



ANNUAL REPORT **2016**

**Building a
World-Class
Global Group**



ANNUAL REPORT

2016

**Building a
World-Class
Global Group**

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baggage
counter

Thank
Shop



FIVE-YEAR STATISTICS

	'000 2016	'000 2015	'000 2014	'000 2013	'000 2012
Number of Shares* (including treasury shares)	994,887	992,837	993,669	1,000,977	1,005,957
Shareholders' Equity	42,063,925	38,047,441	36,533,101	32,765,684	30,702,837
Percentage increase over prior year	11%	4%	11%	7%	7%
Market Capitalisation	40,083,997	26,889,363	20,214,540	18,374,601	16,769,303
Total Borrowings	13,242,037	13,936,107	11,064,160	11,571,790	10,338,328

PROFIT AND LOSS ACCOUNT

Revenues	88,267,589	79,742,230	70,839,886	67,257,502	61,340,268
Percentage increase over prior year	10.7%	12.6%	5.3%	9.6%	5.4%
Profit before Taxation	6,103,330	4,303,813	4,588,432	5,075,199	4,102,404
Percentage increase over prior year	41.8%	-6.2%	-9.6%	23.7%	1.7%
Profit after Taxation	4,534,862	3,254,020	3,799,127	3,794,064	3,786,332
Percentage increase over prior year	39.4%	-14.3%	0.1%	0.2%	26.5%
Net Profit Attributable to Stockholders	4,004,539	2,759,498	3,285,174	3,221,634	3,478,888
Percentage increase over prior year	45.1%	-16.0%	2.0%	-7.4%	26.6%
Net Dividend - Amount	1,010,423	820,030	770,239	727,660	665,937
Percentage increase over prior year	23.2%	6.5%	5.9%	9.3%	34.6%

IMPORTANT RATIOS

Return on Sales	4.5%	3.5%	4.6%	4.8%	5.7%
Debt to Equity Ratio	31.5%	36.6%	30.3%	35.3%	33.7%
Return on Equity	10.0%	7.4%	9.5%	10.2%	11.7%
Profit before Taxation/Sales	6.9%	5.4%	6.5%	7.5%	6.7%
Dividend Cover - times	3.96	3.37	4.27	4.43	5.22
Shareholders Equity per Stock Unit* (excluding treasury shares) - JA\$	42.39	38.36	36.79	32.91	30.57
Earnings per Stock Unit - basic	4.04	2.78	3.30	3.22	3.47
Productivity per Employee - US\$'000	16.46	11.80	14.19	17.48	21.13
Number of Employees	1,940	1,996	2,080	1,827	1,850
Closing Stock Price - JSE :JA\$*	40.29	27.08	20.34	18.36	16.67
Closing Stock Price - TTSE :TT\$*	2.67	1.35	1.22	1.15	1.18
Price-Earnings Ratio	9.97	9.73	6.16	5.70	4.80

*Restated for comparison purposes due to 3-for-1 stock split, which was effective August 11, 2016.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the **Annual General Meeting** of GraceKennedy Limited will be held at 73 Harbour Street, Kingston, Jamaica on Wednesday, **31 May 2017 at 4:00 p.m.** for the following purposes:

1. **To receive the Audited Group Accounts for the year ended 31 December 2016 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 2016 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 2016, 26 September 2016 and 9 December 2016 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 2016, 26 September 2016 and 9 December 2016 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 Mrs. Mary Anne Chambers, Mr. Joseph Esau and Mr. Douglas Orane who, being eligible, offer themselves for re-election.

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

RESOLUTION NO. 3(a)

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

RESOLUTION NO. 3(b)

“THAT Mrs. Mary Anne Chambers, Mr. Joseph Esau and Mr. Douglas Orane 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 2016 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."



By Order of the Board

Karen Chin Quee Akin (Mrs)

Corporate Secretary

Dated: 28 February 2017

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 has been circulated to members along with 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

2016 was a good year for the GraceKennedy Group as we achieved several of the key strategic and profitability milestones that we had set. These goals were achieved in a rapidly changing environment that presented both opportunities and challenges. Our operational strategy for 2016 was primarily focused on the four broad themes of: optimizing and pursuing growth opportunities for our international foods business, strengthening our foods and financial services position in Jamaