies sold by its general insurance underwriting subsidiary and is borne by that subsidiary. The risk under any one insurance contract is the possibility that the insured event occurs 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. 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, personal policies and type of policies based on guidelines set by the Board of Directors. Insurance risk arising from the company's insurance contracts is, however, concentrated within Jamaica. Within the solvency requirements of the insurance regulators, an appropriate reinsurance programme has been established to reduce exposures in all classes of business thereby reducing capital exposure to an acceptable level, using very highly rated international reinsurers.

Credit Risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Group's receivables from customers, agents, the amounts due from reinsurers, amounts due from insurance contract holders and insurance brokers, lending and investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments. Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to similar risks to loans and these are mitigated by the same control policies and processes.

Liquidity Risk

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

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

Market Risk

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

Currency Risk

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

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

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

Interest Rate Risk

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

GROUP INTERNAL AUDIT

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

As an integral part of the Group's corporate governance structure, the Group Internal Audit Department and its activities are guided by its Terms of Reference as approved by GraceKennedy Limited (the Board), to whom it reports independently (through the Audit Committee) on the effectiveness of the governance structure and risk management framework and further provides independent, objective assurance by delivering an objective evaluation of the risk and internal control framework of the Group. This includes reviews of the operational and financial performance, key business, strategic and enterprise-wide risks as well as the compliance framework of the Group. The Group's system of internal control is based on the control criteria framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Internal Control Framework). The system is designed to provide reasonable assurance that:

- Transactions are appropriately authorised and recorded;
- Assets are safeguarded;
- Accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with accounting principles generally accepted.

Group Internal Audit's assessment of internal controls is based on COSO which evaluates the internal control measures adopted by management, with all audits being conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. Further, management continues to maintain these internal controls through self-audits and ongoing monitoring.

Internal Audit meets regularly with the various Subsidiary Audit Committees throughout the Group as well as with the Group Audit Committee providing information on key risks identified during the course of the audits along with the implementation status of recommendations made. The Group Audit Committee met seven times in 2015.

The Group Audit Committee oversees the Internal Audit function, reviewing Internal Audit's assessment of the adequacy and effectiveness of the Group's internal controls, compliance with legal, statutory, regulatory and other requirements and management of risk. The Audit Committee's composition meets the independence and skill requirements of the Group's Corporate Governance Policy. Control issues identified through the work of the internal and external auditors are reviewed by and discussed with the Audit Committee. The Committee, during the course of its activities also received reports from various members of management on significant accounting and tax, legal, regulatory, risk, fraud and whistleblowing- related matters as well as matters pertaining to information technology and security. The Group Audit Committee Chairman also reports to the Board on all significant issues considered by the Committee.


Q2
Q3

The Terms of Reference of the Group's Audit Committee are reviewed annually by the Committee and approved by the Board. The various Audit Committees of the Group have oversight responsibility for:

i. Reliability and integrity of the accounting principles and practices, financial statements and other financial reporting;
ii. Internal audit functions of the Company and the Group;
iii. Risk management functions and processes of the Company and the Group;
iv. Qualifications, independence and performance of the external auditors of the Company;
v. System of internal control and procedures established by Management and reviewing their effectiveness;
vi. Group's compliance with legal and regulatory requirements.

> GK'S COMMITMENT TO INTERNAL CONTROLS, ETHICS AND INTEGRITY ARE REINFORCED THROUGH OUR GK CODE OF ETHICS, ANTI-FRAUD AND WHISTLEBLOWING POLICIES AND USE OF ITS WHISTLEBLOWING HOTLINE.

SIGNIFICANT ACTIVITIES AND MILESTONES

Internal Audit continued to improve its quality and effectiveness during 2015 with a focus on continuous improvement, use of technology to drive efficiency and continued client support and relationship building. The activities in 2015 included on-going internal quality assurance and peer reviews and programmes of continuous education and exposure for the department.

Other significant activities of 2015 included inter alia:

- The formulation and agreement with the Audit Committee on the audit plan, strategy and scope of work; ensuring the annual internal audit plan was designed to assist in attaining the Group's strategic objectives;
- The review of compliance with internal policies, procedures and standards, relevant external rules and regulations, as well as the assessment of the adequacy and effectiveness of the Group's internal control system; and
- Assurance reviews as well as analysis and assessment of certain key business processes, with recommendations to improve their effectiveness and efficiency;
- The review of the adequacy and effectiveness of management's processes for risk management, internal control and governance;
- The internal audit charter review for possible modification and approval by the Audit Committee;
- The review of means of safeguarding the Group's assets;
- The coordination of audit efforts and provision of support to the external auditors;
- The provision of consultative support to management by way of reviews, preparation of thought- leadership research articles and newsletters, fraud awareness training initiatives and support provided prior to major system implementations, to evaluate the extent to which adequate controls have been incorporated in the respective systems;
- The provision, to management, of an assessment of their self-audit process.
- The presentation of training opportunities and the provision of exposure to internal controls for business unit team members by facilitating short term opportunities to work in Internal Audit.

The focus of 2016 for the Internal Audit Department continues to be

- Continuous Risk Assessment, Enhancing Risk Management and Governance practices
- Addressing Key Stakeholder Priorities
- Optimising Internal Audit Processes and Resources
- Leveraging Technology Efficiently

With an overriding vision to enhance partnerships in delivering business excellence and align with the Group's strategic objectives, Group Internal Audit also provided support through various consulting engagements throughout the year which included special reviews and investigations. At the end of 2015, similar to the performance in 2014, Group Internal Audit had conducted approximately 100 audits, which included several Information Technology audits.

FUTURE OUTLOOK

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

In 2015 GraceKennedy executed on several key strategic decisions to further fulfil our Vision of becoming a Global Consumer Group by 2020. One such decision was the end of year divestment of our equity interests in Hardware & Lumber. In so doing, we refocused the Group's portfolio exclusively to Food and Financial Services which are our core competencies and areas of competitive advantage. For 2016, we will accelerate the pace at which we extract value from our strategic investments and move forward with our long-term growth strategy. Our Group strategy is translated into operational objectives across the following four business perspectives:

- Growth and Sustainability
- Customer Centricity and Innovation
- Operational Excellence
- Performance Driven Organisation

Growth and Sustainability

Across our Foods and Financial segments, we intend to maximize shareholders' value through new revenue streams, cost savings and improved return on equity. In Jamaica, our Foods business will develop a robust pipeline of innovative products to attract new customer segments. We will also continue to delight our retail customers with a world-class shopping experience in our new and renovated Hi-Lo Food Stores. Grace Agro Processors (GAP), our Agro-processing plant, had an exceptional year in 2015 with major export supply contracts to the UK, USA, Sweden and St. Lucia. The Financial segment is positioned to be a market leader through the introduction of new and innovative digital products and channels. Both segments, inclusive of our factories, will be intensely focused on various cost saving initiatives to better grow the bottom line and ensure sustainability of profits.

The strategic approach for the International Foods segment will involve widening our global reach using established operations in North America, Europe and Africa. We will focus on deepening our Caribbean expansion into the USA and investing in new channels to drive growth in the Hispanic market through the La Fe brand. We feel very optimistic that the investments that we have made in LLC will result in improved performance in the current and future years. Our UK business will advance the 2015 successes in existing multiples, through brand building investments and improved distribution. Further, we will expand distribution with targeted investments in key European markets and commercial centres in Ghana. Regional expansion for our Financial Services companies will continue to be a critical strategic objective in the upcoming year and we are aggressively working towards broadening the Money Services and Insurance Underwriting businesses in new markets.

Customer Centricity and Innovation

As we work towards the achievement of our 2020 Vision of becoming a Global Consumer Group, we will maintain a focus on creating high value for the customer. This means that we will transform GraceKennedy into a marketing-led organization, that is, one which builds brand equity by anticipating and understanding the needs of customers and consumers through the use of data analytics. To acquire a deeper understanding of our customers, we will strengthen our global market research capabilities and explore Big Data solutions that leverage internal and external market data. In 2015, we launched GraceKennedy Value Rewards, a truly unique loyalty programme that allowed us to get closer to our loyal customers and create a channel for on-going learning and feedback. As a next step, we are aiming to increase awareness of the programme and make further enhancements. In keeping with our vision to provide long term value through innovative solutions, we will use customer insight to explore and incubate new products. We are excited to bring cutting-edge technology that will allow customers to complete their banking, investment and money services transactions anytime, anywhere. On the Foods side, we will produce food products that are able to compete effectively in mainstream markets around the world.

Operational Excellence

In a constantly evolving business marketplace with intense competition, technological innovation and regulatory complexities, a transformational approach is needed to contain operating costs. We will also utilize technology to create efficiencies in our business processes in order to scale the business more profitably. Across the Group, we will actively manage costs and identify those savings that support our strategic direction. One major opportunity for the Group will be to eliminate costly office rental space and construct a new Head Office in Downtown Kingston which allows GraceKennedy to take advantage of the Urban Renewal Act (URA) and realize attractive tax savings. The URA provides an established framework for tax incentives that are available to those investing in the development and restoration of areas declared by the minister to be a special development areas. Initial construction work has begun and we are eager to get this project underway to contribute to the beautification and utility of the place we have called home for 94 years. We look forward to its completion, and know it will be a significant addition to the downtown Kingston landscape.

Performance Driven Organisation

In 2016 we will commit to the power of execution through our theme, “Growing Shareholders Value through Flawless Execution of Our Strategy”. We know that we can only deliver on our commitments through disciplined execution and employing the right people in the right places. With this goal in mind, the Group took action in 2015 to eliminate the divisional offices and simplify the organizational structure for greater efficiency and less duplication of efforts.

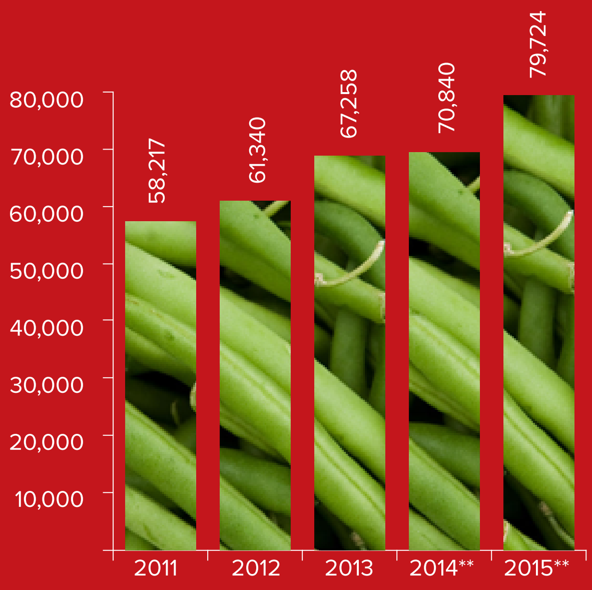
For 2016, we expect that this move will positively impact our major growth projects across the Group. Project teams in the subsidiaries will be empowered to move faster and so improve our time to market and ability to respond to rapid market changes. As the Group strategy continues to place emphasis on growth and expansion into new territories, securing a talent mobility pool with global skills is a critical area of focus in 2016. We plan to strengthen our global technical and leadership skills across the team so that we are well prepared for deployment to new markets.

Key Expectations for 2016

- Optimising the Food Distribution business in North America through the expansion of existing markets and channels and improved operational efficiency and effectiveness.
- Pursuing further growth opportunities in the UK and Europe and improving our distribution business in Ghana.
- Strengthening our Foods and Financial services business in Jamaica through increased brand presence and the introduction of new and innovative products.
- Strong improvement in our operational efficiency across the Group through sustained cost transformation programmes.
- Greater emphasis on becoming a world class marketing-led organization, focused on understanding our consumer needs.
- The development of a comprehensive Global Talent Mobility Programme to support our 2020 vision of international expansion.

WE ARE HIGHLY CONFIDENT THAT OUR STRATEGY FOR 2016 WILL REINFORCE OUR POSITION AS MARKET LEADERS IN OUR FOODS BUSINESS AND INCREASE OUR MARKET SHARE IN OUR FINANCIAL SERVICES BUSINESS. WE ARE INVESTING IN THE RIGHT PEOPLE, CAPABILITIES AND INNOVATIONS TO BUILD BRANDS THAT DELIVER EXCELLENT PERFORMANCE, QUALITY AND VALUE. WE FULLY UNDERSTAND THAT OUR STRATEGY OF BECOMING A GLOBAL CONSUMER GROUP CANNOT BE REALIZED WITHOUT OUR EXCEPTIONAL TEAM, A TEAM PASSIONATE AND COMMITTED TO OUR MISSION TO "TAKE THE TASTE OF JAMAICA AND OTHER CARIBBEAN FOODS TO THE WORLD AND WORLD-CLASS FINANCIAL SERVICES TO OUR REGION".

Revenue (JA$ Millions)

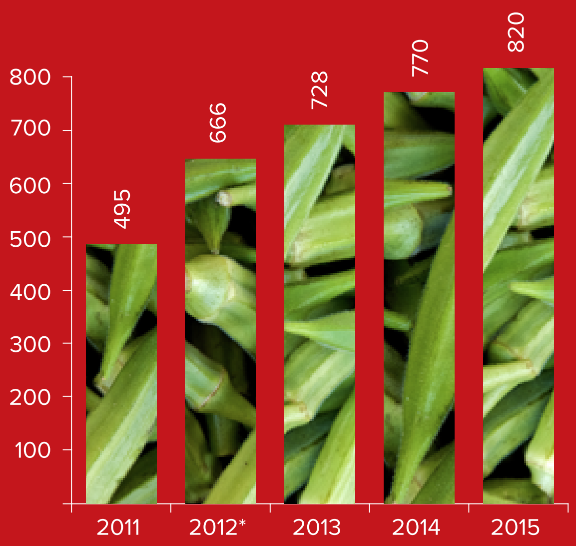


** From continuing operations

Profit Before Tax (JA$ Millions)

*Restated **From continuing operations

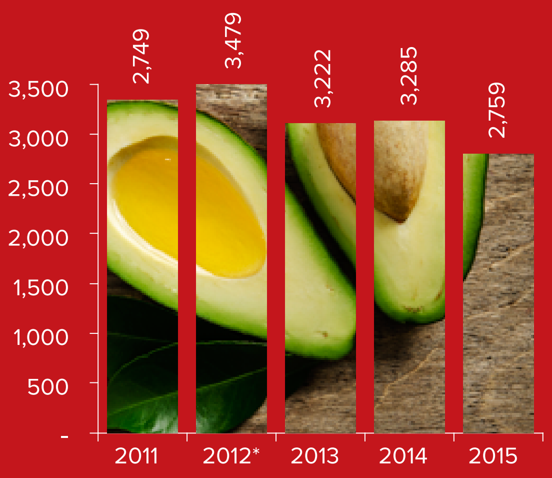
Dividend (JA $ Millions)



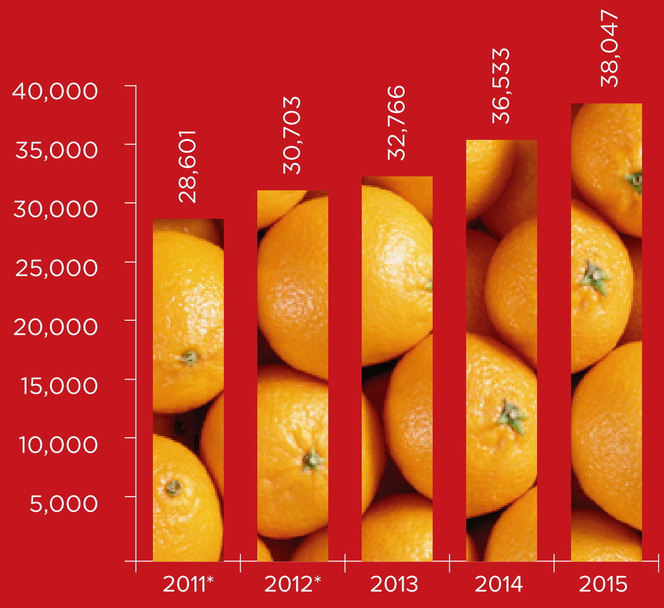
Earning Per Stock

*Restated

Net Profit Attributable to Stockholders (JA$ Millions)

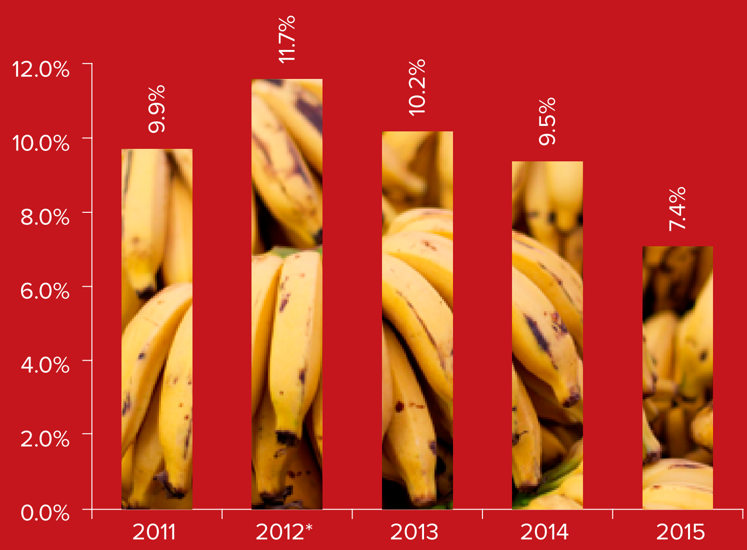


Shareholders' Equity (JA$ Millions)

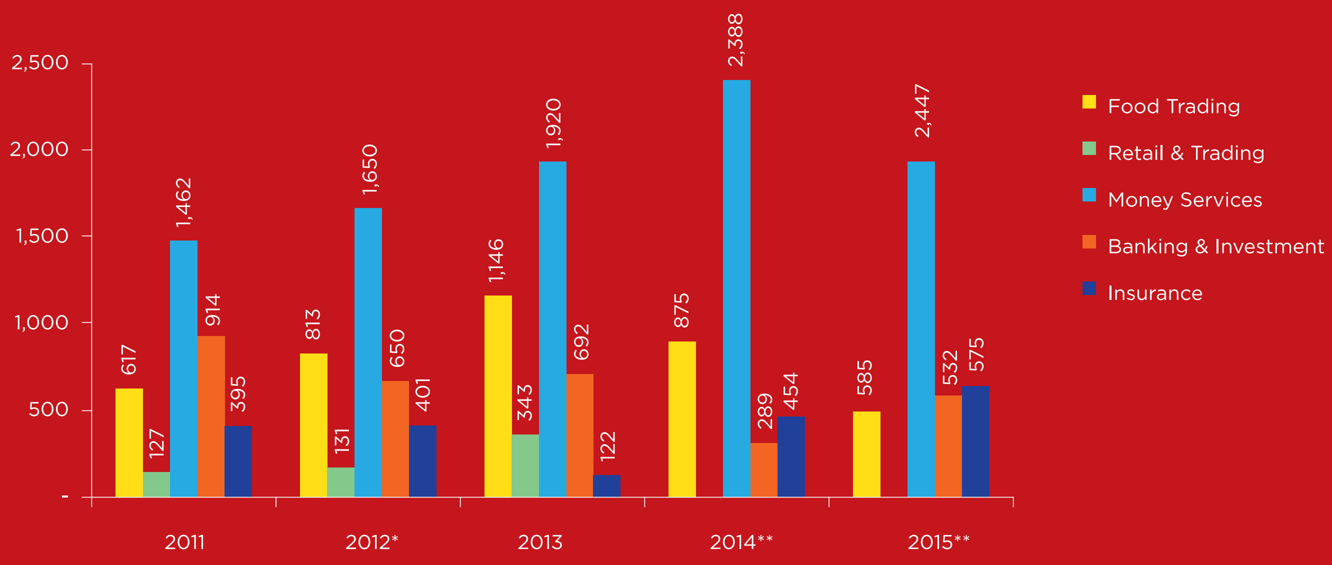


*Restated

Return on Equity

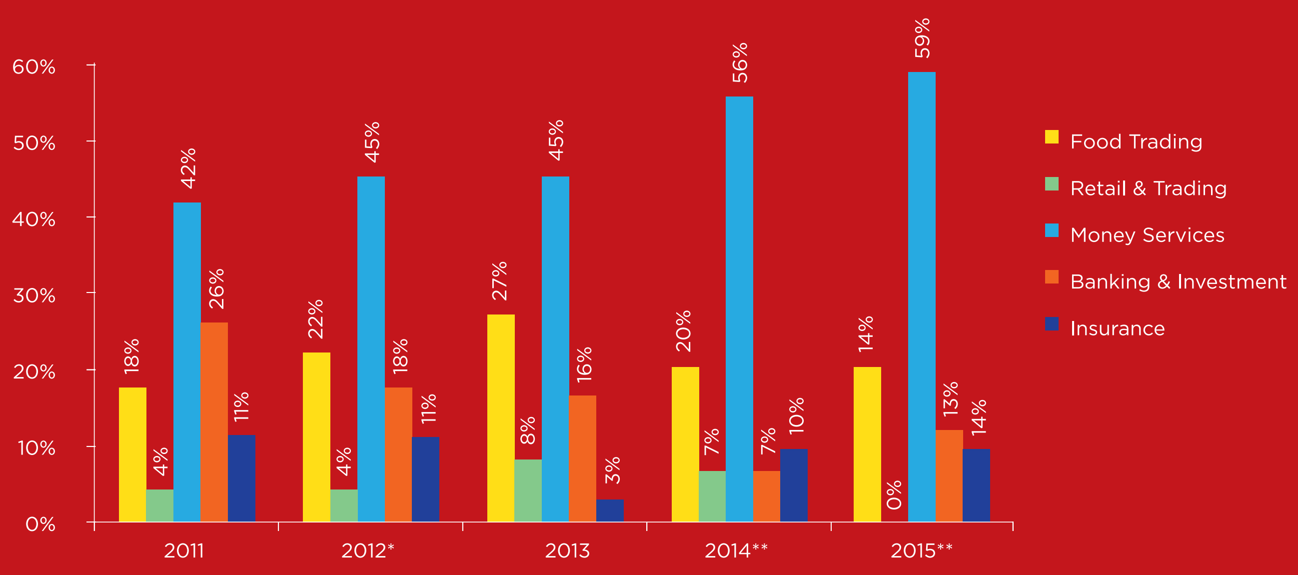


Contribution to Pre-Tax Profit by Segment (JA$ Millions)



Contribution to Pre-Tax Profit by Segment (%)

Contribution to Pre-Tax Profit by Segment (%)



*Restated **From continuing operations

BOARD OF **DIRECTORS**

As at February 29, 2016

Gordon V. Shirley, OJ
Chairman, GraceKennedy Limited. Chairman, President & Chief Executive Officer of the Port Authority of Jamaica. Chair of GraceKennedy's Compensation Sub-Committee and Member of GraceKennedy's Corporate Governance & Nomination Committee

Donald G. Wehby
GraceKennedy Group Chief Executive Officer

Joseph P. Esau

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

Frank A. R. James

GraceKennedy Group Chief Financial Officer

BOARD OF **DIRECTORS** (Cont'd.)

As at February 29, 2016

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

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

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

Douglas R. Orane, CD, JP

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

Mary Anne V. Chambers, O.Ont

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

DIRECTORS & CORPORATE DATA

As at February 29, 2016

Directors

Gordon V. Shirley, OJ
Chairman

Donald G. Wehby
Group Chief Executive Officer

Mary Anne V. Chambers, O.Ont.
Joseph P. Esau
Frank A. R. James
Parris A. R. Lyew-Ayee, Jr
Everton L. McDonald
Douglas R. Orane, CD, JP
Gina M. Phillipps Black

Auditors

PricewaterhouseCoopers
Scotiabank Centre, Duke Street
Kingston, Jamaica

Attorneys

DunnCox
48 Duke Street
Kingston, Jamaica

Bankers

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

Corporate Secretary

Karen Chin Quee Akin
73 Harbour Street
Kingston, Jamaica

Registered Office

73 Harbour Street
Kingston, Jamaica

Registrar & Transfer Office

GraceKennedy Limited
73 Harbour Street
Kingston, Jamaica

Websites
www.gracekennedy.com
www.gracefoods.com

SENIOR MANAGEMENT

As at February 29, 2016

CORPORATE OFFICE

Donald G. Wehby
Group Chief Executive Officer

Frank A. R. James
Group Chief Financial Officer

Karen Chin Quee Akin
Chief Corporate Secretary/ Senior Legal Counsel

Cassida A. Jones
Group Chief Human Resources Officer

Andrew Messado
Group Comptroller

Cathrine Kennedy
Group Chief Risk Officer

Debra Dodd
Chief Audit Executive

Simone Clarke-Cooper
Group Chief Communication Manager

Simon Roberts
Group Chief Information Officer

Michael K. A. Ranglin
Executive Chairman, GraceKennedy Properties Limited

GK FOODS

FOODS DOMESTIC

Andrea Coy
Chief Executive Officer- GraceKennedy Foods Domestic

Gilroy Graham
Senior General Manager – Grace Foods & Services

Andrew Ho
Senior General Manager – Manufacturing

Naomi Holness
Senior Human Resources Business Partner

Stanley Beckford
Chief Risk Officer

Lorna Reynolds-Minott
Divisional Chief Financial Officer-Acting

Angeline Gillings
Chief Global Category Officer

Dianne Robinson
Chief Supply Chain Officer

Zak Mars
Chief Innovation Officer

Dairy Industries (Jamaica) Limited*

Andrew Ho
General Manager

GK Foods & Services Limited
Gilroy Graham
Managing Director

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

Carl Barnett
General Manager – Grace Food Processors (Meats) Division

Renee Nathan
General Manager – Hi-Lo Food Stores Division

Andrew Wildish
General Manager – National Processors Division

Tamara Garel Thompson
General Manager – World Brands Services Division

Taji Alleyne
General Manager - Grace Agro Processors Division

FOODS INTERNATIONAL

Ryan Mack
Chief Executive Officer –GK Foods International Business

Gregory B. Solomon
Senior General Manager – International Foods West

GraceKennedy Foods (USA) LLC.
Ryan Mack
President & CEO

Gavin Jordan
Chief Financial Officer

Derrick Reckord
Senior Vice President – Southern USA

Ricardo Bryan
Senior Vice President – Northern USA

GraceKennedy (Belize) Limited
Marcello Blake
General Manager

GraceKennedy (Ontario) Inc.
Lucky Lankage
President

Grace Foods UK Ltd
Adam Reader
Managing Director

Alan Polding
General Manager

GraceKennedy Ghana Limited
Robert Walker
General Manager

Chadha Oriental Foods Limited
Andy Coult
General Manager

Enco Products Limited
Andy Coult
General Manager

Funnybones Food Service Limited
Andy Coult
General Manager

FINANCIAL GROUP

GraceKennedy Financial Group Limited
Grace Burnett
Chief Executive Officer

GK General Insurance Company Limited
Grace Burnett
Managing Director

Allied Insurance Brokers Limited
Amanda Beepat
Managing Director

EC Global Insurance Company Limited
Grace Burnett
Director

First Global Holdings Limited
Grace Burnett
Chief Executive Officer

First Global Bank Limited
Mariame McIntosh Robinson
President & CEO

GK Insurance Brokers Limited
Marlon Graham
General Manager

GK Investments Limited
Steven Whittingham
Managing Director

GK Capital Management Limited
Steven Whittingham
Managing Director

GraceKennedy Remittance Services Limited
Michelle Allen
Chief Executive Officer

GraceKennedy Remittance Services (Guyana) Limited
Coleen Patterson
Country Manager

GraceKennedy (Trinidad & Tobago) Limited
Donald Edwards
Country Manager

GraceKennedy Money Services (Caribbean) SRL
Michelle Allen
Chief Executive Officer

GraceKennedy Money Services (BVI) Limited
Michelle Allen
Managing Director

GraceKennedy Payment Services Limited
Michelle Allen
Managing Director

GraceKennedy Currency Trading Services Limited
Michelle Allen
Managing Director

GraceKennedy Money Services (Anguilla) Limited
Michelle Allen
Managing Director

GraceKennedy Money Services (Antigua & Barbuda) Limited
Michelle Allen
Managing Director

GraceKennedy Money Services (Montserrat) Limited
Michelle Allen
Managing Director

GraceKennedy Money Services (St Kitts-Nevis) Limited
Michelle Allen
Managing Director

GraceKennedy Money Services (St Vincent) Limited
Michelle Allen
Managing Director

GraceKennedy Money Services (Cayman) Limited
Michelle Allen
Managing Director

GraceKennedy Money Services (Turks & Caicos) Limited
Michelle Allen
Managing Director

Signia Financial Group Inc*
Paul Ashby
Chief Executive Officer

Trident Insurance Company Limited*
H. C. Algernon Leacock
Managing Director

*Associated Companies

EXECUTIVE MANAGEMENT

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

2. **Mariame McIntosh Robinson**
President & CEO, First Global Bank

3. **Karen Chin Quee Akin**
Chief Corporate Secretary/Senior Legal Counsel

4. **Andrea Coy**
Chief Executive Officer, GraceKennedy Foods Domestic

5. **Frank James**
Group Chief Financial Officer

6. **Cassida Jones**
Group Chief Human Resources Officer

7. **Ryan Mack**
Chief Executive Officer, GK Foods International Business

8. **Michael Ranglin**
Executive Chairman, GraceKennedy Properties Limited

9. **Grace Burnett**
Chief Executive Officer, GraceKennedy Financial Groupk

ORGANIZATIONAL CHART

Board of Directors

Group CEO

- CORPORATE FINANCE & ACCOUNTING
- RISK MANAGEMENT
- INTERNAL AUDIT
- GROUP SECRETARIAT & LEGAL
- CORPORATE COMMUNICATION
- HUMAN RESOURCES
- CORPORATE PLANNING & STRATEGY

GK Foods

GK Foods (UK) Limited
Grace Foods UK Limited
Enco Products Limited
Funnybones Food Service Limited
Chadha Oriental Foods Limited
GraceKennedy Ghana Limited
Grace Foods Limited
Grace Foods (USA) Inc.
GraceKennedy Foods (USA) LLC
GK Foods & Services Limited
GraceKennedy (Belize) Limited
GraceKennedy (Ontario) Inc.
Dairy Industries (Ja.) Limited
Grace Foods & Services Company

GK Financial Group

- GraceKennedy Financial Group Limited
- GraceKennedy Money Services Caribbean SRL
- GraceKennedy Money Services (St. Kitts Nevis) Lim ited
- GraceKennedy Money Services (Montserrat) Limited
- GraceKennedy Money Services (St. Vincent & The Grenadines) Limited
- GraceKennedy Money Services (Anguilla) Limited
- GraceKennedy Money Services (Antigua & Barbuda) Limited
- GraceKennedy Payment Services Limited
- GraceKennedy Remittance Services Limited
- GraceKennedy Remittance Services (Guyana) Limited
- GraceKennedy (Trinidad & Tobago) Limited
- Grace Kennedy Currency Trading Services Limited
- GraceKennedy Money Services (BVI) Limited
- GraceKennedy Money Services (Cayman) Limited
- GraceKennedy Money Services (Turks & Caicos) Limited

Allied Insurance Brokers Limited
GK General Insurance Company Limited
First Global Holdings Limited
First Global Bank Limited
GK Capital Management Limited
GraceKennedy Properties Limited
GK Insurance Brokers Limited
GK Investments Limited
Greenfield Media Productions Limited
Knutsford Re
Signia Financial Group Inc.
Trident Insurance Co. Limited
EC Global Insurance Company Limited

SHAREHOLDINGS OF DIRECTORS

As at December 31, 2015

Ordinary stock units of no par value	
Douglas R. Orane*	7,112,059
Donald G. Wehby*	3,408,451
Frank A. R. James	649,534
Courtney Campbell	401,983
Gordon V. Shirley	152,560
Joseph Esau*	92,560
Mary Anne Chambers	32,560
Everton McDonald	32,560
Gina Phillipps Black	32,560
Parris Lyew-Ayee	20,595
Total	**11,935,422**

*Includes stockholdings of connected persons

SHAREHOLDINGS OF EXECUTIVE COMMITTEE MEMBERS

As at December 31, 2015

Ordinary stock units of no par value	
Donald G. Wehby*	3,408,451
Frank A. R. James	649,534
Michael Ranglin	522,699
Courtney Campbell	401,983
Ryan Mack	356,277
Cassida Jones	260,735
Karen Chin Quee Akin	200,403
Andrea Coy	166,681
Total	**5,966,763**

*Includes stockholdings of connected persons

STOCKHOLDERS' PROFILE

	31/12/2015 Stock Units	%
Private Individuals	95,816,080	28.95%
Insurance Companies, Trust Companies & Pension Funds	107,116,523	32.37%
Private Companies	32,066,112	9.69%
Public Listed Companies	186,672	0.06%
Investment Companies/Unit Trusts	50,268,569	15.19%
Others	27,672,984	8.36%
Directors & Senior Managers	13,442,217	4.06%
Nominee Companies	4,376,510	1.32%
	330,945,667	**100.00%**

*Includes stockholdings of connected persons

TOP TEN (10) STOCKHOLDERS

As at 31 December 2015

	NAME	ORDINARY STOCK UNITS	%
1	NCB Insurance Co. Ltd. A/C WT109	18,137,652	5.48%
2	GraceKennedy Limited Pension Scheme	14,974,067	4.52%
3	National Insurance Fund	13,930,113	4.21%
4	Sagicor Pooled Equity Fund	13,165,608	3.98%
5	FCIB (Barbados) Limited A/C C1191	11,791,916	3.56%
6	Xaymaca Limited	9,063,461	2.74%
7	ATL Group Pension Fund Trustees Nominee Ltd.	8,468,187	2.56%
8	Douglas Orane	6,817,151	2.06%
9	Michele Marie Kennedy	6,565,572	1.98%
10	FredKenn Limited	5,609,127	1.69%
			32.79%

Does not include connected persons

GRACEKENNEDY FOUNDATION

BOARD OF DIRECTORS

As at February 29, 2016

Prof. Elsa Leo-Rhynie
Chairman

Caroline Mahfood
Executive Director

U. Philip Alexander

Noel Greenland

Cathrine Kennedy

Fred Kennedy

Fay McIntosh

James Moss-Solomon

Radley Reid

Prof. Elizabeth Thomas-Hope

Hilary Wehby

GRACE & STAFF COMMUNITY DEVELOPMENT FOUNDATION

BOARD OF DIRECTORS

As at February 29, 2016

James Moss-Solomon
Chairman

L. Anthony Lawrence

U. Philip Alexander

Frank James

Simon Roberts

Caroline Mahfood

Andrea Coy

Simone Clarke-Cooper

Marsha Cope-Johnson

Dave Mitchell

Noel Greenland

Rachel McKenley

Joan Marie Powell

Lorna Reynolds Minott
Treasurer

Karen Lowther-Martin
Secretary

DIRECTORS' REPORT

For the Year ended 31 December 2015

1. The Directors are pleased to present their report for the year ended 31 December 2015 and submit herewith the Consolidated Income Statement and Consolidated Statement of Financial Position for GraceKennedy Limited and its subsidiaries as at that date.

2. **Operating Results**

	$'000
Revenues	79,742,230
Profit Before Taxation	4,303,813
Net Profit After Tax	3,254,020
Net Profit After Tax Attributable to Stockholders	2,759,498

3. **Dividends**
The following dividends were paid during the year:

- $0.75 per ordinary stock unit was paid on 18 May 2015
- $0.83 per ordinary stock unit was paid on 30 September 2015
- $0.90 per ordinary stock unit was paid on 16 December 2015

The Directors recommend that the interim dividends paid on 18 May 2015, 30 September 2015 and 16 December 2015 be declared as final for the year under review.

4. **Directors**
The Directors as at 31 December 2015 were as follows:-

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

Mr. Michael Ranglin and Mr. Courtney Campbell resigned from the Board effective 31 December 2015 and 31 January 2016 respectively.

In accordance with Article 102 of the Company's Articles of Incorporation, Dr. Parris Lyew-Ayee, Mr. Everton McDonald and Mrs. Gina Phillipps Black will retire by rotation and, being eligible, offer themselves for re-election.

5. **Auditors**
Messrs. PricewaterhouseCoopers, the present Auditors, have signified their willingness to continue in office pursuant to Section 154 of the Companies Act, 2004.

6. The Directors wish to express their appreciation to the management and staff for their achievements during the year.

By Order of the Board
29 February 2016
Gordon V. Shirley, OJ
Chairman

GROUP AUDIT
COMMITTEE REPORT
Year ended December 31, 2015

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

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

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

The Committee met seven times in 2015 and the external auditors attended five regular meetings. In keeping with its mandate, the Committee received regular updates from the Chief Audit Executive, head of the Group Internal Audit Department, regarding compliance and other issues that have a material impact on the Group's financial statements and operational policies.

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

In addition to the review of the Audit Committee's Terms of Reference, the Committee also reviewed the composition, duties and responsibilities of subsidiaries' Audit Committees and significant findings arising from their meetings.

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

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

The scope of work of the external auditors was reviewed and an assessment of their independence and qualifications was also conducted. Based on this review and discussions with them, together with the Committee's reviews of the internal audit reports, the Committee has recommended to the Board that the Group audited financial statements for the year ended December 31, 2015 be approved for presentation to the shareholders of GraceKennedy Limited.

In keeping with the Committee's emphasis on continuing education, members of the Group's Audit Committees attended an annual Directors' workshop, which included sessions highlighting, inter alia, emerging trends in Corporate Governance, Mergers and Acquisitions, Proceeds of Crime Act, and the use of technology to enhance business competitiveness.

In December 2014, the Committee undertook its triennial self-assessment and effectiveness review, the results of which were very positive. A few areas requiring improvement were addressed in 2015.

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

February 26, 2016

GRACEKENNEDY'S CORPORATE GOVERNANCE & NOMINATION COMMITTEE REPORT

GraceKennedy is committed to implementing, promoting and maintaining good, robust corporate governance that is grounded in compliance with the laws and regulatory guidance that are applicable to its several business lines across the Group and also international best practices.

Good corporate governance sits squarely on the foundation of a company's own internal practices and policies and GraceKennedy ensures that its corporate governance principles are uniquely tailored in our approach to the Group's businesses. GraceKennedy's Corporate Governance Code leans heavily on Corporate Governance principles set out in the United Kingdom Combined Code on Corporate Governance (2010), the Private Sector Organization of Jamaica's Code on Corporate Governance and guidelines on Corporate Governance contained in the Jamaica Stock Exchange Rules.

Good Governance Requires The Right Leadership

At December 31, 2015 the Board was comprised of eleven (11) Directors, seven (7) being non-Executive Directors and four (4) Executive Directors. The Executive Directors as at that date were Donald Wehby, the Group Chief Executive Officer, Frank James, the Group Chief Financial Officer, Michael Ranglin, then Chief Executive Officer of the GK Foods Division and Courtney Campbell, then Chief Executive Officer of the GraceKennedy Financial Group Division. The number of Executive Directors on the Board was reduced post year-end with Michael Ranglin resigning from the Board effective December 31, 2015 and Courtney Campbell on January 31, 2016.

The Board of Directors has collective responsibility for oversight of the Company's direction and success and is answerable ultimately to the shareholders of GraceKennedy. The Corporate Governance & Nomination Committee has responsibility and oversight for the Company's corporate governance and acts as a consultant body to the Board, making recommendations on structure, corporate governance, management and Board composition. It plays an important role in setting the standards and ensuring that honesty, integrity, fair dealing and the highest ethical standards are exercised at all times in our relationships with customers, clients, suppliers, business associates, competitors, employees and fellow Directors. While the Committee may have responsibility for appropriate areas of the Company's affairs it is the Board that at all times has responsibility for oversight of strategic plans and the achievement of performance objectives.

The Committee meets at least four (4) times each year and more frequently as circumstances require. From time to time ad hoc meetings are convened to deliberate on substantive matters which may need to be discussed between meetings. The Committee is comprised of all the Non-Executive Directors, Mary Anne Chambers, Joseph Esau, Parris Lyew-Ayee, Everton McDonald, Douglas Orane, Gordon Shirley and Gina Phillipps Black (Chair). All are considered independent.

Although the Company's Articles provide for attendance by electronic means our overseas Directors usually attend meetings in person. The Committee is grateful to the overseas-based members for their commitment in this regard. Details of Board and Committee attendance are illustrated in the table below along with other relevant details about the Directors.

			No. Of Meetings Attended Out Of Total Meetings Applicable			
Director	Executive (E)/ Non-Executive (NE)	Independent (I)/ Non Independent (NI)	Board	Corporate Governance & Nomination Committee	Audit Committee	Compensation Sub-Committee
Courtney Campbell *Resigned from the Board January 31, 2016	E	NI	7/7	n/a	n/a	n/a
Mary Anne Chambers	NE	I	7/7	4/4	7/7	n/a
Joseph Esau	NE	I	7/7	4/4	n/a	n/a
Frank James	E	NI	7/7	n/a	n/a	n/a
Parris Lyew-Ayee	NE	I	7/7	4/4	7/7	n/a
Everton McDonald	NE	I	7/7	4/4	7/7	8/8
Douglas Orane	NE	I	7/7	4/4	7/7	8/8
Gina Phillipps Black	NE	I	7/7	4/4	n/a	n/a
Michael Ranglin *Resigned from the Board December 31, 2015	E	NI	5/7	n/a	n/a	n/a
Gordon Shirley	NE	I	7/7	4/4	n/a	8/8
Donald Wehby	E	NI	7/7	n/a	n/a	n/a

Immediately following the termination of every Board meeting the Non-Executive Directors meet privately in executive session (without Executive Directors or the Company Secretary present) to consider any matters as they deem appropriate to be raised without management being present. The Board is satisfied that during the year all members of the Board and Committees who attended meetings participated actively and fully in those meetings.

The Board considers that all its Directors continue to display strong character and judgement and to demonstrate the qualities of independence and objectivity in discharging their duties as Directors. Additionally, independence is assessed based on the Board's criteria set out in the Company's Corporate Governance Code. These criteria include consideration of:

- employment by the Company or Group within the last three years;
- material business relationship with the Company either directly, or as a partner, shareholder, Director or senior employee of a body that has such a relationship with the Company during the last three years;
- receipt of additional remuneration from the Company (apart from a Director's compensation) or participated in the Company's performance-related pay scheme within the last three years;
- spouse, child(ren) or dependent(s) of Director who are advisers, Directors or senior employees of the Company;
- significant shareholding in the Company.

The Committee and Board reviewed reports on the Disclosure of Business Interests that came before it from time to time and received and reviewed the annual certification from all Directors of their compliance with the Group's Code of Ethics and Disclosure of Business Interests policy. Having reviewed the summary document outlining the disclosure of business interests of the GraceKennedy Directors no conflicts or circumstances affecting the Directors' independent judgment were identified. The Board will continue to review the independence of all Directors.

A constructive forward looking Board must have knowledge of the Company's operations, markets, and competitors. One Directors' meeting each year is therefore held in a location, other than the Group's corporate head office, in which we have business interests. This allows Directors the opportunity to visit the Company's facilities and to directly interact with employees, contractors and customers while in the trade. This year the Board visited the GraceKennedy Foods (USA) LLC's operations in New Jersey, USA and several locations distributing Grace and Grace owned brands including the La Fe branded products.

> GOOD CORPORATE GOVERNANCE IS A KEY TO GROWING PROFITS AND REPUTATION

The Board has Audit and Corporate Governance & Nomination Committees. The Compensation Committee is a sub-committee of the Corporate Governance & Nomination Committee. All committees have written Board-approved charters detailing their responsibilities which are reviewed on an annual basis.

The Board of Directors views the Chief Executive Officer selection and succession as one of its most important responsibilities and also receives reports on the Group CEO's succession plans in respect of other senior executive positions for the Group. The Group Chief Executive Officer accordingly reports periodically to the Corporate Governance & Nomination Committee on the assessment of senior executives and their potential and readiness to succeed to other senior positions in the future and on other matters relating to recruitment and improving the organizational structure of the Group.

The GraceKennedy Corporate Governance Code was reviewed and revised in 2014 and in accordance with the Code will be reviewed again during the 2016 year. The Code is available to the public through the company's website at http://gracekennedy.com.

Board Selection and Evaluation

Under the Company's Articles, the Board of Directors has authority to fill vacancies in the Board and appoint additional Directors (in each case subject to their re-election at the next annual general meeting) and to nominate candidates for election by the shareholders.

There is a formal, rigorous and transparent procedure for the appointment of Directors to the Board. The screening and nomination process is conducted and managed by the Corporate Governance & Nomination Committee with direct input from the Chairman and Group Chief Executive Officer and from the other Directors as may be desirable from time to time. The Committee maintains and updates its list of potential Directors and known areas of expertise for such persons. The Committee reviews the composition of the Group's Board and Boards of key companies in the GraceKennedy Group and makes recommendations in areas in which any of these could possibly be strengthened. The Corporate Governance & Nomination Committee believes that potential nominees must be persons of the highest character and integrity, possess skill and experience in their professed areas of expertise and be able to exercise sound judgment and devote sufficient time to Board matters. There should be no conflict of interest that would interfere with their independence and performance as a Director. Good and effective governance must involve strong succession planning and the Committee considers the desirability of refreshing the Board, in an orderly and progressive manner so that positive Board dynamics and institutional knowledge is maintained.

The Board is aware that ongoing evaluation of its performance is central to good governance and uses the annual Board performance evaluation as one of the means of assessing individual and collective performance. This evaluation process includes self-evaluation and evaluation by peers using a customised Board evaluation questionnaire which then forms the basis of a private meeting of the Chairman of the Board, the Chair of the Corporate Governance & Nomination Committee and each Director, individually. The results of the evaluation and the open and frank discussions at these confidential meetings are focused on performance improvements on three levels: the Group level, the Board level and the individual Director level. Before proposing re-election of a Director, the Chairman is required to confirm that as a result of performance evaluation the Board is satisfied that the Director continues to contribute effectively and demonstrate commitment to the role of Director.

During the year the Committee delegated to Directors Phillipps Black and Lyew-Ayee and the Secretary the business of reviewing how some questions were framed and the suitability of available responses on the Evaluation Form. The results of that review were then discussed with the wider Board. Changes were effected before the start of the 2015 Board evaluation exercise. The Board Chairman and the Corporate Governance & Nomination Committee Chair sent to all Directors in the Group who are required to participate in Board evaluations a written advisory underscoring the importance that the Group places on the evaluation exercise as a best practice for developing stronger Boards in the Group. Board evaluations are done by GraceKennedy and the regulated entities in the Group with external Directors. During the year GraceKennedy (Ontario) Inc. also decided to conduct the Board evaluation exercise commencing January 2016.

Continuing Directors’ Education and Training

Continuing Directors’ Education and Training is crucial to the efficient functioning of the Board and to create an environment where Directors are informed and can properly discharge their duties. On June 24, 2015, the Committee coordinated the Group’s annual Board Training Workshop that was attended by over 59 Directors and senior managers in the Group. These workshops are an important tool used by the Group to keep Directors and managers up to date on governance best practices, legal, tax, regulatory and other business-related matters and industry trends relevant to their position as Directors and managers of a large publicly-held entity with businesses as diverse as that of the Group. A record is taken of attendance at these workshops and Directors have been made aware that attendance is a factor that is taken into account in the Board Evaluation exercise.

The Committee noted the steps which were being taken for IT Security Awareness training for the Group’s Directors and considered this training essential for the Group’s protection and Directors’ education. The Committee also decided that this training should be mandatory for the Directors of subsidiaries in the Group and so advised. Directors of associated companies in the Group are not obliged, but are encouraged, to participate in the IT Security Awareness training programme.

The Board reserves at least one day each year to review and engage with management on the long term strategic plans of the Company. This year’s trade visits and Board meeting conducted in New Jersey very effectively complemented this engagement.

Compensation

The Compensation Sub-Committee of the Corporate Governance & Nomination Committee has responsibility for reviewing and making recommendations in relation to the Total compensation of the Group CEO and senior executives as well as the overall policy or strategy for compensation within the Group including the significant benefit plans. Deliberations over the year included consideration of the structure of the total compensation packages and incentives including long term incentives for senior executives based on international and regional best practices, incorporating restricted stock grants and stock options based on set performance measures. The Committee is comprised solely of Non-Executive Directors, members being Directors Gordon Shirley (Chair), Everton McDonald and Douglas Orane.

Consistent with the recognition of the principle expressed in the Company's Corporate Governance Code and the PSOJ Corporate Governance Code that levels of remuneration of Board members should be at levels that will be adequate to attract and retain high quality persons, the Corporate Governance & Nomination Committee periodically considers the remuneration of its Directors and does comparisons with Director compensation and benefits at peer companies.

During the year under review Directors' fees were paid to Non-Executive Directors as set out below. No Directors' fees were paid to Executive Directors for their attendance and participation at Directors' meetings.

BOARD FEES (Payable to Non-Executive Directors only)

ANNUAL RETAINERS	
All Directors	$1,694,879
Additional Retainer Board Chair	$3,110,704
Additional Retainer Corporate Governance & Nomination Committee Chair	$394,022
Additional Retainer Audit Committee Chair	$1,036,901
Additional Retainer Compensation Sub-Committee Chair	$262,654
PER MEETING ATTENDANCE FEES	
Board Meetings	None
Audit Committee meetings	$150,161
Other Committee meetings	$50,054
OTHER	
Each Non-Executive Director was granted the sum of $847,439 as additional fees, the net amount of which after tax was to be used exclusively to purchase GraceKennedy shares on open market. These shares are subject to a restriction on sale for a period of 3 years.	

The Board maintains its commitment to ensure that there is regular communication between the Company and its shareholders to promote the mutual and clear understanding of the Board's objectives.

The Board reviews announcements to shareholders in respect of the interim results, audited financials, annual reports and other communications to the market by way of notifications to the Stock Exchange, press releases and postings on the Company's website. The Company holds investor briefings open to shareholders, the financial analysts and the general public to discuss published results. The briefings take the form of an on-line conference that may be accessed via a live Internet stream. Questions may be submitted via e-mail before or during the broadcast.

Finally, we are pleased to report that at the Jamaica Stock Exchange Best Practices Awards Banquet held on Wednesday, December 2, 2015, GraceKennedy received the first place award for "Corporate Disclosures and Investor Relations (Main Market)" and tied as first runner up for the JSE/PSOJ Best Practices Award for Corporate Governance. The Board will continue to reinforce good governance and the highest ethical principles and standards in the Company and the Group for the direct benefit of customers, shareholders and employees and anticipate this will be evidenced in improved profitability.

Gina Phillipps Black
Chair, on behalf of the Corporate
Governance & Nomination Committee

February 26, 2016

GRACEKENNEDY **AROUND THE WORLD**

1. **AIB is Subsidiary of the Year** - Yanique Hickling and Britinay South of Allied Insurance Brokers celebrate their company's achievement

2. **#1 Product!** - GK Ontario promoting Grace Coconut Water at Coconut Festival Canada

3. **Going Nuts!** - Grace Coconut Water is a hit at the CanFitPro Expo!

4. **Innovation at Work!** - First Global Bank's Peter Lindo demonstrates the use of the Video Teller Machine (VTM) to customers at the official opening of the Manor Park location

5. **Music to Educate** - Courtney Campbell, former CEO of First Global Bank, gives goodies to children participating in the First Global initiative, 'Music - Perfect Pitch for A Sound Education'

6. **Celebrating Christmas with The Salvation Army** - GK Insurance team members share the Christmas spirit with The Salvation Army as part of the Company's outreach activities over the Yuletide Season

7. **Our Children Are Our Future** - Leona Remekie, Assistant GM, GK Insurance, interacts with participants in Kids Tour

8. **Celebrating Our 34th Anniversary** – GK Insurance team members gather in front of their head office in celebration of their 34th Anniversary milestone

9. **Gifts for the Children** - The GK Insurance team stops by the Rae Town Basic School Playground after presenting gifts for the students at the school

10. **Sip n Paint** - GK Insurance reps and broker partners participate in a fun event known as 'Sip n Paint' on October 20.

11. **In the Spirit of Giving** - GK Insurance's General Manager Andrew Leo-Rhynie makes a presentation to Major Violet Ezeh of The Salvation Army

12. **Up, Up And Away** - GK Insurance team members release red balloons in celebration of the Company's 34th Anniversary

13. **Airborne** – Skybound red balloons mark GK Insurance's 34th Anniversary

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14. Lunch Time - Grace Foods' Executive Ryan Mack preparing lunch during Staff Appreciation Week at Grace Foods UK

15. She's A Winner - Winner in the Grace on the Move Promotion, Nadine Thompson, stands happily beside her brand new Nissan X-Trail. Looking on (from left) are Leslie Nembhard, Marketing and Sales Manager, Fidelity Motors Ltd.; and Grace Foods' Gilroy Graham and Oral Richards

16. Belize Football Festival – GK Belize provided gift items to students participating in the annual Football Festival for youths to learn how to play football

17. Fine Fare - Elizabeth Solarte and Angela Viviel offer La Fe and Grace products as samples to customers who participated in Fine Fare Supermarket Festival in Manhattan, NY

18. STEM Summer Camp! - Kelly Tomblin (centre), President & CEO of Jamaica Public Service does a ceremonial signing for her company's contribution to the Summer Camp held at the GraceKennedy Parade Garden STEM Centre. Looking on (l – r) are Simon Roberts, GK Group CIO; Nathalie Taylor, JPS Foundation; GK Group's CFO Frank James; Tanketa Chance-Wilson, GM, Grace & Staff Community Development Foundation; and students Taniesha Boswell, The Queen's School and Daniel Santos, Kingston Technical High

19. Staff Fun Day - National Account Manager, Chadha Oriental Foods, Asim Mughal, dressed as Greek god Thor, and Executive Assistant Maria Codd, dressed as Wonder Woman, model their costumes at the Staff Fun Day at Grace Foods UK

20. Sprint Queen Visits - Team members at Grace Foods UK get a photo op with GK Ambassador and Olympian Sprint Queen Shelly-Ann Fraser-Pryce during her visit to GK's London operations

21. Winning with Grace - Patrons at the Jerk Festival held in New York join the line to win a prize

22. All Together Now! - Team GK Ghana gather for a group photo after a day at the office

23. Summer Fest - Live Cooking showing where GKB is featured. A young chef joins in to encourage other youths to get cooking

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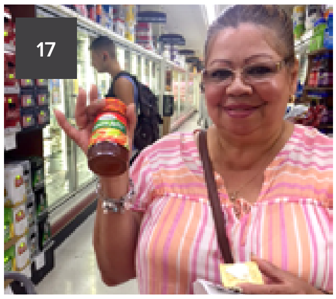

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GRACEKENNEDY CEO EXPERIENCES **A REWARDING 2015**

2015 WAS A PARTICULARLY REWARDING YEAR FOR GRACEKENNEDY GROUP CEO, DON WEHBY. HE WAS PRESENTED WITH SEVERAL AWARDS WHICH RECOGNIZED HIM FOR THE GROWTH OF GRACEKENNEDY IN JAMAICA AND ACROSS THE WORLD UNDER HIS LEADERSHIP.

In May, while on the GraceKennedy Money Services/Western Union Town Halls in Florida, Mr Wehby was presented with the key to the city of Miramar, Florida by Miramar's Mayor, Wayne Messam. The 'key to the city' is an honour bestowed by a city upon esteemed residents and visitors. In presenting the token to the Group CEO, Mayor Messam lauded Mr Wehby on his work in the private sector, as well as his two-year stint in government, and his overall contribution to Jamaica. He further congratulated Mr Wehby on his leadership of GraceKennedy, and on the growth of the business in the United States and across the world, the company's social corporate responsibility, and the popularity of the Grace products in Florida in general. A surprised, but gracious Wehby, thanked the mayor for the award.

In October, Mr Wehby was invited by the Caribbean International Network (CIN) to deliver its highly anticipated annual Lecture at the prestigious Schomburg Centre in Harlem, New York. The lecture, delivered on October 29, entitled "Jamaica to the World, the GraceKennedy Story" was well attended and well-received. The CEO spoke about GraceKennedy's humble beginnings and its journey to becoming a Global Consumer Group.

On December 3, Mr Wehby was honoured as the 2015 ICAJ Distinguished Member. In his citation, Wehby, a fellow of the ICAJ for 22 years, was applauded for his "sterling contributions to the profession, the private sector, Government and the nation."

The ICAJ recognizes one of its members each year who "through service and achievements, has contributed to the prestige and status of the Institute and the Accountancy profession."

On December 4, the New Zealand High Commission announced Mr Wehby's appointment as New Zealand's Honorary Consul in Jamaica. In receiving the honour, the Group CEO spoke to GraceKennedy's relationship with New Zealand entity, Fonterra, with whom they have had a joint venture - Dairy Industries Limited (DIJL) - since 1967. He said the partnership with the New Zealand entity has been a fruitful one, and served as a blueprint for how well the two nations could work together. "I am hoping that we can build on the commerce and trade relationship and increase business between both nations in a mutually beneficial way," he added.

GraceKennedy Group CEO delivers CIN lecture in New York

ROSETTA STEER WINS THE 2015 GRACEKENNEDY HEATHER LITTLE-WHITE HOUSEHOLD **WORKER OF YEAR**

It was with humility and joy that Rosetta Steer accepted the GraceKennedy Heather Little-White Household Worker of the Year Award on Friday, May 29 at the Awards Ceremony at the Jamaica Pegasus Hotel in Kingston, Jamaica. Rosetta copped the award from a field of some 120 nominees from across Jamaica. Second place went to Jasmin Miller, while Charmaine Smith rounded out the top three.

Of special note were the awards given to four Household Workers, Thelma Watkin, Beatrice Sewell, Rose-Marie Clarke and Marvet Rattigan. They were singled out for recognition as their nominations came from children whose lives they had impacted. As a major sponsor of Child Month, GraceKennedy thought it fit to award these Household Workers for the positive influence they have had on these young peoples' lives.

The winners received not only recognition, but cash awards and other prizes from GraceKennedy and its subsidiaries. Rosetta Steer won $250,000 from GK, an account with $25,000 from First Global Bank and a $30,000 gift voucher from Hi-Lo Food Stores. She will also choose a secondary student, whose educational expenses GK will fund for a year. Jasmin Miller won $150,000 from GK, an account with $25,000 from First Global Bank and a $20,000 gift voucher from Hi-Lo Food Stores. Charmaine Smith won $100,000 from GK, an account with $25,000 from First Global Bank and a $10,000 gift voucher from Hi-Lo Food Stores.

The GraceKennedy/Heather Little-White Household Worker Award was inaugurated in 2014 year to recognize and reward Jamaica's Household Workers. It is presented in the name of Dr Little-White because of her years of service at GraceKennedy, training Household Workers, and her dedication to the improvement of their skills, and their lives.

■

All smiles from the Top Three GraceKennedy Heather Little-White Household Workers in Jamaica. Winner Rosetta Steer is flanked by 2nd place winner, Jasmin Miller (right) and 3rd place winner Charmaine Smith.

GraceKennedy Heather Little-White 2015 Household Worker of the Year, Rosetta Steer proudly takes in her moment with former Prime Minister , now Opposition Leader of Jamaica, Honourable Portia Simpson Miller and GraceKennedy Group CEO, Don Wehby.

GRACEKENNEDY REVIVES ITS **JAMAICAN BIRTHRIGHT PROGRAMME**

GraceKennedy revived its Jamaican Birthright programme in 2015. The programme had been on hiatus, after having started in 2004 with the aim of giving second and third generation university students internships at GraceKennedy in Jamaica, exposing them to a diversified Jamaican experience through music, social activities and professional tutelage.

“The programme this year was a huge success and the 2015 Birthright interns had an unforgettable and rewarding experience,” said Executive Director of the GraceKennedy Foundation, Caroline Mahfood, who has oversight for the project. She continued, “With the help of our partners Sandals, Digicel and the Jamaica Tourist Board, the interns not only experienced the professional aspect of Jamaica but also the rich cultural heritage, from cuisine to music, sports and more. They really got the chance to get up close and personal with Jamaica.”

Janae Bell, a freshman at Harvard University, Kira Starks, a recent graduate of the University of Baltimore, Jamila Turner Dell’Acqua, a recent graduate of the University of East London and Ukpong Etang, a junior at Concordia University were the 2015 cohorts who received an all-expense paid five week trip to Jamaica to participate in the Birthright Programme. They all expressed appreciation for having had the opportunity. According to Janae, “I really developed a love and appreciation for Jamaica on this trip. I was able to experience the life and culture as a resident rather than a tourist. The GK Birthright Programme is one I recommend all students of Jamaican heritage take part in.”

Homage to Bob: Janae Bell (USA), Jamila Turner-Dell'Acqua (UK), Ukpong Etang (Canada) and Kira Starks (USA) during a visit to the Bob Marley Museum as part of the Heritage Pathways in the 2015 GraceKennedy Jamaican Birthright Programme

GRACEKENNEDY'S STEM CENTRE A BUZZ OF **SUMMER CAMP ACTIVITY**

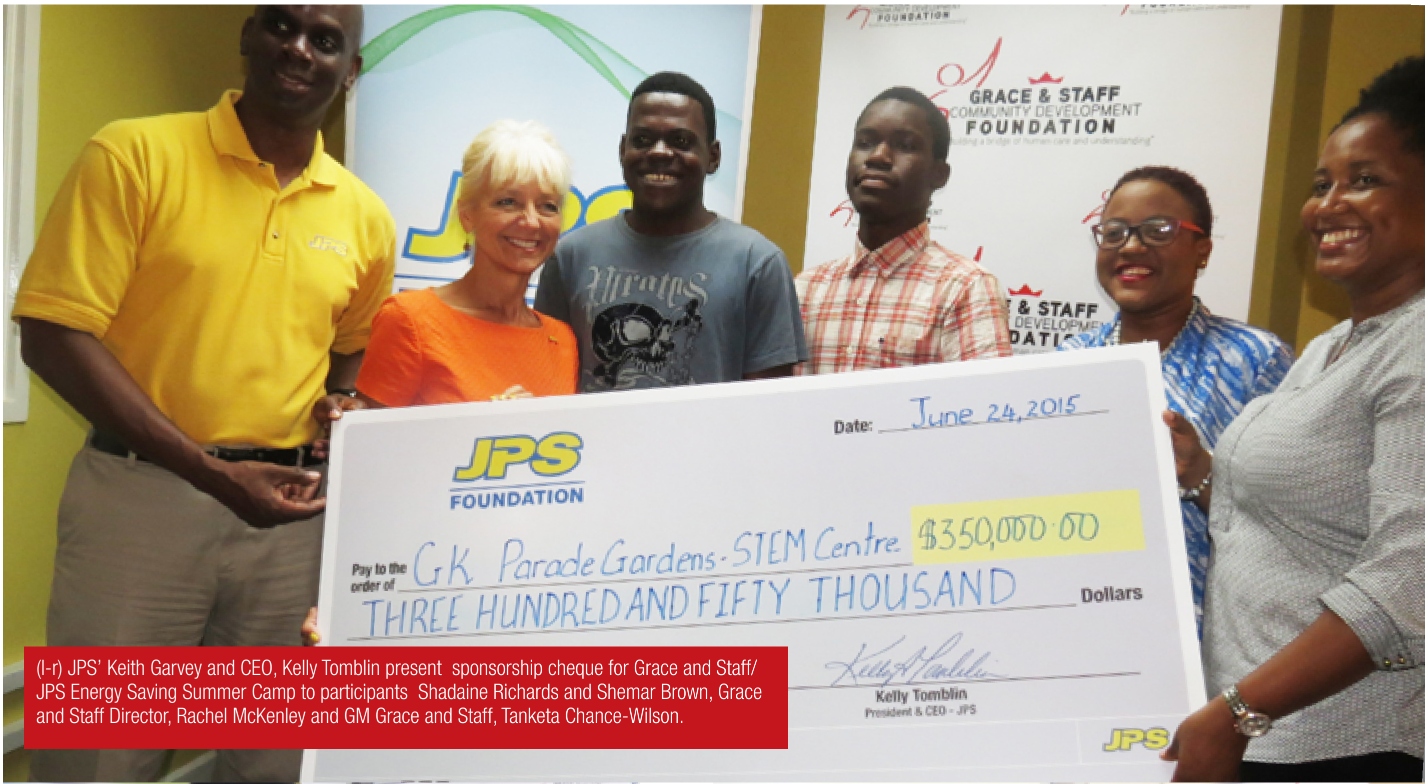
After wrapping up the JPS sponsored Energy Saving Summer Camp, which ran from June 29 to July 10, 2015, the GraceKennedy Parade Gardens STEM Centre staged a second summer camp initiative to benefit the young people in and around that community.

The second camp was put on by The Science and Technology Education Unit (STEU), the public education arm of the SRC, which encourages an appreciation for Science, Technology and Innovation (ST&I) in schools through its science clubs, competitions in ST&I, summer attachment programmes and summer camps.

"We see this as an opportunity to impact young lives by making them more aware of science, technology and innovation (STI). They utilize science on a daily basis without giving it much thought when they play video games, watch television and use their cell phones. With the aid of guest presentations, laboratory experiments, field trip and tour, multimedia presentations and team building exercises the participants, they will have the opportunity to utilize STI in a practical way and thereby contribute to the fostering of a culture of innovation," said Amanda McKenzie, Coordinator, Science & Technology Education Unit.

"These partnerships are really proving very valuable to the children and the communities we serve," said Tanketa Chance-Wilson, GM of Grace and Staff. "When we opened the STEM Centre, we knew the impact it could have in these very important areas, and each activity there proves that the Centre's presence is contributing to the shaping of young minds in the STEM areas and opening up whole new worlds for them."

Staged from July 27-31, the Science Summer Camp 2015 at the GK Parade Gardens STEM Centre offered an environment for students to discover and experience science through its hands on application and allowed for team building and leadership development. The camp was free of cost to participants.



(l-r) JPS' Keith Garvey and CEO, Kelly Tomblin present sponsorship cheque for Grace and Staff/ JPS Energy Saving Summer Camp to participants Shadaine Richards and Shemar Brown, Grace and Staff Director, Rachel McKenley and GM Grace and Staff, Tanketa Chance-Wilson.

Chairman of Grace and Staff, James Moss-Solomon makes a presentation to Alijahno Graham

Prudence Higgings-Dewar of the JPS gives his Carlos Reid his certificate of participation

Proud participants of the JPS Energy Saving Camp

GRACEKENNEDY DIVESTS **HARDWARE & LUMBER**

On December 30, GraceKennedy Limited announced the completion of the sale of its shares in Hardware & Lumber Limited ("H&L") to purchaser, Argyle Industries Inc. ("Argyle").

GraceKennedy Group CEO, Don Wehby, stated "As previously indicated GraceKennedy's decision to sell our shares in H&L was not an easy one, however, this divestment is consistent with our present strategy of concentrating on the food business locally and internationally and financial services in the region." He added, "I feel very positive about the continued growth of H&L under the prospective new owners, Argyle, who are excited about the possibilities for the future. I would like to thank the staff of H&L and the H&L Board for the contributions made to the company over the years and we remain committed to working towards a smooth transition to the new ownership."

GK Capital Management Limited was the lead broker for the transaction.

GKIB-TCI **IS BORN**!

On May 15, 2015, First Global Insurance Brokers (located in the Turks & Caicos Islands) became GK Insurance Brokers Limited (GKIB-TCI).

GraceKennedy acquired this brokerage in 2008 and renamed the company First Global Insurance Brokers (FGIB). Almost seven years later, the company has evolved to GK Insurance Brokers. The market response has been extraordinary.

Marlon Graham (3rd right), General Manager of GK Insurance Brokers, takes a moment for a photo op with his team. With him from left are Natasha Garland, Customer Service Associate; Steven Abrahams, Underwriting Manager; Clavanna Thomas, Operations Associate; Mavis Jones-Medical Coordinator; and Alex Zagarrie- Former Business Development Officer.

GRACE JAMAICAN JERK SEASONING SPICES UP AMAZON

GRACEKENNEDY LAUNCHED ITS FOODS PRODUCT LINE ON THE UNITED STATES-BASED SHOPPING PORTAL AMAZON.COM IN JULY 2015, AND RECEIVED SOME GREAT NEWS ON AUGUST 30. THE COMPANY'S GRACE JERK SEASONING WAS AWARDED FOR BEING THE "#1 NEW RELEASE" IN THE HERBS, SPICES & SEASONING GIFTS CATEGORY ON THE SHOPPING PORTAL.

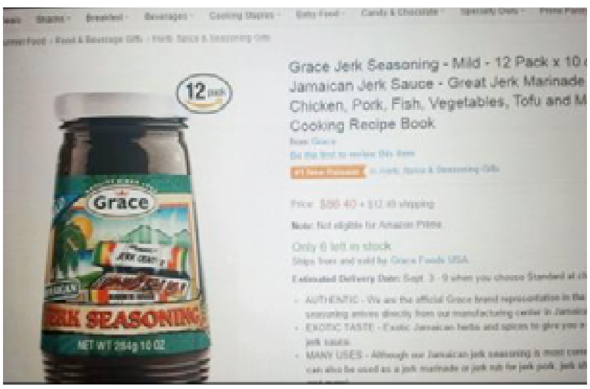
When a product is considered a "#1 New Release" on Amazon, a graphical badge appears on the product description page. This badge is considered a great honour to have on a product listing, as it highlights the brand and brings attention to potential buyers of what Amazon considers to be a popular new product that they recommend to their customers.

While the product held the No. 1 release spot for two days, the effect of the nod from Amazon was evident even in September of 2015, as both the mild and hot variants of Grace Jerk Seasoning featured in the top five products in the Herbs, Spices & Seasoning Gifts category, at number four and number three, respectively.

"We are thrilled with the recognition of our product on this scale. We have always been confident that Grace Jerk Seasoning, like all our Grace products, is one of high quality. To know that Amazon agrees and wants to tell the world that they should try it is just amazing for us. We are also excited to be on the Amazon platform for the ability to bring Grace products to a wider audience and to make it easy for them to purchase online," said Deidre Cousins, vice-president, business systems, GraceKennedy Foods (USA) LLC.

Jamaican customers online also signaled their excitement and support on Amazon. One post from someone who identified herself as 'Winsome' read, "I am from Jamaica and moved to a place where it is very hard to find anything Jamaican, let alone jerk sauce! I am soooo excited that I can buy my favourite Grace products on Amazon."

Grace Jerk Seasonings are made in Jamaica and distributed in the US by GraceKennedy Foods (USA) LLC. The company was formed in 2014 when GraceKennedy acquired US-based Hispanic foods company, La Fe.



COCONUT WATER CONTINUES TO **CONQUER IN CANADA**

GK Ontario performed well for 2015, with the company continuing its build out in the coconut category. As it grew, GKO was able to achieve double digit growth in the coconut category for 2015.

GKO's coconut water maintained its pole position as the number one Coconut Water in that Market. The company also made great strides in Western Canada during the year, as it seeks to expand geographically outside Ontario.

STRONG PERFORMANCE BY ENCONA

Adapting to changing consumer tastes, capitalising on new market opportunities and meeting a general rise in consumer demand for chilli sauces were key factors in a robust 2015 performance in the UK by Encona Sauces, the UK's No. 1 hot pepper sauce brand.*1

With retailers increasing shelf space in response to growing consumer demand for chilli sauces, new variants inspired by flavours from around the world such as Peruvian Amarillo and Mexican Smokey Jalapeno were timely introductions, joining Brazilian BBQ sauce.

In addition, the launch of a milder Thai Sweet Chilli sauce met family demand for milder sauces at the dinner table, thereby introducing children to chilli sauces.

These additions were accompanied by a label refresh across the brand, featuring bolder, brighter colours and clearer usage instructions, and Encona entering a new category with the launch of Encona Marinades, extending the usage occasion into meal preparation.

Encona is also gaining a strong foothold in the European marketplace, having gained its first listing with one of Germany's biggest supermarket groups.

*1 IRI UK Table Sauces (Chilli and BBQ), MAT 52 w/e 10th October, 2015

GRACE ALOE A **RISING STAR** IN SOFT DRINKS

Grace Aloe is leading the way in creating a dynamic new sector in the UK's £15 billion soft drinks market.

The thirst quenching drink is rapidly gaining distribution in supermarkets and nationwide convenience chains, appealing to consumers looking for new and exciting alternatives to traditional juices and flavoured water offerings. With a 77%.2 share of the UK's aloe vera drinks market, Grace Aloe is driving market growth of 64.9% year-on-year.*

* IRI UK Aloe Vera Drinks – Retail Sales, Period MAT 52 w/e 30th January 2016

NEWLY REBRANDED
GK GENERAL INSURANCE (GKG) LAUNCHES GKGONLINE

GK General Insurance Company Limited (GKG) revealed its most innovative product offering to date, known as *GKGOnline* to the public at CRU Bar in Kingston, Jamaica on July 31, 2015.

Guests attending the launch were shown how persons seeking insurance coverage could obtain motor insurance via the *GKGOnline* web platform in as little as 10 minutes, based on their needs and budget, from the comfort of their home or office or other preferred location.

Andrew Leo-Rhynie, General Manager of GK General, explained that the new product offering is in keeping with the company's aim to provide distinctive customer solutions as well as great customer experiences delivered by a team of insurance professionals. He said the move towards making an online portal available for customers for was in keeping with industry trends worldwide.


QUALITY SINCE 1922
Grace
Strawberry Flavour
ONLY 90 CALORIES PER BOTTLE
Aloe Refresh
50% Less Sugar
Aloe Vera Drink
QUALITY SINCE 1922
Grace
Original Flavour
ONLY 96 CALORIES PER BOTTLE
Aloe Refresh
50% Less Sugar
Aloe Vera Drink
QUALITY SINCE 1922
Grace
Mango Flavour
ONLY 80 CALORIES PER BOTTLE
Aloe Refresh
50% Less Sugar
Aloe Vera Drink

FIRST GLOBAL BANK OPENS NEW MANOR PARK BRANCH **TO REDEFINE BANKING CONVENIENCE**

On Monday, December 14, 2015, First Global Bank became the first in the Caribbean to introduce a Video Teller Machine (VTM), an interactive video technology that allows a live teller to take remote control of an ATM.

Developed by NCR Corporation, the world's leading ATM manufacturer, the new video teller technology allows live tellers at FGB's Teller Centre to remotely interact with customers inside the branch and complete up to 95 percent of transactions typically completed by tellers at counters.

The VTM provides live teller services for customers such as completing cash and cheque deposits, withdrawals, account transfers and cheque encashment, while still connecting customers and tellers in a face to face, highly personal engagement.

The new Manor Park Branch also unveiled its multi-currency dispenser (MCD) and an Intelligent Deposit ATM (IDATM) – also developed by NCR – which will complement the VTM and give customers access to a suite of smart machines that will redefine in-branch banking experience.

The MCD allows customers to withdraw Jamaican, Canadian and United States currencies from their accounts. This feature allows FGB customers to do cross currency transactions, conveniently buying the offered currencies at the daily exchange rate.


Andrea Gayle (front, second left), Manager First Global Manor Park Branch and staff are all smiles at the First Global Bank official opening

(L-R) Father Howard Thompson, Stella Maris Church; First Global Bank Executives - Bernadette Barrow, Senior Vice President; Joseph Taffe, Director; Andrea Gayle, Manager, Manor Park Branch; Courtney Campbell, then CEO and Minna Israel, Director pose for a photo op before cutting the ribbon to formally open the new First Global Bank Manor Park Branch

Joseph Taffe, Director, FGB cuts the ribbon to formally open the new First Global Manor Park Branch

FINANCIAL STATEMENTS

31 December 2015

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31 December 2015

Independent Auditor's 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 94 to 197, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, and the accompanying financial statements of GraceKennedy Limited standing alone, which comprise the statement of financial position as at 31 December 2015, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and company stand-alone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and company stand-alone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and company stand-alone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and 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.

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

L. A. McKnight P.E. Williams L.E. Augier A.K. Jain B.L. Scott B.J. Denning G.A. Reece P.A. Williams R.S. Nathan C. I. Bell-Wisdom D. D. Dodd G. K. Moore

Members of GraceKennedy Limited
Independent Auditor's Report
Page 2

Opinion
In our opinion, the consolidated financial statements 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 2015, 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 financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
29 February 2016
Kingston, Jamaica

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

GraceKennedy Limited

Consolidated Statement of Financial Position

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	2014 $'000
Assets			
Cash and deposits	5	9,901,417	9,508,980
Investment securities	6	21,760,103	20,593,899
Pledged assets	6	11,107,139	9,452,340
Receivables	7	11,578,568	11,466,142
Inventories	8	10,041,196	10,797,175
Loans receivable	9	22,595,591	18,364,429
Taxation recoverable		579,836	612,505
Investments in associates	10	1,492,080	1,266,605
Investment properties	41	532,000	484,000
Intangible assets	11	4,176,644	4,131,674
Fixed assets	12	8,544,393	8,707,092
Deferred tax assets	13	1,019,904	1,037,572
Pension plan asset	14	5,364,583	5,437,116
Total Assets		**108,693,454**	**101,859,529**
Liabilities			
Deposits		24,258,437	21,197,427
Securities sold under agreements to repurchase		8,641,978	7,528,474
Bank and other loans	15	13,936,107	11,064,160
Payables	16	17,216,263	19,052,694
Taxation		311,600	303,722
Provisions	17	-	6,221
Deferred tax liabilities	13	1,107,574	1,232,954
Other post-employment obligations	14	3,848,433	3,228,905
Total Liabilities		**69,320,392**	**63,614,557**
Equity			
Capital and reserves attributable to the company's owners			
Share capital	18	567,789	588,533
Capital and fair value reserves	19	5,132,759	5,185,628
Retained earnings		25,971,707	25,092,735
Banking reserves	20	2,588,019	2,083,726
Other reserves	21	3,787,167	3,582,479
		38,047,441	36,533,101
Non-Controlling interests	22	1,325,621	1,711,871
Total Equity		**39,373,062**	**38,244,972**
Total Equity and Liabilities		**108,693,454**	**101,859,529**

Approved for issue by the Board of Directors on 29 February 2016 and signed on its behalf by:

Gordon Shirley	Chairman	Donald Wehby	Group Chief Executive Officer

GraceKennedy Limited

Consolidated Income Statement

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	2014 $'000
Continuing operations:			
Revenues	24	79,742,230	70,839,886
Expenses	25	(76,949,188)	(67,944,564)
		2,793,042	2,895,322
Other income	26	1,571,132	1,730,117
Profit from Operations		4,364,174	4,625,439
Interest income – non-financial services		339,154	390,579
Interest expense – non-financial services		(715,706)	(658,492)
Share of results of associated companies	10	316,191	230,906
Profit before Taxation		4,303,813	4,588,432
Taxation	28	(1,271,291)	(983,586)
Net Profit from continuing operations		3,032,522	3,604,846
Discontinued operations:			
Profit for the year from discontinued operations	43	221,498	194,281
NET PROFIT		3,254,020	3,799,127
Attributable to:			
Owners of GraceKennedy Limited	29	2,759,498	3,285,174
Non-Controlling interests	22	494,522	513,953
		3,254,020	3,799,127
Earnings per Stock Unit from continuing and discontinued operations attributable to owners of GraceKennedy Limited during the year	31		
Basic:			
From continuing operations		$7.92	$9.56
From discontinued operations		$0.43	$0.34
		$8.35	$9.90
Diluted:			
From continuing operations		$7.90	$9.55
From discontinued operations		$0.43	$0.34
		$8.33	$9.89

GraceKennedy Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	2014 $'000
Profit for the year		3,254,020	3,799,127
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
(Losses)/gains on revaluation of land and buildings		(23,905)	604,116
Remeasurements of post-employment benefit obligations		(597,558)	(98,123)
		(621,463)	505,993
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustments		123,576	329,072
Fair value (losses)/gains		(21,802)	329,230
Share of other comprehensive income of associated companies		86,238	175,650
		188,012	833,952
Other comprehensive income for the year, net of tax		(433,451)	1,339,945
Total comprehensive income for the year		2,820,569	5,139,072
Attributable to:			
Owners of GraceKennedy Limited		2,355,114	4,597,999
Non-Controlling interests	22	465,455	541,073
		2,820,569	5,139,072
Total comprehensive income attributable to owners of GraceKennedy Limited arises from:			
Continuing operations		2,261,622	4,447,803
Discontinued operations		93,492	150,196
		2,355,114	4,597,999

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 28.

GraceKennedy Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

		Attributable to owners of the parent						Non-Controlling Interest	Total Equity
	Note	Number of Stock Units '000	Share Capital $'000	Capital and Fair Value Reserves $'000	Retained Earnings $'000	Banking Reserves $'000	Other Reserves $'000	$'000	$'000
Balance at 1 January 2014		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	22	-	-	-	-	-	-	34,112	34,112
Dividends paid by subsidiaries to non-controlling interests	22	-	-	-	-	-	-	(331,014)	(331,014)
Dividends paid	30	-	-	-	(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
Profit for the year		-	-	-	2,759,498	-	-	494,522	3,254,020
Other comprehensive income for the year		-	-	(43,439)	(565,633)	-	204,688	(29,067)	(433,451)
Total comprehensive income for 2015		-	-	(43,439)	2,193,865	-	204,688	465,455	2,820,569
Transactions with owners									
Issue of shares	18 (a)	18	879	-	-	-	-	-	879
Repurchase of shares	18 (a)	(295)	(18,799)	-	-	-	-	-	(18,799)
Purchase of treasury shares	18 (b)	(57)	(2,824)	-	-	-	-	-	(2,824)
Increase in non-controlling interests	22	-	-	-	-	-	-	818	818
Decrease in non-controlling interests on disposal of subsidiary	22	-	-	-	-	-	-	(595,878)	(595,878)
Dividends paid by subsidiaries to non-controlling interests	22	-	-	-	-	-	-	(256,645)	(256,645)
Dividends paid	30	-	-	-	(820,030)	-	-	-	(820,030)
Total transactions with owners		(334)	(20,744)	-	(820,030)	-	-	(851,705)	(1,692,479)
Transfers between reserves:									
From capital reserves		-	-	(9,430)	9,430	-	-	-	-
To banking reserves		-	-	-	(504,293)	504,293	-	-	-
Balance at 31 December 2015		330,640	567,789	5,132,759	25,971,707	2,588,019	3,787,167	1,325,621	39,373,062

GraceKennedy Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	2014 $'000
SOURCES/(USES) OF CASH:			
Operating Activities	32	2,490,497	4,747,941
Financing Activities			
Loans received		6,211,189	5,702,515
Loans repaid		(4,499,647)	(4,834,798)
Dividends paid by subsidiary to non-controlling interests	22	(256,645)	(331,014)
Repurchase of shares	18	(18,799)	(145,878)
Purchase of treasury shares	18	(2,824)	(93,280)
Sale of treasury shares	18	-	177,908
Issue of shares	18	879	907
Interest paid – non financial services		(753,378)	(724,878)
Dividends	30	(820,030)	(770,239)
		(139,255)	(1,018,757)
Investing Activities			
Additions to fixed assets[(a)]	12	(1,428,884)	(1,131,878)
Proceeds from disposal of fixed assets		62,350	20,626
Additions to investment properties		(1,193)	(185)
Additions to investments		(6,266,565)	(5,858,792)
Cash outflow on acquisition of subsidiaries	42	-	(2,669,634)
Proceeds from sale of investments		3,953,786	5,407,633
Net proceeds from disposal of subsidiary	43	657,265	1,863,688
Additions to intangibles[(b)]	11	(558,939)	(465,459)
Interest received – non financial services		334,611	307,298
		(3,247,569)	(2,526,703)
(Decrease)/increase in cash and cash equivalents		(896,327)	1,202,481
Cash and cash equivalents at beginning of year		7,909,641	6,604,290
Exchange and translation gains on net foreign cash balances		60,745	102,870
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	7,074,059	7,909,641

The principal non-cash transactions include:

(a) Acquisition of fixed assets under finance lease of $Nil (2014: $5,870,000), (Note 12).

(b) Additions to intangible assets from shares issued to non-controlling interests of $818,000 (2014: $Nil).

GraceKennedy Limited

Company Statement of Financial Position

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	2014 $'000
Assets			
Cash and deposits	5	1,805,241	2,233,056
Investment securities	6	6,317,231	5,430,199
Receivables	7	1,344,542	1,255,599
Inventories	8	2,388,611	2,071,718
Loans receivable	9	3,133,745	3,305,387
Subsidiaries	35	1,273,308	445,334
Taxation recoverable		147,214	148,029
Investments in associates	10	49,698	49,698
Investments in subsidiaries		14,550,397	12,933,078
Intangible assets	11	123,531	115,552
Fixed assets	12	247,737	230,661
Pension plan asset	14	5,364,583	5,437,116
Total Assets		**36,745,838**	**33,655,427**
Liabilities			
Bank and other loans	15	4,735,644	4,128,016
Payables	16	2,204,102	1,781,118
Subsidiaries	35	2,870,823	2,420,347
Provisions	17	-	6,221
Deferred tax liabilities	13	880,836	1,038,498
Other post-employment obligations	14	1,885,663	1,410,009
Total Liabilities		**12,577,068**	**10,784,209**
Equity			
Share capital	18	567,789	588,533
Capital and fair value reserves	19	253,229	250,564
Retained earnings		23,347,752	22,032,121
Total Equity		**24,168,770**	**22,871,218**
Total Equity and Liabilities		**36,745,838**	**33,655,427**

Approved for issue by the Board of Directors on 29 February 2016 and signed on its behalf by:

Gordon Shirley — Chairman

Donald Wehby — Group Chief Executive Officer

GraceKennedy Limited

Company Income Statement

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	2014 $'000
Turnover	24	16,039,438	14,353,162
Cost of goods sold		(12,519,938)	(11,199,390)
Gross Profit		3,519,500	3,153,772
Other income	26	4,734,155	4,723,531
Administration expenses		(6,037,729)	(5,164,416)
Profit from Operations		2,215,926	2,712,887
Interest income		508,925	513,321
Interest expense		(386,440)	(335,555)
Profit before Taxation		2,338,411	2,890,653
Taxation	28	45,445	13,374
NET PROFIT	29	**2,383,856**	**2,904,027**

GraceKennedy Limited

Company Statement of Comprehensive Income

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	2015	2014
	$'000	**$'000**
Profit for the year	2,383,856	2,904,027
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Gains on revaluation of land and buildings	659	6,957
Remeasurements of post-employment benefit obligations	(248,195)	82,563
	(247,536)	89,520
Items that may be subsequently reclassified to profit or loss:		
Fair value gains	2,006	4,818
	2,006	4,818
Other comprehensive income for the year, net of tax	(245,530)	94,338
Total comprehensive income for the year	2,138,326	2,998,365

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 28.

GraceKennedy Limited

Company Statement of Changes in Equity

Year ended 31 December 2015

(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 2014		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	30	-	-	-	(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
Profit for the year		-	-	-	2,383,856	2,383,856
Other comprehensive income for the year		-	-	2,665	(248,195)	(245,530)
Total comprehensive income for 2015		-	-	2,665	2,135,661	2,138,326
Transactions with owners						
Issue of shares	18 (a)	18	879	-	-	879
Repurchase of shares	18 (a)	(295)	(18,799)	-	-	(18,799)
Purchase of treasury shares	18 (b)	(57)	(2,824)	-	-	(2,824)
Dividends paid	30	-	-	-	(820,030)	(820,030)
Total transactions with owners		(334)	(20,744)	-	(820,030)	(840,774)
Balance at 31 December 2015		330,640	567,789	253,229	23,347,752	24,168,770

GraceKennedy Limited

Company Statement of Cash Flows

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	2014 $'000
SOURCES/(USES) OF CASH:			
Operating Activities	32	1,714,006	4,469,866
Financing Activities			
Loans received		3,140,382	2,950,713
Loans repaid		(3,393,812)	(1,546,223)
Repurchase of shares	18	(18,799)	(145,878)
Purchase of treasury shares	18	(2,824)	(93,280)
Sale of treasury shares	18	-	177,908
Issue of shares	18	879	907
Interest paid		(392,560)	(335,555)
Dividends	30	(820,030)	(770,239)
		(1,486,764)	238,353
Investing Activities			
Additions to fixed assets[(a)]	12	(84,738)	(70,109)
Proceeds from disposal of fixed assets		9	187
Additions to investments		(1,742,204)	(1,946,744)
Loans receivable, net		171,641	(1,735,968)
Proceeds from sale of investments		1,030,858	2,056,199
Investment in subsidiary		(2,043,768)	(2,252,008)
Proceeds from disposal of subsidiary		841,256	-
Proceeds from disposal of associated company		-	170,637
Additions to intangibles	11	(116,944)	(106,215)
Interest received		501,855	513,322
		(1,442,035)	(3,370,699)
(Decrease)/increase in cash and cash equivalents		(1,214,793)	1,337,520
Cash and cash equivalents at beginning of year		2,057,681	660,775
Exchange and translation gains on net foreign cash balances		25,148	59,386
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	868,036	2,057,681

The principal non-cash transactions include:

[(a)] Acquisition of fixed assets under finance lease of $Nil (2014: $2,837,000), (Note 12).

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 four 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.

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.

The Retail and Trading operations; which merchandises agricultural supplies, home improvement supplies, and hardware and lumber; is a discontinued operation. The performance of these operations is not presented in the segment results and instead information about this discontinued segment is provided in Note 43.

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

- Amendment to IAS 19, 'Defined Benefit Plans', clarifies the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of benefits. The amendment allows contributions that are linked to service, but do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. The amendment is effective for accounting periods beginning on or after 1 July 2014. There was no impact from adoption of this amendment which is consistent with the Group's existing accounting policy.

- Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles, effective for periods beginning on or after 1 July 2014. There was no impact from adoption of these amendments and clarifications.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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 are effective for annual periods beginning after 1 January 2015, 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.

- Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' - Clarification of Acceptable Methods of Depreciation and Amortisation, (effective for the periods beginning on or after 1 January 2016). In these amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group does not expect any impact from the adoption of the amendments on its financial statements as it does not use revenue-based depreciation or amortisation methods.

- Amendments to IAS 27, 'Associates', (effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group is currently assessing whether to use the equity method in the separate financial statements of the parent company.

- Annual Improvements 2014, (effective for annual periods beginning on or after 1 January 2016). The amendments impact the following standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of future adoption of the amendments on its financial statements.

2. Significant Accounting Policies (Continued)

Basis of preparation (continued)

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

- Amendment to IAS 1, 'Presentation of Financial Statements', (effective for annual periods beginning on or after 1 January 2016). This amendment forms part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. It clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment also clarifies that the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The Group is currently assessing the impact of future adoption of the amendments on its financial statement.

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.

(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 acquiree 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.

(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 %
GK Investment Limited (formerly First Global Leasing Limited) and its subsidiary –	Jamaica	Lease financing	100	100	-
Greenfield Media Productions Limited	Jamaica	Media rights holder	-	55	45
GraceKennedy Financial Group Limited and its subsidiaries –	Jamaica	Holding company	100	100	-
Allied Insurance Brokers Limited	Jamaica	Insurance brokerage	-	100	-
GK General Insurance Company Limited (formerly Jamaica International Insurance Company Limited)	Jamaica	General Insurance	-	100	-
GraceKennedy Money Services Caribbean SRL and its subsidiary –	Barbados	Holding company	-	75	25
GraceKennedy Remittance Services Limited and its subsidiaries –	Jamaica	Money services	-	75	25
Grace Kennedy Currency Trading Services Limited	Jamaica	Money services	-	75	25
GraceKennedy Payment Services Limited	Jamaica	Money services	-	75	25
GraceKennedy Money Services (Anguilla) Limited	Anguilla	Money services	-	75	25
GraceKennedy Money Services (Antigua & Barbuda) Limited	Antigua & Barbuda	Money services	-	75	25
GraceKennedy Money Services (Montserrat) Limited	Montserrat	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
GraceKennedy Money Services (Cayman) Limited	Cayman 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
GK Insurance Brokers Limited (formerly 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 manager	-	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	-
International Communications Limited	Jamaica	Dormant	100	100	-

(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 %
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 –	Canada	Food trading	100	100	-
Grace, Kennedy (Caribbean) Limited	Turks & Caicos	Dormant	-	100	-
Grace Kennedy (Guyana) Limited	Guyana	Dormant	100	100	-
Grace Kennedy (USA) Inc. and its subsidiary –	USA	Food trading	100	100	-
Grace Foods (USA) Inc. and its subsidiary –	USA	Food trading	-	100	-
GraceKennedy Foods (USA) LLC	USA	Food trading	-	100	-
Grace, Kennedy Remittance Services (Trinidad & Tobago) Limited	Trinidad and Tobago	Dormant	100	100	-
GraceKennedy Trade Finance Limited	Belize	Dormant	100	100	-
GraceKennedy (St. Lucia) Limited and its subsidiaries –	St. Lucia	Holding company	100	100	-
Graken Holdings Limited	Turks & Caicos	Dormant	-	100	-
GraceKennedy Remittance Services (Turks and Caicos) Limited	Turks & Caicos	Dormant	-	100	-
GK Foods (UK) Limited, United Kingdom and its subsidiaries –	United Kingdom (UK)	Food trading	-	100	-
Grace Foods UK Limited	UK	Food trading	-	100	-
Enco Products Limited	UK	Food trading	-	100	-
Funnybones Foodservice Limited	UK	Food trading	-	100	-
Chadha Oriental Foods Limited	UK	Food trading	-	100	-
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 Greenfield Media Productions Limited and GraceKennedy Money Services (Cayman) Limited were formed and commenced operations. GraceKennedy Money Services (Turks & Caicos Islands) Limited was also formed but has not yet been capitalised.

The Group liquidated Port Services Limited during the year.

The Group disposed of its 58.1% interest in Hardware and Lumber Limited during the year (Note 43).

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	
				2015	2014
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
Trident Insurance Company Limited	30 June	Barbados	Insurance	30.0	30.0
Telecommunications Alliance Limited	31 December	Jamaica	Dormant	49.0	49.0

(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 improvement	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 acquiree and the fair value of the non-controlling interest in the acquiree. 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.

2. Significant Accounting Policies (Continued)

(h) Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

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

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

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

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

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

Available-for-sale financial assets

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

Recognition and measurement

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

2. Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

(j) Investments in subsidiaries
Investments in subsidiaries are stated at cost.

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

(l) Income taxes
Taxation expense in the income statement comprises current and deferred tax charges.

Current tax charges are based on taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted or substantively enacted at statement of financial position date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Significant Accounting Policies (Continued)

(l) Income taxes (continued)

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

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

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

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

(m) Employee benefits

Pension obligations

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

Pension plan assets

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

The asset or liability in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the statement of financial position date and the fair value of plan assets. 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 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 adjustments 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.

2. Significant Accounting Policies (Continued)

(m) Employee benefits (continued)

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

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.

2. Significant Accounting Policies (Continued)

(r) Insurance business provisions (continued)

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.

(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.

2. Significant Accounting Policies (Continued)

(x) Leases (continued)

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.

(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.

2. Significant Accounting Policies (Continued)

(z) Revenue recognition (continued)

(iii) Sales of services

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

(iv) Interest income

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

(v) Dividend income

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

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

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

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.

(ac) Discontinued operations
A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

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. Group Risk Management 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, reinsurance risk, credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk

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

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

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

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

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

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

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

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

	2015		2014	
	Policy Limit	Maximum Net Retention	Policy Limit	Maximum Net Retention
	$'000	$'000	$'000	$'000
Commercial property:				
Fire and consequential loss	900,225	7,202	583,389	6,863
Boiler and machinery	360,090	6,752	257,378	4,826
Engineering	360,090	6,752	343,170	6,434
Burglary, money and goods in transit	30,008	21,005	14,299	10,009
Glass and other	30,008	21,005	5,720	4,004
Liability	360,090	36,009	343,170	34,317
Marine, aviation and transport	72,018	3,601	34,317	5,720
Motor	10,000	10,000	10,000	10,000
Pecuniary loss:				
Fidelity	30,008	21,005	14,299	10,009
Surety/Bonds	50,000	10,000	50,000	10,000
Personal accident	30,008	21,005	25,738	18,016
Personal property	900,225	7,202	583,389	6,863

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.

(iii) Scenario testing

The two major assumptions that determine reserve levels are:
- The selection of a-priori loss ratios within the Bornhuetter-Ferguson methods (Note 4).
- The selection of loss development factors.

These factors have been stochastitically modeled using various confidence intervals to determine the impact on the net reserves. The net reserves of $2,722,933,000 were determined at the 50% confidence interval. Had the confidence interval increased/(decreased) by 10%, the net reserves would increase/(decrease) by $99,449,000/($99,667,000).

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 2006 - 2014 has changed at successive year-ends, up to 2015. 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.

3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Development Claim Liabilities (continued)

		2006 and prior $'000	2007 $'000	2007 and prior $'000	2008 $'000	2008 and prior $'000	2009 $'000	2009 and prior $'000	2010 $'000	2010 and prior $'000	2011 $'000	2011 and prior $'000	2012 $'000	2012 and prior $'000	2013 $'000	2013 and prior $'000	2014 $'000	2014 and prior $'000	2015 $'000	2015 and prior $'000
2006	UCAE, end of year	786,156																		
	IBNR, end of year	61,790																		
2007	Paid during year	227,009	582,914	809,923																
	UCAE, end of year	555,287	438,716	994,003																
	IBNR, end of year	29,589	37,746	67,335																
	Ratio: excess (deficiency)	4.25%																		
2008	Paid during year	152,295	248,085	400,380	624,150	1,024,530														
	UCAE, end of year	395,987	279,103	675,090	450,997	1,126,087														
	IBNR, end of year	10,689	11,195	21,884	35,203	57,087														
	Ratio: excess (deficiency)	7.31%		(3.39%)																
2009	Paid during year	138,610	77,807	216,417	282,651	499,068	584,808	1,083,876												
	UCAE, end of year	258,127	189,307	447,434	298,876	746,310	519,811	1,266,121												
	IBNR, end of year	500	-	500	4,367	4,867	50,684	55,551												
	Ratio: excess (deficiency)	8.42%		(0.32%)		(5.67%)														
2010	Paid during year	92,376	65,732	158,108	73,157	231,265	236,570	467,835	559,019	1,026,854										
	UCAE, end of year	180,939	146,245	327,184	238,919	566,103	307,036	873,139	1,382,399	2,255,538										
	IBNR, end of year	-	-	-	-	-	-	-	63,254	63,254										
	Ratio: excess (deficiency)	6.69%		(3.84%)		(9.57%)		(1.46%)												
2011	Paid during year	49,937	39,071	89,008	47,864	136,872	100,905	237,777	265,315	503,092	596,771	1,099,863								
	UCAE, end of year	90,301	62,091	152,392	142,955	295,347	214,227	509,574	300,526	810,100	657,335	1,467,435								
	IBNR, end of year	-	-	-	-	-	-	-	2,365	2,365	67,945	70,310								
	Ratio: excess (deficiency)	11.49%		4.24%		1.74%		8.06%		43.27%										
2012	Paid during year	38,482	12,758	51,240	32,580	83,820	50,693	134,513	77,639	212,152	317,134	529,286	557,043	1,086,329						
	UCAE, end of year	11,377	108,379	119,756	127,451	247,207	161,614	408,821	257,595	666,416	435,456	1,101,872	678,045	1,779,917						
	IBNR, end of year	-	-	-	-	-	-	-	-	-	4,023	4,023	78,759	82,782						
	Ratio: excess (deficiency)	16.26%		2.49%		(1.27%)		5.50%		40.41%		(6.34%)								
2013	Paid during year	5,511	23,740	29,251	62,733	91,984	37,614	129,598	57,095	186,693	149,436	336,129	367,575	703,704	647,772	1,351,476				
	UCAE, end of year	86,597	11,228	97,825	183,611	281,436	151,608	433,044	249,243	682,287	418,065	1,100,352	503,727	1,604,079	788,747	2,392,826				
	IBNR, end of year	-	-	-	-	-	-	-	-	-	-	-	10,023	10,023	80,193	90,216				
	Ratio: excess (deficiency)	6.74%		1.80%		(11.94%)		(6.14%)		31.68%		(27.83%)		(24.43%)						
2014	Paid during year	14,969	10,586	25,555	30,261	55,816	26,701	82,517	57,206	139,723	110,294	250,017	168,028	418,045	401,943	819,988	598,573	1,418,561		
	UCAE, end of year	62,878	57,784	120,662	86,887	207,549	118,184	325,733	186,061	511,794	321,474	833,268	385,747	1,219,015	526,703	1,745,718	612,929	2,358,647		
	IBNR, end of year	-	-	-	-	-	-	-	-	-	-	-	-	-	18,964	18,964	78,319	97,283		
	Ratio: excess (deficiency)	7.77%		(2.76%)		(10.41%)		(4.26%)		33.01%		(26.72%)		(25.67%)		(4.09%)				
2015	Paid during year	11,345	1,815	13,160	21,055	34,215	26,722	60,937	34,288	95,225	97,832	193,057	98,241	291,298	124,298	415,596	297,968	713,564	604,085	1,317,649
	UCAE, end of year	37,980	30,498	68,478	57,497	125,975	67,710	193,685	129,182	322,867	214,419	537,286	275,610	812,896	415,913	1,228,809	369,538	1,598,347	664,898	2,263,245
	IBNR, end of year	-	-	-	-	-	-	-	(8,364)	(8,364)	(6,556)	(14,920)	(12,863)	(27,783)	(9,377)	(37,160)	18,167	(18,993)	123,425	104,432
	Ratio: excess (deficiency)	9.37%	(7.06%)	0.92%	(25.01%)	(6.41%)	4.13%	1.12%	57.64%	37.41%	(21.69%)	(19.06%)	(18.47%)	(18.01%)	(7.35%)	2.25%	0.81%	6.64%		

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 ratin`gs 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 $3,601,000 and $36,009,000 (2014: $4,004,000 and $34,317,000).

(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	
	2015	**2014**
	$'000	**$'000**
Property	126,254	130,623
Motor	37,391	2,881
Marine	4,975	1,192
Liability	(1,218)	988
Pecuniary loss	(75)	9,880
Accident	118	(340)
	167,445	145,224

(c) Financial risk

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (Continued)

(i) Credit risk (continued)

Credit review process

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

(a) Trade and other receivables

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

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

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

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

(b) Loans and leases

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

Group's internal rating scale:

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

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (Continued)

(i) Credit risk (continued)

(c) Reinsurance

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

(d) Premium and other receivables

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

(e) Investments

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

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

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

Securities lending and reverse repurchase transactions – cash or securities.

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

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

Impairment

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

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (Continued)

(i) Credit risk (continued)

Impairment **(continued)**

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

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

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

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

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

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

	2015		2014	
	Loans, Leases, Premium and Trade Receivables $'000	Impairment Provision $'000	Loans, Leases, Premium and Trade Receivables $'000	Impairment Provision $'000
Low risk	90,499	-	43,687	-
Standard risk	32,321,950	-	27,958,416	-
Sub-Standard	1,798,951	715,579	1,659,414	604,786
	34,211,400	715,579	29,661,517	604,786

Company's rating

	2015		2014	
	Loans, Leases, Premium and Trade Receivables $'000	Impairment Provision $'000	Loans, Leases, Premium and Trade Receivables $'000	Impairment Provision $'000
Standard risk	4,359,059	-	4,420,570	-
Sub-Standard	137,529	97,981	166,081	108,119
	4,496,588	97,981	4,586,651	108,119

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (Continued)

(i) Credit risk (continued)

Impairment **(continued)**

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 2015 and 2014, without taking account of any collateral held or other credit enhancements.

Loans and leases, premium and trade receivables

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Neither past due nor impaired -				
Low risk	90,499	43,687	-	-
Standard risk	29,622,808	24,722,495	4,204,355	4,266,374
	29,713,307	24,766,182	4,204,355	4,266,374
Past due but not impaired	2,699,142	3,235,921	154,704	154,196
Impaired	1,798,951	1,659,414	137,529	166,081
Gross	34,211,400	29,661,517	4,496,588	4,586,651
Less: provision for credit losses	(715,579)	(604,786)	(97,981)	(108,119)
Net	33,495,821	29,056,731	4,398,607	4,478,532

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 2015, loans and leases, premium and trade receivables of $2,699,142,000 (2014: $3,235,921,000) and $154,704,000 (2014:$154,196,000) 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	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Less than 1 month	1,389,665	1,889,846	-	-
Within 1 to 3 months	1,019,643	839,979	137,150	140,907
Over 3 months	289,834	506,096	17,554	13,289
	2,699,142	3,235,921	154,704	154,196

As of 31 December 2015, loans and leases, premium and trade receivables of $1,798,951,000 (2014: $1,659,414,000) and $137,529,000 (2014: $166,081,000) for the Group and company respectively were impaired. The amount of the provision was $715,579,000 (2014: $604,786,000) and $97,981,000 (2014: $108,119,000) 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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
3 to 6 months	-	589,319	-	-
Over 6 months	1,321,513	648,057	-	-
	1,321,513	1,237,376	-	-

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

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 January	247,763	165,185	-	-
Provision for receivables impairment	228,502	148,858	-	-
Receivables written off during the year as uncollectible	(98,940)	(66,280)	-	-
At 31 December	377,325	247,763	-	-

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

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
3 to 6 months	192,988	201,460	28,351	40,156
Over 6 months	284,450	220,578	109,178	125,925
	477,438	422,038	137,529	166,081

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

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 January	357,023	384,018	108,119	116,203
Provision for receivables impairment	175,394	117,987	31,160	19,978
Receivables written off during the year as uncollectible	(88,617)	(73,611)	(25,581)	(12,392)
Unused amounts reversed	(105,546)	(71,371)	(15,717)	(15,670)
At 31 December	338,254	357,023	97,981	108,119

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	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
3 to 6 months	192,988	790,779	28,351	40,156
Over 6 months	1,605,963	868,635	109,178	125,925
	1,798,951	1,659,414	137,529	166,081

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

	Group		Company	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
At 1 January	604,786	549,203	108,119	116,203
Provision for receivables impairment	403,896	266,845	31,160	19,978
Receivables written off during the year as uncollectible	(187,557)	(139,891)	(25,581)	(12,392)
Unused amounts reversed	(105,546)	(71,371)	(15,717)	(15,670)
At 31 December	715,579	604,786	97,981	108,119

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.

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	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Public sector	239,747	320,258	-	-
Professional and other services	3,826,102	2,884,792	-	-
Personal	7,770,061	5,604,412	189,303	203,034
Agriculture, fishing and mining	572,684	482,316	-	-
Construction and real estate	2,372,073	2,219,337	117,756	77,721
Electricity, gas and water	325,848	247,340	-	-
Distribution	3,256,991	3,601,145	2,626,621	2,834,234
Manufacturing	1,928,816	1,334,379	-	-
Transportation	2,359,191	2,392,675	-	-
Tourism and entertainment	726,543	746,185	197,207	187,561
Financial and other money services	1,240,758	1,018,882	191,385	191,385
Brokers and agents	1,682,123	1,178,761	-	-
Reinsurers and coinsurers	1,362,931	1,316,340	-	-
Supermarket chains	1,573,105	1,672,962	353,421	413,961
Wholesalers	803,768	1,016,325	300,480	222,716
Retail and direct customers	3,041,874	2,292,067	333,752	271,366
Other	927,316	1,067,884	177,052	184,673
	34,009,931	29,396,060	4,486,977	4,586,651
Less: Provision for credit losses	(715,579)	(604,786)	(97,981)	(108,119)
	33,294,352	28,791,274	4,388,996	4,478,532
Interest receivable	201,469	265,457	9,611	-
	33,495,821	29,056,731	4,398,607	4,478,532

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	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Loans and leases	1,321,513	1,237,376	-	-
Trade and other receivables	477,438	422,038	137,529	166,081

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

Repossessed 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	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Government of Jamaica:				
Available-for-sale securities	14,312,520	14,481,743	3,346,102	3,341,135
Corporate:				
Available-for-sale securities	6,774,021	6,479,202	1,387,559	971,985
Other government				
Available-for-sale securities	406,839	389,118	-	-
Bank of Jamaica	7,626,134	5,895,674	-	-
Other (Note 6)	3,403,254	2,572,896	1,461,686	1,063,311
	32,522,768	29,818,633	6,195,347	5,376,431

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk

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

Liquidity risk management process

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

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Maintaining committed lines of credit;

(iv) Optimising cash returns on investment;

(v) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities;

(vi) Managing the concentration and profile of debt maturities.

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

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

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk

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	Total $'000
As at 31 December 2015:					
Deposits	19,391,945	4,979,227	21,135	-	24,392,307
Securities sold under agreements to repurchase	5,664,480	1,777,327	1,319,217	-	8,761,024
Bank and other loans	5,182,832	3,384,030	4,338,089	2,615,502	15,520,453
Trade and other payables	11,056,007	6,160,256	-	-	17,216,263
Total financial liabilities (contractual dates)	41,295,264	16,300,840	5,678,441	2,615,502	65,890,047

	Group				
	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 31 December 2014:					
Deposits	17,601,846	3,699,236	21,618	-	21,322,700
Securities sold under agreements to repurchase	4,454,696	2,178,235	1,037,247	-	7,670,178
Bank and other loans	3,580,092	4,091,826	3,132,051	1,466,135	12,270,104
Trade and other payables	18,603,379	449,315	-	-	19,052,694
Total financial liabilities (contractual dates)	44,240,013	10,418,612	4,190,916	1,466,135	60,315,676

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 2015:				
Bank and other loans	1,743,552	1,543,443	1,335,170	5,145,349
Trade and other payables	2,204,102	-	-	2,204,102
Subsidiaries	2,870,823	-	-	2,870,823
Total financial liabilities (contractual dates)	6,818,477	1,543,443	1,335,170	10,220,274

	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

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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Floating rate –				
Expiring within one year	9,771,165	9,118,212	7,145,559	6,376,827

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Off-statement of financial position items

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

	Group			
	No later 1 year $'000	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
As at 31 December 2015:				
Loan commitments	1,904,707	-	-	1,904,707
Guarantees, acceptances and other financial facilities	338,101	-	-	338,101
Capital commitments	64,686	-	-	64,686
Operating lease commitments	1,215,621	3,857,395	921,140	5,994,156
	3,523,115	3,857,395	921,140	8,301,650
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

(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.

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.

	Jamaican$ J$'000	US$ J$'000	GBP J$'000	CAN$ J$'000	EURO J$'000	Other J$'000	Total J$'000
As at 31 December 2015:							
Financial Assets							
Cash and deposits	3,637,480	1,995,787	438,995	258,932	770,704	2,799,519	9,901,417
Investment securities and pledged assets	11,157,123	21,162,672	23,118	9,302	-	515,027	32,867,242
Trade and other receivables	4,196,172	3,853,405	1,624,137	340,255	148,869	737,392	10,900,230
Loans receivable	18,222,704	4,372,842	45	-	-	-	22,595,591
Total financial assets	37,213,479	31,384,706	2,086,295	608,489	919,573	4,051,938	76,264,480
Financial Liabilities							
Deposits	9,815,682	13,312,409	263,205	100,500	766,641	-	24,258,437
Securities sold under agreements to repurchase	4,844,914	3,797,064	-	-	-	-	8,641,978
Bank and other loans	7,054,723	5,866,977	866,175	94,158	-	54,074	13,936,107
Trade and other payables	8,311,872	5,133,472	2,302,025	472,831	149,814	846,249	17,216,263
Total financial liabilities	30,027,191	28,109,922	3,431,405	667,489	916,455	900,323	64,052,785
Net financial position	7,186,288	3,274,784	(1,345,110)	(59,000)	3,118	3,151,615	12,211,695

				Group			
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CAN$ J$'000**	**EURO J$'000**	**Other J$'000**	**Total J$'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	9,508,980
Investment securities and pledged assets	11,404,083	18,022,483	141,552	10,971	-	467,150	30,046,239
Trade and other receivables	4,219,426	3,592,116	1,754,661	400,560	48,879	676,660	10,692,302
Loans receivable	14,235,758	4,128,671	-	-	-	-	18,364,429
Total financial assets	35,207,297	27,760,430	2,443,515	583,813	771,841	1,845,054	68,611,950
Financial Liabilities							
Deposits	9,100,777	10,924,901	332,542	121,259	717,948	-	21,197,427
Securities sold under agreements to repurchase	2,818,072	4,657,477	11	-	-	52,914	7,528,474
Bank and other loans	6,082,056	3,659,373	1,041,358	238,848	-	42,525	11,064,160
Trade and other payables	9,374,183	5,947,057	2,263,032	543,763	133,173	791,486	19,052,694
Total financial liabilities	27,375,088	25,188,808	3,636,943	903,870	851,121	886,925	58,842,755
Net financial position	7,832,209	2,571,622	(1,193,428)	(320,057)	(79,280)	958,129	9,769,195

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**	**Other J$'000**	**Total J$'000**
As at 31 December 2015:							
Financial Assets							
Cash and deposits	1,053,800	746,033	-	-	-	5,408	1,805,241
Investment securities	2,132,118	4,059,446	-	-	-	125,667	6,317,231
Trade and other receivables	1,251,066	13,796	-	-	-	-	1,264,862
Subsidiaries	1,208,674	64,634	-	-	-	-	1,273,308
Loans receivable	1,938,132	1,195,613	-	-	-	-	3,133,745
Total financial assets	7,583,790	6,079,522	-	-	-	131,075	13,794,387
Financial Liabilities							
Bank and other loans	2,771,739	1,963,905	-	-	-	-	4,735,644
Trade and other payables	1,310,803	890,825	698	-	1,776	-	2,204,102
Subsidiaries	2,494,082	376,172	569	-	-	-	2,870,823
Total financial liabilities	6,576,624	3,230,902	1,267	-	1,776	-	9,810,569
Net financial position	1,007,166	2,848,620	(1,267)	-	(1,776)	131,075	3,983,818

	Company						
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CAN$ J$'000**	**EURO J$'000**	**Other J$'000**	**Total J$'000**
As at 31 December 2014:							
Financial Assets							
Cash and deposits	1,899,694	329,131	-	-	-	4,231	2,233,056
Investment securities	1,798,672	3,588,273	-	-	-	43,254	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	-	-	-	47,485	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)	47,485	4,257,640

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 change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the changes in carrying amounts of outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 8% increase (2014: 10%) and a 1% decrease (2014: 1%) in foreign currency rates to arrive at the corresponding impact on profit. The sensitivity analysis includes cash and deposits, investment securities, receivables, loans receivable, deposits, securities sold under agreements to repurchased, bank and other loans, and payables. 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 2015	Effect on Profit before taxation 2015 $'000	% Change in Currency Rate 2014	Effect on Profit before taxation 2014 $'000
Currency:				
USD	+8%	366,883	+10%	242,450
GBP	+8%	5,811	+10%	1,511
CAN	+8%	3,402	+10%	519
EURO	+8%	(201)	+10%	61
USD	-1%	(45,860)	-1%	(24,245)
GBP	-1%	(726)	-1%	(151)
CAN	-1%	(425)	-1%	(52)
EURO	-1%	25	-1%	(6)

	Company			
	% Change in Currency Rate 2015	Effect on Profit before taxation 2015 $'000	% Change in Currency Rate 2014	Effect on Profit before taxation 2014 $'000
Currency:				
USD	+8%	230,260	+10%	233,206
GBP	+8%	(97)	+10%	(130)
CAN	+8%	-	+10%	(15)
EURO	+8%	(142)	+10%	(200)
USD	-1%	(28,783)	-1%	(23,321)
GBP	-1%	12	-1%	13
CAN	-1%	-	-1%	1
EURO	-1%	18	-1%	20

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 2015:							
Assets							
Cash and deposits	2,854,811	1,414,500	-	-	-	5,632,106	9,901,417
Investment securities and pledged assets	4,259,691	3,366,596	2,944,639	14,650,890	5,937,478	1,707,948	32,867,242
Loans receivable	857,327	3,077,061	2,074,432	8,631,446	7,766,009	189,316	22,595,591
Trade and other receivables	-	-	-	-	-	10,900,230	10,900,230
Total financial assets	7,971,829	7,858,157	5,019,071	23,282,336	13,703,487	18,429,600	76,264,480
Liabilities							
Deposits	15,759,223	3,607,523	4,872,117	19,574	-	-	24,258,437
Securities sold under agreements to repurchase	3,060,599	2,599,402	1,754,912	1,227,065	-	-	8,641,978
Bank loans	3,904,384	3,691,272	3,751,278	1,232,377	1,356,796	-	13,936,107
Trade payables	-	-	-	-	-	17,216,263	17,216,263
Total financial liabilities	22,724,206	9,898,197	10,378,307	2,479,016	1,356,796	17,216,263	64,052,785
Total interest repricing gap	(14,752,377)	(2,040,040)	(5,359,236)	20,803,320	12,346,691	1,213,337	12,211,695

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	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

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 2015:							
Assets							
Cash and deposits	173,715	1,167,376	-	-	-	464,150	1,805,241
Investment securities	-	823,999	1,578,279	1,782,483	2,010,587	121,883	6,317,231
Loans receivable	150,000	-	614,385	1,420,185	-	949,175	3,133,745
Trade and other receivables	-	-	-	-	-	1,264,862	1,264,862
Subsidiaries	-	-	-	-	-	1,273,308	1,273,308
Total financial assets	323,715	1,991,375	2,192,664	3,202,668	2,010,587	4,073,378	13,794,387
Liabilities							
Bank loans	1,682,773	1,926,911	1,112,059	13,901	-	-	4,735,644
Trade payables	-	-	-	-	-	2,204,102	2,204,102
Subsidiaries	-	-	-	-	-	2,870,823	2,870,823
Total financial liabilities	1,682,773	1,926,911	1,112,059	13,901	-	5,074,925	9,810,569
Total interest repricing gap	(1,359,058)	64,464	1,080,605	3,188,767	2,010,587	(1,001,547)	3,983,818

	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	2,233,056
Investment securities	-	719,000	1,631,969	1,021,418	2,004,045	53,767	5,430,199
Loans receivable	-	-	1,819,259	-	-	1,486,128	3,305,387
Trade and other receivables	-	-	-	-	-	1,173,145	1,173,145
Subsidiaries	-	-	-	-	-	445,334	445,334
Total financial assets	509,583	1,996,847	3,451,228	1,021,418	2,004,045	3,604,000	12,587,121
Liabilities							
Bank loans	1,806,139	-	2,270,777	51,100	-	-	4,128,016
Trade payables	-	-	-	-	-	1,781,118	1,781,118
Subsidiaries	-	-	-	-	-	2,420,347	2,420,347
Total financial liabilities	1,806,139	-	2,270,777	51,100	-	4,201,465	8,329,481
Total interest repricing gap	(1,296,556)	1,996,847	1,180,451	970,318	2,004,045	(597,465)	4,257,640

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

Interest rate 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 change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the changes in carrying amounts of outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 8% increase (2014: 10%) and a 1% decrease (2014: 1%) in foreign currency rates to arrive at the corresponding impact on profit. The sensitivity analysis includes cash and deposits, investment securities, receivables, loans receivable, deposits, securities sold under agreements to repurchased, bank and other loans, and payables. 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 basis points: 2015 JMD / USD	Effect on Profit before taxation 2015 $'000	Effect on Other Components of Equity 2015 $'000	Change in basis points: 2014 JMD / USD	Effect on Profit before taxation 2014 $'000	Effect on Other Components of Equity 2014 $'000
-150/-50	(30,617)	226,436	-100/-50	690	259,238
+100/+100	(89,183)	(381,434)	+250/+200	(102,305)	(962,717)

Company

Change in basis points: 2015 JMD / USD	Effect on Profit before taxation 2015 $'000	Effect on Other Components of Equity 2015 $'000	Change in basis points: 2014 JMD / USD	Effect on Profit before taxation 2014 $'000	Effect on Other Components of Equity 2014 $'000
-150/-50	(10,785)	68,201	-100/-50	(7,190)	54,138
+100/+100	7,190	(106,578)	+250/+200	17,975	(179,452)

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 20% change in the quoted prices for these equities would be an increase or decrease in the carrying value of $67,739,000 (2014: $21,245,000) in other comprehensive income. There was no impact in the income statement for 2015 and 2014.

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% (2014: 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.

3. Insurance and Financial Risk Management (Continued)

(d) Capital management (continued)

Companies not requiring external regulatory capital requirements

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

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

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain a debt to equity ratio not exceeding 100%. The debt to equity ratios at 31 December 2015 and 2014 were as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Total borrowings (Note 15)	13,936,107	11,064,160
Owners equity	38,047,441	36,533,101
Gearing ratio	36.6%	30.3%

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 $3,386,234,000, 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.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (continued)

(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.

(vi) Land and buildings

Freehold land and buildings are carried in the statement of financial position at fair value, with changes in fair value being recognised in 'capital and fair value reserve' through other comprehensive income. The Group uses independent qualified property appraisers to value its land and buildings bi-annually. Those fair values were derived using:

- The sales comparison approach, which references market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The most significant input into this valuation approach is price per square foot. Significant increases (decreases) in estimated price per square foot in isolation would result in a significantly higher (lower) fair value.

- The cost approach using observable inputs. The external valuers have determined these inputs based on the size, age and condition of the land and buildings and the state of the economy.

5. Cash and Deposits

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and in hand	8,317,401	6,612,896	614,039	496,976
Deposits	1,584,016	2,896,084	1,191,202	1,736,080
	9,901,417	9,508,980	1,805,241	2,233,056

Included in deposits is interest receivable of $5,325,000 (2014: $6,947,000) and $4,716,000 (2014: $5,193,000) for the Group and company, respectively. The weighted average effective interest rate on deposits was 3.91% (2014: 5.72%) and 4.19% (2014: 6.87%) 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	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and in hand	8,317,401	6,612,896	614,039	496,976
Deposits	1,584,016	2,896,084	1,191,202	1,736,080
	9,901,417	9,508,980	1,805,241	2,233,056
Bank overdrafts (Note 15)	(2,827,358)	(1,599,339)	(937,205)	(175,375)
	7,074,059	7,909,641	868,036	2,057,681

6. Investment Securities and Pledged Assets

(a) Investment securities

	Group		Company	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Available-for-sale:				
Quoted equities	333,695	212,450	121,549	53,433
Bank of Jamaica	7,626,134	5,895,674	-	-
Government of Jamaica securities	14,312,520	14,481,743	3,346,102	3,341,135
Foreign government securities	406,839	389,118	-	-
Corporate bonds	6,774,021	6,479,202	1,387,559	971,985
Other debt securities	3,403,254	2,572,896	1,461,686	1,063,311
Other	5,779	6,425	335	335
	32,862,242	30,037,508	6,317,231	5,430,199
Financial assets at fair value through profit or loss:				
Derivative financial instruments (Note 38)	-	8,731	-	-
Quoted equities	5,000	-	-	-
	5,000	8,731	-	-
Total	32,867,242	30,046,239	6,317,231	5,430,199
Less: Pledged assets (Note 6b)	(11,107,139)	(9,452,340)	-	-
Investment securities in the statement of financial position	21,760,103	20,593,899	6,317,231	5,430,199

Included in investment securities is interest receivable of $451,236,000 (2014: $434,924,000) and $96,128,000 (2014: $86,946,000) 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 6.26% (2014: 6.36%) and 4.00% (2014: 4.00%) for the Group and the company respectively.

Included in Bank of Jamaica securities is $2,847,553,000 (2014: $2,447,911,000) held at the Bank of Jamaica under Section 14(1) of the Banking Act, 1992, representing the required ratio of 12% (2014: 12%) for Jamaican dollar cash reserves and 9% (2014: 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 $7,391,270,000 (2014: $7,087,341,000) and company $1,554,840,000 (2014: $1,842,342,000) which matures within the next 12 months.

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 the Bank of Jamaica.

	Group			
	Asset		Related Liability	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Total in the statement of financial position (Note 6a)	11,107,139	9,452,340	10,841,069	9,127,789

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	
	2015 $'000	2014 $'000
Pledged assets with right to sell or repledge	11,107,139	9,452,340

(c) Available-for-sale securities

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 January	30,037,508	48,002,350	5,430,199	5,262,815
Exchange differences	516,137	995,750	171,178	267,109
Additions	6,261,565	5,850,061	1,742,204	1,946,744
Disposals	(3,919,436)	(25,296,780)	(1,029,024)	(2,052,893)
Net transfer (from)/to equity	(33,532)	486,127	2,674	6,424
At 31 December	32,862,242	30,037,508	6,317,231	5,430,199
Less non-current portion	(25,470,972)	(22,950,167)	(4,762,391)	(3,587,857)
Current portion	7,391,270	7,087,341	1,554,840	1,842,342

The Group recognised net gains of $124,940,000 (2014: $90,275,000) and the company recognised net losses of $5,140,000 (2014: $Nil) in the income statement, being reclassified from other comprehensive income on sale.

7. Receivables

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade receivables, less provision for impairment	7,200,503	6,908,212	1,223,571	1,074,180
Insurance receivables, less provision for impaiment	2,612,197	2,369,414	-	-
Receivable from associates (Note 35e)	5,631	2,586	3,451	1,862
Prepayments	678,338	773,840	79,680	82,454
Other receivables	1,081,899	1,412,090	37,840	97,103
	11,578,568	11,466,142	1,344,542	1,255,599

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	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Raw materials and spares	575,079	414,452	-	-
Finished goods	2,214,927	1,861,352	-	-
Merchandise	5,882,683	6,926,819	1,741,902	1,617,247
Goods in transit	1,368,507	1,594,552	646,709	454,471
	10,041,196	10,797,175	2,388,611	2,071,718

The inventory write-down recognised as an expense amounted to $322,711,000 (2014: $348,441,000) and $111,885,000 (2014: $95,298,000) for the Group and the company respectively.

9. Loans Receivable

(a) Loans receivable comprise:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Finance leases, less deferred profit	231,133	264,954	-	-
Loans and receivables:				
Loans to subsidiaries (Note 35e)	-	-	2,944,443	3,102,352
Loans to others	22,364,445	18,099,462	189,302	203,035
Other receivables	13	13	-	-
	22,595,591	18,364,429	3,133,745	3,305,387

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

Included in loans receivable is interest receivable of $201,469,000 (2014: $265,457,000) and $9,611,000 (2014: $Nil) for the Group and company, respectively.

Included in loans receivable is $6,386,376,000 (2014: $6,268,755,000) and $843,544,000 (2014: $1,463,361,000) which matures in the next 12 months for the Group and the company respectively.

9. Loans Receivable (Continued)

(b) Finance lease receivables:

	Group	
	2015	**2014**
	$'000	**$'000**
Gross receivables from finance leases:		
Not later than 1 year	144,724	148,217
Later than 1 year and not later than 5 years	123,982	165,814
	268,706	314,031
Unearned future finance income on finance leases	(37,573)	(49,077)
Net investment in finance leases	231,133	264,954
The net investment in finance leases is analysed as follows:		
Not later than 1 year	123,690	122,780
Later than 1 year and not later than 5 years	107,443	142,174
Total	231,133	264,954

10. Investments in Associates

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000)	**$'000**	**$'000**	**$'000**
At beginning of year	1,266,605	1,028,966	49,698	185,173
Amounts recognised in the income statement	316,191	230,906	-	-
Amounts recognised in other comprehensive income	86,238	175,650	-	-
Dividends paid	(176,954)	(127,990)	-	-
Disposal within the group	-	-	-	(135,475)
Transfer to subsidiary	-	(40,927)	-	-
Amounts recognised in the statement of financial position	1,492,080	1,266,605	49,698	49,698

	Group	
	2015	**2014**
	$'000	**$'000**
Dairy Industries (Jamaica) Limited	729,856	649,786
CSGK Finance Holdings Limited	708,422	560,218
Immaterial associated companies	53,802	56,601
Amounts recognised in the statement of financial position	1,492,080	1,266,605

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, CSGK and the Group's other associated companies.

The summarised information for DIJL and CSGK that was accounted for using the equity method for the years ended 31 December 2015 and 31 December 2014 is as follows:

Summarised statement of financial position

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Cash and cash equivalents	94,818	163,138	2,780,817	1,592,049
Other current assets (excluding cash)	1,458,606	965,384	98,803	105,800
Total current net assets	1,553,424	1,128,522	2,879,620	1,697,849
Financial liabilities (excluding trade payables)	-	11,111	11,015,651	9,324,824
Other current liabilities (including trade payables)	559,324	323,457	437,997	283,486
Total current liabilities	559,324	334,568	11,453,648	9,608,310
Non-current				
Assets	692,369	672,701	10,345,082	9,311,005
Non-financial liabilities	226,758	167,084	-	-
Total non-current liabilities	226,758	167,084	-	-
Net assets	1,459,711	1,299,571	1,771,054	1,400,544

10. Investments in Associates (Continued)

Summarised income statement

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	3,234,416	2,675,348	1,144,267	1,039,590
Depreciation	(39,917)	(33,643)	(16,289)	(19,935)
Interest income - non-financial services	9,876	9,476	-	-
Interest expense - non-financial services	(12,097)	(14,921)	-	-
Profit before income tax	644,200	374,987	281,722	234,279
Taxation expense	(163,585)	(93,471)	(76,258)	(76,110)
Profit after tax	480,615	281,516	205,464	158,169
Other comprehensive income	(20,475)	98,327	232,426	108,676
Total comprehensive income	460,140	379,843	437,890	266,845
Dividends received by the Group from associate	150,000	102,500	26,952	25,490

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

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2015	**2014**	**2015**	**2014**
Summarised financial information	**$'000**	**$'000**	**$'000**	**$'000**
Opening net assets at 1 January	1,299,571	1,124,728	1,400,544	997,424
Profit for the period	480,615	281,516	205,464	158,169
Other comprehensive income	(20,475)	98,327	232,426	308,676
Dividends paid	(300,000)	(205,000)	(67,380)	(63,725)
Closing net assets	1,459,711	1,299,571	1,771,054	1,400,544
Interest in associates (%)	50	50	40	40
Interest in associates (J$)	729,856	649,786	708,422	560,218
Carrying value	729,856	649,786	708,422	560,218

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	(6,303)	26,880
Other comprehensive income	3,506	3,016
Total comprehensive income	(2,797)	29,896

11. Intangible Assets

	Brands and Customer Relationships $'000	Goodwill $'000	Computer Software $'000	Policy Contracts $'000	Total $'000
			Group		
Cost					
At 1 January 2014	1,642,371	809,622	2,386,070	589,088	5,427,151
Additions	-	-	465,459	-	465,459
Acquisition through business combination (Note 42)	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
Additions	818	8,402	550,537	-	559,757
Retirement of asset	(117)	-	(262,317)	-	(262,434)
Exchange differences	74,327	40,676	978	-	115,981
At 31 December 2015	2,719,265	1,711,343	2,552,962	589,088	7,572,658
Accumulated Amortisation					
At 1 January 2014	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
Amortisation charge for the year	183,141	-	391,071	39,272	613,484
Retirement of asset	(117)	-	(262,317)	-	(262,434)
Exchange differences	15,873	-	1,411	-	17,284
At 31 December 2015	1,003,335	308,490	1,691,465	392,724	3,396,014
Net Book Amount					
31 December 2015	1,715,930	1,402,853	861,497	196,364	4,176,644
31 December 2014	1,839,799	1,353,775	702,464	235,636	4,131,674

Included in amortisation charges are amounts in respect of discontinued operations of $2,490,000 (2014: $5,194,000).

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.

11. Intangible Assets (Continued)

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

	2015 $'000	2014 $'000
Food Trading		
- Jamaica operations	16,854	16,854
- United Kingdom operations	488,431	489,522
- United States operations	897,568	847,399
	1,402,853	1,353,775

For the year ended 31 December 2015, 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 industry 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	9.72%	4.64%	0.16%	15.15%
- United Kingdom operations	9.25%	6.00%	0.88%	11.10%
- United States operations	9.77%	4.23%	1.38%	8.41%

	Computer Software $'000
	Company
Cost	
At 1 January 2014	591,741
Additions	106,215
Retirement of asset	(25)
At 31 December 2014	697,931
Additions	116,944
At 31 December 2015	814,875
Accumulated Amortisation	
At 1 January 2014	485,801
Amortisation charge for the year	96,604
Retirement of asset	(26)
At 31 December 2014	582,379
Amortisation charge for the year	108,965
At 31 December 2015	691,344
Net Book Amount	
31 December 2015	123,531
31 December 2014	115,552

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 2014	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	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 41)	(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
Additions	150,063	168,050	578,700	532,071	1,428,884
Revaluation adjustment	(4,135)	-	-	-	(4,135)
Transfers	-	83,790	157,229	(241,019)	-
Disposals	(530,975)	(333,469)	(1,119,604)	(1,860)	(1,985,908)
Exchange differences	37,470	3,301	15,588	859	57,218
At 31 December 2015	5,385,713	1,364,759	6,610,391	576,978	13,937,841
Accumulated Amortisation					
At 1 January 2014	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
Charge for the year	119,833	127,759	607,357	-	854,949
On disposals	(5,617)	(212,298)	(987,768)	-	(1,205,683)
Exchange differences	564	2,837	6,091	-	9,492
At 31 December 2015	114,780	811,909	4,466,759	-	5,393,448
Net Book Amount					
31 December 2015	5,270,933	552,850	2,143,632	576,978	8,544,393
31 December 2014	5,733,290	549,476	2,137,399	286,927	8,707,092

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
			Company		
Cost					
At 1 January 2014	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
Additions	-	4,941	72,464	7,333	84,738
Disposals	-	-	(1,184)	-	(1,184)
At 31 December 2015	67,000	101,293	849,442	7,920	1,025,655
Accumulated Amortisation					
At 1 January 2014	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
Charge for the year	1,305	3,864	62,309	-	67,478
On disposals	-	-	(1,000)	-	(1,000)
At 31 December 2015	1,305	74,730	701,883	-	777,918
Net Book Amount					
31 December 2015	65,695	26,563	147,559	7,920	247,737
31 December 2014	67,000	25,486	137,588	587	230,661

(a) The tables above include carrying values of $13,408,000 (2014: $12,753,000) and $4,714,000 (2014: $13,283,000) 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.

Included in depreciation charges for the Group are amounts in respect of discontinued operations of $51,005,000 (2014: $46,782,000).

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

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cost	4,232,904	4,321,413	41,123	41,123
Accumulated depreciation	424,023	386,739	9,860	8,832
Net Book Value	3,808,881	3,934,674	31,263	32,291

(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 2014 some land and buildings were transferred to investment properties (Note 41). These properties, which were previously occupied by the Group, have now been leased to third parties.

13. Deferred Income Taxes

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 ⅓% for regulated companies.

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of year	(195,382)	(314,651)	(1,038,498)	(1,096,490)
Income statement (charge)/credit (Note 28)	(35,063)	329,549	74,939	89,438
Tax credit/(charge) relating to components of other comprehensive income (Note 28)	209,560	(229,194)	82,723	(31,446)
Disposal of subsidiary	(82,353)	-	-	-
Exchange differences	15,568	18,914	-	-
At end of year	(87,670)	(195,382)	(880,836)	(1,038,498)

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 $2,321,146,000 (2014: $2,609,289,000) and recognised tax credits of $214,080,000 (2014: $257,013,000) to carry forward indefinitely against future taxable income. The Group also has unrecognised tax losses of $894,671,000 (2014: $Nil) in respect of some subsidiaries.

Deferred income tax liabilities of $334,384,000 (2014: $295,852,000) 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 $1,337,537,000 (2014: $1,183,409,000).

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					
Deferred tax liabilities	**Fixed Assets $'000**	**Fair Value Gains $'000**	**Unrealised Foreign Exchange Gains $'000**	**Pension Plan Assets $'000**	**Other $'000**	**Total $'000**
At 1 January 2014	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
Charged/(credited) to the income statement	11,220	12,686	(17,649)	(32,593)	84,241	57,905
Charged to other comprehensive income	19,770	58,956	-	14,460	-	93,186
Disposal of subsidiary	(37,214)	-	-	-	-	(37,214)
Exchange differences	-	-	-	-	299	299
At 31 December 2015	302,573	237,085	23,752	1,341,146	398,422	2,302,978

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 2014	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
(Charged)/credited 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
Credited/(charged) to the income statement	66,692	-	(87,280)	68,120	(24,690)	22,842
Credited to other comprehensive income	-	70,554	-	232,192	-	302,746
Disposal of subsidiary	-	-	-	(119,567)	-	(119,567)
Exchange differences	(22)	-	16,394	-	(505)	15,867
At 31 December 2015	132,464	75,247	927,940	1,047,944	31,713	2,215,308

13. Deferred Income Taxes (Continued)

	Company					
Deferred tax liabilities	**Fixed Assets $'000**	**Fair Value Gains $'000**	**Unrealised Foreign Exchange Gains $'000**	**Pension Plan Assets $'000**	**Other $'000**	**Total $'000**
At 1 January 2014	22,247	35,937	3,708	1,376,617	10,088	1,448,597
(Credited)/charged to the income statement	(14,987)	-	(3,380)	(75,167)	4,855	(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	14,943	1,421,672
(Credited)/charged to the income statement	(693)	-	3,537	(32,593)	(5,518)	(35,267)
(Credited)/charged to other comprehensive income	(659)	668	-	14,460	-	14,469
At 31 December 2015	8,227	38,211	3,865	1,341,146	9,425	1,400,874

Deferred tax assets	**Fixed Assets $'000**	**Employee Benefit Obligations $'000**	**Other $'000**	**Total $'000**
At 1 January 2014	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
Credited/(charged) to the income statement	7,785	21,722	(767)	39,672
Credited to other comprehensive income	-	97,192	-	97,192
At 31 December 2015	23,419	471,416	14,271	520,038

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	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets	1,019,904	1,037,572	-	-
Deferred tax liabilities	(1,107,574)	(1,232,954)	(880,836)	(1,038,498)
	(87,670)	(195,382)	(880,836)	(1,038,498)

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	2,108,348	1,931,819	505,767	368,136
Deferred tax assets to be recovered within 12 months	106,960	61,601	14,271	15,038
	2,215,308	1,993,420	520,038	383,174
Deferred tax liabilities:				
Deferred tax liabilities to be settled after more than 12 months	(1,643,719)	(1,668,076)	(1,349,373)	(1,368,858)
Deferred tax liabilities to be settled within 12 months	(659,259)	(520,726)	(51,501)	(52,814)
	(2,302,978)	(2,188,802)	(1,400,874)	(1,421,672)
Deferred tax liabilities net	(87,670)	(195,382)	(880,836)	(1,038,498)

14. Pensions and Other Post-Employment Obligations

The Group has both defined contribution pension schemes and a defined benefit pension scheme.

Defined contribution schemes
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 also has other defined contribution schemes open to employees of its foreign subsidiaries which are operated in those countries. The Group's and company's contributions for the year were $253,135,000 (2014: $168,317,000) and $37,990,000 (2014: $26,397,000) 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.

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Present value of funded obligations	19,868,745	16,410,579	19,868,745	16,410,579
Fair value of plan assets	(25,233,328)	(21,847,695)	(25,233,328)	(21,847,695)
Asset in the statement of financial position	(5,364,583)	(5,437,116)	(5,364,583)	(5,437,116)

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Beginning of year	16,410,579	14,229,610	16,410,579	7,163,328
Current service cost	568,621	537,075	568,621	200,342
Interest cost	1,549,862	1,344,932	1,549,862	672,405
Past service cost	-	-	-	205,972
Curtailment	-	(282,640)	-	-
Adjustment to plan liabilities	-	515,288	-	7,894,752
	2,118,483	2,114,655	2,118,483	8,973,471
Remeasurements -				
Loss from change in demographic assumptions	1,133,131	-	1,133,131	-
Loss from change in financial assumptions	709,665	-	709,665	-
Experience (gains)/losses	(39,519)	728,334	(39,519)	812,264
	1,803,277	728,334	1,803,277	812,264
Members' contributions	235,726	230,842	235,726	96,219
Benefits paid	(699,320)	(892,862)	(699,320)	(634,703)
End of year	19,868,745	16,410,579	19,868,745	16,410,579

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

Pension benefits (continued)

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Beginning of year	21,847,695	19,736,079	21,847,695	12,669,797
Interest income on plan assets	2,061,518	1,864,151	2,061,518	1,193,553
Return on plan assets, excluding amounts included in interest income	1,861,118	703,504	1,861,118	1,043,579
Members' contributions	235,726	230,842	235,726	96,219
Employers' contributions	750	749	750	311
Benefits paid	(699,320)	(892,862)	(699,320)	(634,703)
Administration costs	(74,159)	(95,040)	(74,159)	(37,288)
Adjustment to plan assets	-	300,272	-	7,516,227
End of year	25,233,328	21,847,695	25,233,328	21,847,695

For the Group, adjustments to plan assets and plan liabilities for 2014 relate to associated companies.

In the prior 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	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Current service cost	568,621	537,075	568,621	200,342
Interest income (net)	(511,656)	(519,219)	(511,656)	(521,148)
Past service cost	-	-	-	205,972
Adjustment to plan assets	-	215,016	-	378,525
Curtailment	-	(282,640)	-	-
Administration costs	74,159	95,040	74,159	37,288
Total, included in staff costs (Note 27)	131,124	45,272	131,124	300,979

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately $11,188,440,000 (2014: $9,305,171,000) relating to active employees, $1,966,034,000 (2014: $1,377,176,000) relating to deferred members and $6,714,271,000 (2014: $5,728,232,000) relating to members in retirement.

The plan assets are comprised of:

	Group and Company			
	2015		**2014**	
	$'000	**%**	**$'000**	**%**
Equity	5,860,835	23%	3,512,374	16%
Debt	3,289,439	13%	1,396,875	6%
Real estate	2,468,400	10%	2,344,340	11%
Government securities	11,261,858	45%	12,393,963	57%
Other	2,352,796	9%	2,200,143	10%
	25,233,328	100%	21,847,695	100%

(expressed in Jamaican dollars unless otherwise indicated)

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

Pension benefits (continued)

The pension plan assets include the company's ordinary stock units with a fair value of $1,257,073,000 (2014: $935,879,000) and buildings occupied by Group companies with fair values of $1,040,588,000 (2014: $1,051,574,000).

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 2016 are $572,000. The actual return on plan assets was $3,922,637,000 (2014: $2,567,652,000).

The principal actuarial assumptions used were as follows:

	2015	2014
Discount rate	8.5%	9.5%
Long term inflation rate	5.0%	5.5%
Future salary increases	6.0%	6.0%
Future pension increases	5.0%	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:

	2015	2014
Male	27.18	23.26
Female	28.13	26.02

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

		Group and Company					
		Impact on post-employment obligations					
	Change in Assumption	Increase in Assumption			Decrease in Assumption		
			2015	2014		2015	2014
Discount rate	1%	Decrease by	15.2%	14.4%	Increase by	19.9%	18.6%
Future salary increases	1%	Increase by	5.2%	5.2%	Decrease by	4.5%	4.6%
Expected pension increase	1%	Increase by	13.2%	12.4%	Decrease by	10.9%	10.3%

	Group and Company					
	Impact on post-employment obligations					
	Increase in Assumption by One Year			Decrease in Assumption by One Year		
		2015	2014		2015	2014
Life expectancy	Increase by	2.1%	2.1%	Decrease by	2.3%	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.

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

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 6.5% per year (2014: 7.0% per year).

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Present value of unfunded obligations	3,848,433	3,228,905	1,885,663	1,410,009

Movement in the defined benefit obligation is as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Beginning of year	3,228,905	3,202,616	1,410,009	1,311,018
Current service cost	165,515	198,452	52,670	56,827
Interest cost	298,306	295,515	129,408	120,555
Past service cost - vested benefits	(29,112)	(394,477)	14,707	(91,424)
	434,709	99,490	196,785	85,958
Remeasurements -				
Loss from change in demographic assumptions	528,841	-	219,494	-
Loss from change in financial assumptions	377,223	-	146,073	-
Experience (gains)/losses	(32,932)	124,860	23,201	121,231
	873,132	124,860	388,768	121,231
Benefits paid	(210,046)	(198,061)	(109,899)	(108,198)
Disposal of subsidiary	(478,267)	-	-	-
End of year	3,848,433	3,228,905	1,885,663	1,410,009

The amounts recognised in the income statement were as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Current service cost	165,515	198,452	52,670	56,827
Interest cost	298,306	295,515	129,408	120,555
Past service cost	(29,112)	(394,477)	14,707	(91,424)
Total included in staff costs (Note 27)	434,709	99,490	196,785	85,958

The total charge was included in administration expenses.

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

Other post-employment obligations (continued)

The composition of the liability recognised in relation to the other post-employment obligations in the statement of financial position is as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Gratuity Plan	621,764	565,114	308,445	254,879
Group Life Plan	632,219	542,132	291,214	222,172
Insured Group Health	1,091,819	832,361	421,221	281,529
Self Insured Health Plan	983,581	804,593	458,974	303,510
Supplementary Pension Plan	519,050	484,705	405,809	347,919
Liability in the statement of financial position	3,848,433	3,228,905	1,885,663	1,410,009

The sensitivity of the post-employment medical benefits to changes in the

		Group					
		Impact on post-employment obligations					
	Change in Assumption	Increase in Assumption			Decrease in Assumption		
			2015	**2014**		**2015**	**2014**
Discount rate	1%	Decrease by	14.6%	13.6%	Increase by	18.7%	17.2%
Medical inflation rate	1%	Increase by	18.9%	17.4%	Decrease by	15.0%	14.0%

		Company					
		Impact on post-employment obligations					
	Change in Assumption	Increase in Assumption			Decrease in Assumption		
			2015	**2014**		**2015**	**2014**
Discount rate	1%	Decrease by	13.1%	12.0%	Increase by	16.5%	15.0%
Medical inflation rate	1%	Increase by	16.7%	15.2%	Decrease by	13.4%	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 Group's long term strategy to manage the plan efficiently.

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

Risks associated with pension plans and post-employment plans (continued)

Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

Higher inflation will lead to higher liabilities in the event that discretionary pension increases are granted. The majority of the plan's assets are either unaffected by (fixed interest securities) or loosely correlated with (equities) inflation, meaning that an increase in inflation has the potential to reduce the surplus or create a deficit.

Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The Board of Trustees is ultimately responsible for the establishment and oversight of the plan's risk management framework, including monitoring the overall risk management process, as well as approving policies covering specific areas, such as limits for specific asset classes, foreign exchange risk, credit risk and investment of excess liquidity. The Board is responsible for monitoring the investment portfolio and investment strategies for the plan. A large portion of assets in 2015 consists of money market instruments, 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	10.2
Group Life Plan	15.8
Insured Group Health	20.4
Pension Plan	18.0
Self Insured Health Plan	13.7
Superannuation plan	7.9

15. Bank and Other Loans

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Secured on assets	3,649,231	2,649,096	-	-
Unsecured	10,286,876	8,415,064	4,735,644	4,128,016
	13,936,107	11,064,160	4,735,644	4,128,016

(a) Unsecured loans of subsidiaries are supported by letters of comfort from the parent company. Interest rates on these loans range between 2.5% - 12.0% (2014: 2.52% - 13.5%).

15. Bank and Other Loans (Continued)

(b) Bank and other loans comprise:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Bank overdrafts (Note 5)	2,827,358	1,599,339	937,205	175,375
Bank borrowings	7,078,993	6,613,203	3,008,526	3,130,287
Finance leases	10,931	16,079	16,800	28,719
Derivative financial instruments (Note 38)	-	404	-	-
Other loans	4,018,825	2,835,135	773,113	793,635
Total borrowings	13,936,107	11,064,160	4,735,644	4,128,016

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 and other loans is interest payable of $99,481,000 (2014: $117,399,000) and $38,228,000 (2014: $43,895,000) for the Group and the company, respectively.

Included in bank borrowings and other loans is $7,937,404,000 (2014: $7,238,800,000) and $3,176,052,000 (2014: $4,069,397,000) 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 5.81% (2014: 7.01%) and are within level 2 of the fair value hierarchy.

(c) Finance lease liabilities – minimum lease payments:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Not later than 1 year	3,914	4,672	10,989	14,674
Later than 1 year and not later than 5 years	7,793	12,849	7,777	18,766
	11,707	17,521	18,766	33,440
Future finance charges on finance leases	(776)	(1,442)	(1,966)	(4,721)
Present value of finance lease liabilities	10,931	16,079	16,800	28,719

The present value of finance lease liabilities is as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Not later than 1 year	3,501	4,039	9,629	11,919
Later than 1 year and not later than 5 years	7,430	12,040	7,171	16,800
	10,931	16,079	16,800	28,719

16. Payables

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	7,040,201	8,774,754	1,044,529	854,032
Payable to associates (Note 35 e)	434,506	138,265	333,221	91,962
Accruals	2,922,272	2,916,532	468,946	397,254
Claims outstanding	2,556,668	2,562,323	-	-
Insurance reserves	2,722,933	2,531,325	-	-
Other payables	1,539,683	2,129,495	357,406	437,870
	17,216,263	19,052,694	2,204,102	1,781,118

All payables balances are due within the next 12 months.

17. Provisions

Provisions comprise warranties as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of year	6,221	6,839	6,221	6,221
Unused amounts reversed	(6,221)	(618)	(6,221)	-
At end of year	-	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. The subsidiary was disposed of during the year (Note 43) and the probability of the Group being required to honour any future claims is remote.

18. Share Capital

Provisions comprise warranties as follows:

	2015	**2014**	**2015**	**2014**
	'000	**'000**	**$'000**	**$'000**
Authorised -				
Ordinary shares	400,000	400,000		
Issued and fully paid -				
Ordinary stock units	330,946	331,223	585,878	603,798
Treasury shares	(306)	(249)	(18,089)	(15,265)
Issued and outstanding	330,640	330,974	567,789	588,533

(a) During the year, the company issued 18,000 (2014: 18,000) shares to its employees for cash of $879,000 (2014: $907,000). 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 295,000 (2014: 2,454,000) units at a fair value of $18,799,000 (2014: $145,878,000).

(b) During the year, the company through its employee investment trust sold Nil (2014: 2,989,000) units of its own shares at a fair value of $Nil (2014: $177,908,000) and purchased 57,000 (2014: 1,500,000) units at a fair value of $2,824,000 (2014: $93,280,000). The total number of treasury shares held by the company at the end of the year was 306,000 (2014: 249,000) at a cost of $18,089,000 (2014: $15,265,000).

18. Share Capital (Continued)

(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:	2015 '000	2014 '000
At 1 January	2,328	2,469
Exercised	(18)	(18)
Forfeited	(98)	(123)
At 31 December	2,212	2,328

(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
Senior managers	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:	2015 '000	2014 '000
At 1 January and 31 December	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

18. Share Capital (Continued)

(d) 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:	2015 ’000	2014 ’000
At 1 January	1,071	1,103
Forfeited	-	(32)
At 31 December	1,071	1,071

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

	2015		2014	
Movement on this option:	**Average exercise price in $ per share**	**Options ’000**	**Average exercise price in $ per share**	**Options ’000**
At 1 January	53.86	3,625	53.81	3,798
Exercised	50.83	(18)	53.01	(18)
Forfeited	50.83	(98)	50.83	(155)
At 31 December	53.96	3,509	53.86	3,625

Shares totalling 3,509,000 (2014: 3,625,000) 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:

		2015	2014
	Exercise price in $ per share	**Options ’000**	**Options ’000**
2016	50.78	2,438	2,554
2017	61.20	1,071	1,071
		3,509	3,625

(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. No new options were issued in 2015 or 2014 and no expense was recognised in the income statement for stock options granted to directors and employees.

(g) During 2015, Nil shares (2014: 2,989,000) 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 $Nil (2014: $43,525,000).

19. Capital and Fair Value Reserves

	Group							
	Capital Reserve	Loan Loss Reserve	Fair Value Reserves	Total	Capital Reserve	Loan Loss Reserve	Fair Value Reserves	Total
	2015				2014			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Realised gains on disposal of assets	102,738	-	-	102,738	102,738	-	-	102,738
Capital distributions received	46,750	-	-	46,750	46,750	-	-	46,750
Realised gain on sale of shares	83,764	-	-	83,764	83,763	-	-	83,763
Profits capitalised by Group companies	2,157,313	-	-	2,157,313	2,239,411	-	-	2,239,411
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	-	1,817,336	1,817,336	-	-	1,998,409	1,998,409
Fair value gains, net of deferred taxes	-	-	137,403	137,403	-	-	159,339	159,339
Loan loss reserve	-	741,794	-	741,794	-	475,706	-	475,706
Catastrophe reserve	12,270	-	-	12,270	12,270	-	-	12,270
Other	33,391	-	-	33,391	67,242	-	-	67,242
	2,436,226	741,794	1,954,739	5,132,759	2,552,174	475,706	2,157,748	5,185,628

	Company					
	Capital Reserve	Fair Value Reserves	Total	Capital Reserve	Fair Value Reserves	Total
	2015			2014		
	$'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	-	29,695	29,695	-	29,036	29,036
Fair value gains, net of deferred taxes	-	199,027	199,027	-	197,021	197,021
	24,507	228,722	253,229	24,507	226,057	250,564

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. Other Reserves

Other reserves represent foreign exchange differences arising on translation of the Group's foreign operations to the presentation currency, Jamaican dollars.

22. Non-Controlling Interests

	2015	2014
	$'000	$'000
Beginning of year	1,711,871	1,467,700
Share of total comprehensive income:		
Share of net profit of subsidiaries	494,522	513,953
Revaluation surplus	(3,279)	25,683
Remeasurement of post-employment benefit obligations	(41,283)	(15,710)
Other	15,495	17,147
	465,455	541,073
Addition of non-controlling interest	818	34,112
Disposal of non-controlling interest	(595,878)	-
Dividends paid	(256,645)	(331,014)
End of year	1,325,621	1,711,871

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 $1,325,621,000 of which $1,293,408,000 is for GraceKennedy Money Services Caribbean SRL. The Group's shareholding in Hardware and Lumber Limited was disposed of in 2015. 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	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Current				
Assets	-	2,539,191	6,830,097	5,160,336
Liabilities	-	(1,451,118)	(2,010,073)	(1,382,597)
Total current net assets	-	1,088,073	4,820,024	3,777,739
Non-current				
Assets	-	814,967	702,534	838,324
Liabilities	-	(498,313)	(348,927)	(252,156)
Total non-current net assets	-	316,654	353,607	586,168
Net assets	-	1,404,727	5,173,631	4,363,907

22. Non-Controlling Interests (Continued)

Summarised income statement

	Hardware & Lumber Limited		GraceKennedy Money Services Caribbean SRL	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	7,442,223	7,137,579	6,580,118	6,448,216
Profit before income tax	199,171	259,367	2,408,184	2,488,694
Taxation expense	(9,848)	(65,086)	(738,915)	(749,309)
Profit after tax	189,323	194,281	1,669,269	1,739,385
Other comprehensive income	(83,787)	64,232	17,518	(1,833)
Total comprehensive income	105,536	258,513	1,686,787	1,737,552
Total comprehensive income allocated to non-controlling interest	44,220	108,317	421,697	434,388
Dividends paid to non-controlling interest	(36,921)	(10,839)	(219,724)	(319,959)

Summarised cash flows

	Hardware & Lumber Limited		GraceKennedy Money Services Caribbean SRL	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Cash flows from operating activities				
Cash generated from operations	326,569	96,873	3,535,497	1,678,763
Interest paid	(23,060)	(31,366)	-	(1,191)
Income tax paid	(33,672)	(69,447)	(693,033)	(814,722)
Net cash generated from/(used in) operating activities	269,837	(3,940)	2,842,464	862,850
Net cash (used in)/generated from investing activities	(46,389)	(98,542)	19,961	(203,642)
Net cash used in financing activities	(172,598)	(165,633)	(879,608)	(1,314,334)
Net increase/(decrease) in cash and cash equivalents	50,850	(268,115)	1,982,817	(655,126)
Cash and cash equivalents at the beginning of year	150,009	417,892	3,034,340	3,685,324
Exchange gains on cash and cash equivalents	317	232	2,851	4,142
Disposal of subsidiary	(201,176)	-	-	-
Cash and cash equivalents at end of year	-	150,009	5,020,008	3,034,340

The information above represents amounts before intercompany eliminations.

23. 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 four 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. 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. Segment information also excludes discontinued operations.

The segment information provided to management for the reportable segments is as follows:

Operating segments

			2015			
	Food Trading	**Banking & Investments**	**Insurance**	**Money Services**	**Unallocated/ Elimination**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE						
External sales	62,666,671	5,007,145	5,488,296	6,580,118	-	79,742,230
Inter-segment sales	265,516	59,847	413,734	-	(739,097)	-
Total Revenue	62,932,187	5,066,992	5,902,030	6,580,118	(739,097)	79,742,230
Operating results	766,805	537,329	573,588	2,437,186	71,968	4,386,876
Unallocated income	-	-	-	-	(22,702)	(22,702)
Profit from operations	-	-	-	-	-	4,364,174
Finance income	10,808	58,548	17,856	21,571	230,371	339,154
Finance expense	(432,755)	(146,130)	(9,990)	(12,050)	(114,781)	(715,706)
Share of results of associates	240,308	82,186	(6,303)	-	-	316,191
Profit before taxation	585,166	531,933	575,151	2,446,707	164,856	4,303,813
Taxation						(1,271,291)
Net Profit						3,032,522
Operating assets	37,489,416	49,979,886	11,261,654	7,273,453	(5,767,358)	100,237,051
Investment in associates	729,856	708,422	43,669	10,133	-	1,492,080
Unallocated assets	-	-	-	-	6,964,323	6,964,323
Total assets	38,219,272	50,688,308	11,305,323	7,283,586	1,196,965	108,693,454
Operating liabilities	20,012,692	40,941,233	6,906,336	1,944,928	(5,752,404)	64,052,785
Unallocated liabilities	-	-	-	-	5,267,607	5,267,607
Total liabilities	20,012,692	40,941,233	6,906,336	1,944,928	(484,797)	69,320,392
Other segment items						
Additions to non-current assets [b]	1,156,551	486,336	53,349	246,974	-	1,943,210
Depreciation	(584,786)	(93,545)	(43,805)	(81,808)	-	(803,944)
Amortisation	(275,742)	(170,346)	(95,841)	(69,065)	-	(610,994)

23. Segment Information (Continued)

Operating segments (continued)

	2014					
	Food Trading	**Banking & Investments**	**Insurance**	**Money Services**	**Unallocated/ Elimination**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE						
External sales	54,667,152	4,887,704	4,836,814	6,448,216	-	70,839,886
Inter-segment sales	257,958	55,714	431,939	-	(745,611)	-
Total Revenue	54,925,110	4,943,418	5,268,753	6,448,216	(745,611)	70,839,886
Operating results	1,119,428	344,319	423,615	2,354,027	84,216	4,325,605
Unallocated income	-	-	-	-	299,834	299,834
Profit from operations	-	-	-	-	-	4,625,439
Finance income	13,552	19,707	14,811	34,781	307,728	390,579
Finance expense	(398,348)	(137,881)	(11,166)	(1,191)	(109,906)	(658,492)
Share of results of associates	140,759	63,267	26,880	-	-	230,906
Profit before taxation	875,391	289,412	454,140	2,387,617	581,872	4,588,432
Taxation						(983,586)
Net Profit from continuing operations						3,604,846
Operating assets	34,649,278	44,773,793	10,693,532	5,707,495	(5,599,679)	90,224,419
Investment in associates	649,786	560,218	46,468	10,133	-	1,266,605
Unallocated assets	-	-	-	-	10,368,505	10,368,505
Total assets	35,299,064	45,334,011	10,740,000	5,717,628	4,768,826	101,859,529
Operating liabilities	18,555,326	36,315,322	6,658,714	1,303,615	(5,571,859)	57,261,118
Unallocated liabilities	-	-	-	-	6,353,439	6,353,439
Total liabilities	18,555,326	36,315,322	6,658,714	1,303,615	781,580	63,614,557
Other segment items						
Additions to non-current assets [(b)]	819,414	443,577	41,313	200,358	-	1,504,662
Depreciation	(492,958)	(87,817)	(56,610)	(78,051)	-	(715,436)
Amortisation	(201,467)	(149,076)	(82,366)	(32,647)	-	(465,556)
Impairment	(625)	(126,596)	-	-	-	(127,221)

23. 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 from continuing operations		Assets		Liabilities	
	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000
Total for reportable segments	4,138,957	4,006,560	107,496,489	97,090,703	69,805,189	62,832,977
Inter-segment eliminations	-	-	(5,767,358)	(5,599,679)	(5,752,404)	(5,571,859)
Unallocated amounts:						
Corporate central office results	521,887	546,194	-	-	-	-
Post-employment benefits	(355,037)	54,048	-	-	-	-
Share-based payments	-	(43,525)	-	-	-	-
Discontinued operations	(1,994)	25,155	-	3,281,312	-	1,587,858
Taxation recoverable	-	-	579,836	612,505	-	-
Deferred tax assets	-	-	1,019,904	1,037,572	-	-
Pension plan asset	-	-	5,364,583	5,437,116	-	-
Taxation	-	-	-	-	311,600	303,722
Deferred tax liabilities	-	-	-	-	1,107,574	1,232,954
Other post-employment obligations	-	-	-	-	3,848,433	3,228,905
Total unallocated	164,856	581,872	6,964,323	10,368,505	5,267,607	6,353,439
Total per financial statements	4,303,813	4,588,432	108,693,454	101,859,529	69,320,392	63,614,557

Geographical information

	Revenue [(a)]		Non-current assets [(b)]	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Jamaica	40,247,727	37,497,440	9,105,104	8,562,191
United Kingdom	13,054,799	13,027,327	1,513,761	1,470,567
United States of America	14,984,473	9,553,568	2,927,806	2,748,286
Canada	4,759,937	4,650,987	20,292	24,371
Other Caribbean countries	5,247,979	4,538,068	1,178,154	1,060,283
Other European countries	1,234,891	1,255,054	-	-
Africa	96,290	182,977	-	-
Other countries	116,134	134,465	-	-
Total	79,742,230	70,839,886	14,745,117	13,865,698

a. Revenue is attributed to countries on the basis of the customer's location and is from continuing operations.

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, as well as discontinued operations.

24. Revenues

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Sales of products	62,666,671	54,667,152	16,039,438	14,353,162
Sales of services	6,574,916	6,440,882	-	-
Financial services income	6,858,861	6,051,598	-	-
Interest income on investments classified as –				
Available-for-sale securities	990,408	1,554,756	-	-
Interest income on loans receivable	2,651,374	2,125,498	-	-
Total revenue from continuing operations	79,742,230	70,839,886	16,039,438	14,353,162

25. Expense by Nature

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Auditors' remuneration	139,614	139,798	11,601	15,107
Advertising and marketing	2,647,657	2,400,893	1,031,249	549,376
Amortisation of intangibles	610,994	465,556	108,965	96,604
Commissions and other money services costs	1,562,155	1,571,985	-	-
Cost of inventory recognised as expense	43,422,079	38,292,471	12,157,521	10,859,670
Depreciation	803,944	715,436	67,478	70,948
Impairment	-	127,221	-	-
Insurance	559,782	492,786	95,189	97,435
Interest expense and other financial services expenses	4,394,311	4,303,709	-	-
Legal, professional and other fees	2,564,840	2,332,605	475,634	335,582
Occupancy costs - Lease rental charges, utilities, etc.	2,747,151	2,294,748	518,712	565,110
Repairs and maintenance expenditure	604,213	489,974	25,519	31,538
Staff costs (Note 27)	12,513,067	10,317,574	2,880,999	2,640,749
Transportation	1,498,553	1,482,524	344,428	334,956
Other expenses	2,880,828	2,517,284	840,372	766,731
	76,949,188	67,944,564	18,557,667	16,363,806

26. Other Income

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Dividend income	16,970	8,812	2,131,892	2,690,376
Net foreign exchange gains	531,763	571,049	204,189	323,734
Change in fair value of investment properties	46,807	24,815	-	-
Gain on disposal of investments	9,177	158,030	409,667	35,163
Loss on disposal of fixed assets	(1,306)	(25,244)	(175)	(123)
Fees and commissions	322,445	313,636	1,937,507	1,612,320
Interest income – available-for-sale securities	343,602	359,813	-	-
Rebates, reimbursements and recoveries	157,204	191,356	31,676	53,838
Miscellaneous	144,470	127,850	19,399	8,223
	1,571,132	1,730,117	4,734,155	4,723,531

27. Staff Costs

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Wages and salaries	9,499,010	8,081,731	1,912,549	1,670,249
Pension (Note 14)	131,124	45,272	131,124	300,979
Pension contributions to defined contribution scheme (Note 14)	253,135	168,317	37,990	26,397
Other post-employment benefits (Note 14)	434,709	99,490	196,785	85,958
Shares offered at a discount to employees	-	43,525	-	25,844
Statutory contributions	896,078	768,942	199,089	189,058
Other costs	1,879,114	1,639,797	403,462	342,264
	13,093,170	10,847,074	2,880,999	2,640,749
Less: Discontinued operations	(580,103)	(529,500)	-	-
	12,513,067	10,317,574	2,880,999	2,640,749

28. Taxation

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Current tax	1,436,657	1,486,550	29,836	75,719
Adjustment to prior year provision	(190,581)	(108,329)	(342)	345
Deferred tax (Note 13)	35,063	(329,549)	(74,939)	(89,438)
	1,281,139	1,048,672	(45,445)	(13,374)
Taxation expense is attributable to:				
Profit from continuing operations	1,271,291	983,586	(45,445)	(13,374)
Profit from discontinued operations	9,848	65,086	-	-
	1,281,139	1,048,672	(45,445)	(13,374)

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	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Profit before tax from continuing operations	4,303,813	4,588,432	2,338,411	2,890,653
Profit before tax from discontinued operations	231,346	259,367	-	-
	4,535,159	4,847,799	2,338,411	2,890,653
Tax calculated at a tax rate of 25%	1,133,790	1,211,950	584,603	722,663
Adjusted for the effects of:				
Different tax rates in other countries	(83,059)	(45,797)	-	-
Different tax rate of regulated Jamaican companies	243,889	209,881	-	-
Income not subject to tax	(200,894)	(253,483)	(667,199)	(728,670)
Expenses not deductible for tax purposes	474,732	164,946	37,231	19,356
Adjustment to prior year provision	(190,581)	(108,329)	(342)	345
Share of profits of associates included net of tax	(79,048)	(76,969)	-	-
Employment tax credit	(13,944)	(41,447)	-	(24,447)
Recognition/utilisation of previously unrecognised tax losses	(4,056)	(5,267)	-	-
Other	310	(6,813)	262	(2,621)
Tax expense/(credit)	1,281,139	1,048,672	(45,445)	(13,374)

28. Taxation (Continued)

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

	Group					
	2015			2014		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
	$'000	$'000	$'000	$'000	$'000	$'000
Items that will not be reclassified to profit or loss:						
Revaluation (deficit)/surplus	(4,135)	(19,770)	(23,905)	727,711	(123,595)	604,116
Remeasurements of post-employment benefit obligations	(815,290)	217,732	(597,558)	(149,690)	51,567	(98,123)
	(819,425)	197,962	(621,463)	578,021	(72,028)	505,993
Items that may be subsequently reclassified to profit or loss:						
Foreign currency translation adjustments	123,576	-	123,576	329,072	-	329,072
Fair value (losses)/gains	(33,400)	11,598	(21,802)	486,396	(157,166)	329,230
Share of other comprehensive income of associated companies	86,238	-	86,238	175,650	-	175,650
	176,414	11,598	188,012	991,118	(157,166)	833,952
Other comprehensive income	(643,011)	209,560	(433,451)	1,569,139	(229,194)	1,339,945
Deferred tax (Note 13)	-	209,560	-	-	(229,194)	-

	Company					
	2015			2014		
	Before tax	Tax charge	After tax	Before tax	Tax credit	After tax
	$'000	$'000	$'000	$'000	$'000	$'000
Items that will not be reclassified to profit or loss:						
Revaluation surplus	-	659	659	9,276	(2,319)	6,957
Remeasurements of post-employment benefit obligations	(330,927)	82,732	(248,195)	110,084	(27,521)	82,563
	(330,927)	83,391	(247,536)	119,360	(29,840)	89,520
Items that may be subsequently reclassified to profit or loss:						
Fair value gains	2,674	(668)	2,006	6,424	(1,606)	4,818
	2,674	(668)	2,006	6,424	(1,606)	4,818
Other comprehensive income	(328,253)	82,723	(245,530)	125,784	(31,446)	94,338
Deferred tax (Note 13)	-	82,723	-	-	(31,446)	-

29. Net Profit Attributable to the owners of GraceKennedy Limited

Dealt with as follows in the financial statements of:

	2015 $'000	2014 $'000
The company	2,383,856	2,904,027
Intra-group dividends, gain on disposal of subsidiaries within the Group and other eliminations on consolidation	(2,529,686)	(2,721,957)
Adjusted company (loss)/profit	(145,830)	182,070
The subsidiaries	2,589,137	2,872,198
The associates	316,191	230,906
	2,759,498	3,285,174

30. Dividends

	2015 $'000	2014 $'000
Paid,		
Interim – 75 cents per stock unit (2014 : 70 cents)	248,023	231,518
Interim – 83 cents per stock unit (2014 : 78 cents)	274,431	257,261
Final – 90 cents per stock unit (2014 : 85 cents)	297,576	281,460
	820,030	770,239

31. 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.

	2015	2014
Net profit attributable to owners:		
From continuing operations ($'000)	2,617,326	3,172,297
From discontinued operations ($'000)	142,172	112,877
	2,759,498	3,285,174
Weighted average number of stock units outstanding ('000)	330,634	331,982
Basic earnings per stock unit:		
From continuing operations ($)	7.92	9.56
From discontinued operations ($)	0.43	0.34
	8.35	9.90

31. Earnings Per Stock Unit (Continued)

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 (2014: 1,297,000) ordinary stock units for the full year in respect of the Stock Option Plan for directors (Note 18).
(b) 2,212,000 (2014: 2,328,000) ordinary stock units for the full year in respect of the Stock Option Plan for managers (Note 18).

	2015	2014
Net profit attributable to owners:		
From continuing operations ($'000)	2,617,326	3,172,297
From discontinued operations ($'000)	142,172	112,877
	2,759,498	3,285,174
Weighted average number of stock units outstanding ('000)	330,634	331,982
Adjustment for share options ('000)	609	312
	331,243	332,294
Diluted earnings per stock unit:		
From continuing operations ($)	7.90	9.55
From discontinued operations ($)	0.43	0.34
	8.33	9.89

32. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

		Group		Company	
		2015	2014	2015	2014
	Note	$'000	$'000	$'000	$'000
Net profit		3,254,020	3,799,127	2,383,856	2,904,027
Items not affecting cash:					
Depreciation	12	854,949	762,218	67,478	70,948
Amortisation	11	613,484	470,750	108,965	96,604
Impairment charge		-	127,221	-	-
Change in value of investment properties		(46,807)	(24,815)	-	-
Loss on disposal of fixed assets		1,133	25,300	175	123
Gain on disposal of investments		(41,352)	(158,030)	(409,667)	(35,163)
Exchange loss/(gain) on foreign balances		291,748	44,870	(52,316)	(211,135)
Interest income – non financial services		(341,587)	(394,244)	(508,925)	(513,321)
Interest income – financial services		(3,985,384)	(4,040,067)	-	-
Interest expense – non financial services		736,842	688,416	386,440	335,555
Interest expense – financial services		882,805	1,126,068	-	-
Taxation expense	28	1,281,139	1,048,672	(45,445)	(13,374)
Unremitted equity income in associates		(139,238)	(102,916)	-	-
Pension plan surplus		130,374	44,523	130,374	300,668
Other post-employment obligations		224,663	(98,571)	86,886	(22,240)
		3,716,789	3,318,522	2,147,821	2,912,692
Changes in working capital components:					
Inventories		(1,177,149)	(1,748,957)	(316,892)	231
Receivables		(722,949)	(1,535,042)	(86,809)	(51,781)
Loans receivable, net		(4,295,150)	(1,959,350)	-	-
Payables		(328,388)	2,553,956	382,285	(47,412)
Deposits		2,593,269	2,574,211	-	-
Securities sold under repurchase agreements		958,551	36,465	-	-
Subsidiaries		-	-	(377,497)	1,817,853
Provisions		(6,221)	(618)	(6,221)	-
Total provided by operating activities		738,752	3,239,187	1,742,687	4,631,583

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Cash provided by operating activities	738,752	3,239,187	1,742,687	4,631,583
Interest received – financial services	4,040,037	3,976,280	-	-
Interest paid – financial services	(920,344)	(1,065,977)	-	-
Translation (losses)/gains	(145,382)	171,220	-	-
Taxation paid	(1,222,566)	(1,572,769)	(28,681)	(161,717)
Net cash provided by operating activities	2,490,497	4,747,941	1,714,006	4,469,866

33. Commitments

(a) Future lease payments under operating leases at 31 December 2015 were as follows:

		$'000
In financial year	2016	1,215,621
	2017	1,126,654
	2018	1,072,564
	2019	987,613
	2020	670,564
	2021 and beyond	921,140

(b) At 31 December 2015, the Group had $64,686,000 (2014: $Nil) in authorised capital expenditure for which it had established contracts.

34. 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, amongst other allegations, 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.

On 27 March 2015, the Court of Appeal handed down judgment, finding against GKRS in respect of one of the grounds of appeal. Based on advice from the Company's attorneys, GKRS is confident that it has a strong basis for appeal to the Privy Council and instructed its attorneys to proceed to file the necessary documents to facilitate the appeal. On 21 September 2015, the Court of Appeal granted both GKRS and Paymaster conditional leave to appeal to the Privy Council against its decision and also granted each of these parties a stay of execution of the Court of Appeal judgment pending appeal to the Privy Council. The process for obtaining final leave to appeal to the Privy Council is underway.

As the Court had previously ordered that the trial of the matter should be split as to liability and damages with the assessment of damages deferred until the liability issue has been settled, the damages applicable would be subject to assessment by the Supreme Court and cannot therefore be reasonably estimated at this stage. Based on this, as well as the fact that GKRS has a strong basis of appeal having regard to Counsel's advice, no amounts have accordingly been provided for in these financial statements in respect of this matter.

(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.

35. Related Party Transactions and Balances

The following transactions were carried out with related parties:

		Group		Company	
		2015	**2014**	**2015**	**2014**
		$'000	**$'000**	**$'000**	**$'000**
(a)	**Sales of goods and services**				
	Sales of goods	5,457	6,202	410,215	397,791
	Sales of services	87,500	99,742	1,891,577	1,553,375
(b)	**Purchase of goods and services**				
	Purchases of goods	2,647,001	2,340,645	6,200,748	5,302,906
	Purchases of services	-	-	448,743	416,389
(c)	**Interest**				
	Interest income	1,081	970	192,379	147,192
	Interest expense	9,489	9,102	86,817	48,589

Dividends received by the company from subsidiaries and associated companies were $1,979,759,000 (2014: $2,585,994,000) and $150,000,000 (2014: $102,500,000) 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	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Salaries and other short-term employee benefits	306,948	304,055	196,192	200,772
Fees paid to directors	39,678	28,930	35,740	24,796
Post-employment benefits	(2,220)	(55,944)	(3,051)	(48,950)
Share-based payments	-	18,034	-	13,810
	344,406	295,075	228,881	190,428

The following amounts are in respect of directors' emoluments:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Fees	39,678	28,930	35,740	24,796
Management remuneration	203,364	216,565	147,490	168,136
Post-employment benefits paid	34,448	32,542	6,607	6,267
Share-based payments	-	14,560	-	12,429
	277,490	292,597	189,837	211,628

35. 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	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Sale of goods and services –				
Sales of goods	758	497	758	497
Sales of services	2,374	1,934	-	-
Interest earned and incurred –				
Interest income	1,703	1,791	-	-
Interest expense	10,072	4,400	-	-

Transactions with companies controlled by directors and other key management personnel

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Sale of goods and services –				
Sales of services	638	587	-	-

(e) Year end balances with related parties

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Cash and deposits with subsidiaries	-	-	173,715	1,023,521
Investment securities with subsidiaries	-	-	368,917	26,279
Receivable from subsidiaries	-	-	1,273,308	445,334
Receivable from associates (Note 7)	5,631	2,586	3,451	1,862
Loans receivable from subsidiaries (Note 9)	-	-	2,944,443	3,102,352
Payable to subsidiaries	-	-	2,870,823	2,420,347
Payable to associates (Note 16)	434,506	138,265	333,221	91,962
Loans & leases payable to subsidiaries	-	-	222,465	149,831
Deposits payable to associates	97,944	167,698	-	-

(f) Loans to related parties

Loans receivable from subsidiaries are repayable in the years 2016 - 2021 and bear interest at 0% - 10.0% (2014: 0% - 10.0%). No provision was required in 2015 and 2014 for loans made to subsidiaries.

35. Related Party Transactions and Balances (Continued)

(f) Loan to related parties (continued)

	Company	
	2015	**2014**
	$'000	**$'000**
Loans to subsidiaries:		
At 1 January	3,102,352	1,502,916
Loans advanced during the year	1,954,595	1,920,811
Loan repayments received	(2,159,591)	(374,173)
Exchange differences	63,143	33,506
Interest charged	52,220	50,273
Interest received	(68,276)	(30,981)
At 31 December	2,944,443	3,102,352

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

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Receivables	175	201	175	201
Loans receivable	138,483	137,114	117,550	118,869
Deposits payable	266,800	178,201	-	-

(h) Loans to directors and other key management

The loans receivable attract interest at rates ranging between 0% - 10.5% (2014: 0% - 10.5%) 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 2015 and 2014 for the loans made to directors and senior managers.

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Loans to directors and other key management:				
At 1 January	137,114	85,840	118,869	66,503
Loans advanced during the year	12,410	60,846	7,729	59,718
Loan repayments received	(11,041)	(9,572)	(9,048)	(7,352)
Interest charged	1,703	1,791	-	-
Interest received	(1,703)	(1,791)	-	-
At 31 December	138,483	137,114	117,550	118,869

(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 (2014: 1,297,000).

36. 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			
	2015			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available-for-sale securities:				
Quoted equities	333,695	-	-	333,695
Bank of Jamaica	-	7,626,134	-	7,626,134
Government of Jamaica securities	-	14,312,520	-	14,312,520
Foreign governments	-	406,839	-	406,839
Corporate bonds	-	6,670,665	103,356	6,774,021
Other debt securities	-	3,403,254	-	3,403,254
Other	-	5,779	-	5,779
Financial assets at fair value through profit or loss:				
Quoted equities	5,000	-	-	5,000
Total Assets	338,695	32,425,191	103,356	32,867,242

36. Fair Values Estimation (Continued)

Financial Instruments (continued)

	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

	Company			
	2015			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available-for-sale securities:				
Quoted equities	121,549	-	-	121,549
Government of Jamaica securities	-	3,346,102	-	3,346,102
Corporate bonds	-	1,387,559	-	1,387,559
Other debt securities	-	1,461,686	-	1,461,686
Other	-	335	-	335
Total Assets	121,549	6,195,682	-	6,317,231

36. Fair Values Estimation (Continued)

Financial Instruments (continued)

	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

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.

36. 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	
	2015 $'000	2014 $'000
At beginning of year	310,656	484,463
Acquisitions	51,629	51,630
Disposals	(258,929)	(225,437)
At end of year	103,356	310,656

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 $5,270,933,000 (2014: $5,733,290,000) and $65,695,000 (2014: $67,000,000) for the Group and company respectively. Included in Group's land and buildings is the Distribution Centre with a carrying value of $2,978,398,000 (2014: $3,050,400,000).

The carrying value of investment properties classified as level 3 is $532,000,000 (2014: $484,000,000).

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

	Distribution center	Other land and buildings	Total	Distribution center	Other land and buildings	Total
		2015			2014	
	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance	3,050,400	2,682,890	5,733,290	2,557,034	1,873,829	4,430,863
Additions and transfers in	4,368	145,695	150,063	1,944	867,359	869,303
Revaluation adjustment	-	(4,135)	(4,135)	557,036	170,675	727,711
Disposals and transfers out	-	(525,358)	(525,358)	-	(221,581)	(221,581)
Depreciation	(76,370)	(43,463)	(119,833)	(65,614)	(19,516)	(85,130)
Translation adjustment	-	36,906	36,906	-	12,124	12,124
Closing balance	2,978,398	2,292,535	5,270,933	3,050,400	2,682,890	5,733,290

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

36. 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 41 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. The most recent valuations were performed as at 31 December 2014. The Group engages external, independent and qualified valuers to determine the fair value of its investment properties on an annual basis.

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.

Distribution Centre

Description	Fair value at) 31 December) 2015 $'000)	Fair value at) 31 December) 2014 $'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs
Distribution centre	2,978,398	3,050,400	Cost approach	Certified costs of construction as at date of completion of property	US$21,500,000 - US$22,000,000	The higher the costs of construction the higher the fair value
				Rate of increase in construction costs from date of completion of property to date of valuation	22% up to the finalisation of construction and 16% thereafter	The higher the rate of increase in construction costs the higher the fair value
				Professional fees - architects, quantity surveyors, engineers	8%	The higher the professional fees the higher the fair value
				Interest cost	2015: 12% - 15% 2014: 12% - 15%	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
	2,978,398	3,050,400				

37. Financial Instruments by Category

	Group			
	Loans and receivables $'000	**Assets at fair value through profit or loss $'000**	**Available for for sale $'000**	**Total $'000**
As at 31 December 2015:				
Cash and deposits	9,901,417	-	-	9,901,417
Investment securities and pledged assets	-	5,000	32,862,242	32,867,242
Loans receivable	22,595,591	-	-	22,595,591
Trade and other receivables	10,900,230	-	-	10,900,230
Total financial assets	43,397,238	5,000	32,862,242	76,264,480

	Group			
	Loans and receivables $'000	**Assets at fair value through profit or loss $'000**	**Available for 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	
	Other financial liabilities at amortised cost $'000	**Total $'000**
As at 31 December 2015:		
Deposits	24,258,437	24,258,437
Securities sold under agreements to repurchase	8,641,978	8,641,978
Bank and other loans	13,936,107	13,936,107
Trade and other payables	17,216,263	17,216,263
Total financial assets	64,052,785	64,052,785

37. Financial Instruments by Category (Continued)

	Group		
	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
	$'000	$'000	$'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

	Company		
	Loans and receivables	Available for for sale	Total
	$'000	$'000	$'000
As at 31 December 2015:			
Cash and deposits	1,805,241	-	1,805,241
Investment securities and pledged assets	-	6,317,231	6,317,231
Loans receivable	3,133,745	-	3,133,745
Trade and other receivables	1,264,862	-	1,264,862
Subsidiaries	1,273,308	-	1,273,308
Total financial assets	7,477,156	6,317,231	13,794,387

	Company		
	Loans and receivables	Available for for sale	Total
	$'000	$'000	$'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

37. Financial Instruments by Category (Continued)

	Company
	Other financial liabilities at amortised cost
	$'000
As at 31 December 2015:	
Bank and other loans	4,735,644
Trade and other payables	2,204,102
Subsidiaries	2,870,823
Total financial assets	9,810,569

	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

38. 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			
	2015		2014	
	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Forward foreign exchange contracts	-	-	8,731	404
Total	-	-	8,731	404

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 2015 were $Nil (2014: $417,749,000).

39. 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 and prior year-end, there were no investment custody accounts. Fees earned in relation to custodial services were $Nil (2014: $4,427,000).

40. 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 and prior year-end, there were no pension assets held under management. Fees earned in relation to fiduciary activities were $Nil (2014: $78,320,000).

41. Investment Properties

	Group	
	2015 $'000)	2014 $'000)
At 1 January	484,000	365,000
Additions	1,193	185
Change in fair value	46,807	24,815
Transfer from fixed assets (Note 12)	-	94,000
At 31 December	532,000	484,000

The following amounts have been recognised in the income statement:

	Group	
	2015 $'000)	2014 $'000)
Rental income arising from investment properties	22,028	21,866
Direct operating expenses arising from investment properties	12,760	8,148

Investment properties comprise commercial properties that are leased to third parties.

42. Business Combinations

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

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 (Note 22)	-	34,112	34,112
Goodwill (Note 11)	834,193	-	834,193
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 on acquisitions	2,681,858	(12,224)	2,669,634

43. Disposal of Subsidiary

On 30 December 2015, the Group disposed of its 58.1% interest in Hardware & Lumber Limited (H&L) which was previously reported under the Retail & Trading operating segment. The principal activities of H&L comprised merchandising agricultural supplies, home improvement supplies, and hardware and lumber. H&L is reported as a discontinued operation.

The following tables summarise the financial performance and cash flow information relating to the discontinued operation as well as the net assets and net proceeds from the disposal of the subsidiary:

Analysis of the result of discontinued operations and the gain on disposal of the assets constituting the discontinued operations is as follows:

	2015 $'000	2014 $'000
Revenue	7,442,223	7,137,579
Expenses	(7,278,199)	(6,942,826)
Other income	53,851	90,873
Interest income	2,432	3,665
Interest expense	(21,136)	(29,924)
Profit before Taxation	199,171	259,367
Taxation	(9,848)	(65,086)
Net Profit of Discontinued Operations	189,323	194,281
Gain on disposal of subsidiary	32,175	-
Profit from Discontinued Operations	221,498	194,281

Cash flows from discontinued operations are as follows:

	2015 $'000	2014 $'000
Operating cash flows	269,837	(3,940)
Investing cash flows	(46,389)	(98,542)
Financing cash flows	(172,598)	(165,633)
Net increase/(decrease) in cash generated by the subsidiary	50,850	(268,115)

43. Disposal of Subsidiary (Continued)

The assets and liabilities on disposal are as follows:

	$'000
Fixed assets and intangible assets	716,741
Deferred tax assets	97,547
Inventories	1,933,128
Receivables and other assets	610,524
Taxation recoverable	2,386
Cash and cash equivalents	201,176
Taxation payable	(540)
Bank and other loans	(152,507)
Payables	(1,508,044)
Post-employment obligations	(478,267)
Net assets disposed	1,422,144
Non-controlling interest (Note 22)	(595,878)
	826,266
Gain on disposal of subsidiary	32,175
Sales proceeds net of transaction costs	858,441
Sales proceeds net of transaction costs	858,441
Cash and cash equivalents of disposed subsidiary	(201,176)
Net cash inflow on disposal of subsidiary	657,265

In the prior year, 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 disposal of the subsidiary:

	$'000
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
Cash and cash equivalents of disposed subsidiary	(35,762)
Net cash inflow on disposal of subsidiary	1,863,688

44. Subsequent Event

On 29 February 2016, the Board of Directors approved an interim dividend in respect of 2016 of 78 cents per ordinary stock unit. The dividend is payable on 18 May 2016 to shareholders on record as at 2 May 2016.

FORM OF PROXY

I/We______________________________________ of ______________________________________

being a member/members of GraceKennedy Limited hereby appoint ______________________________

______________________________________ of ______________________________________

or failing him/her _____________________________ of ______________________________________

____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, 25 May 2016 at 4:00 p.m. at 73 Harbour Street, Kingston, Jamaica and at any adjournment thereof.

	For	Against
Resolution 1		
Resolution 2		
Resolution 3 (a)		
Resolution 3 (b)		
Resolution 4		
Resolution 5		

Unless otherwise instructed, the proxy will vote as he/she thinks fit.

Dated this __________________________________ day of ____________________________ 2016

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Signature

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Signature

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Signature

In the case of a body corporate, this form should be executed under seal in accordance with the company's Articles.

Note: To be valid this proxy must be deposited with the Corporate Secretary of the Company at 73 HARBOUR STREET, KINGSTON, JAMAICA not less than 48 hours before the time appointed for holding the meeting.
A Proxy need not be a member of the Company.

GraceKennedy

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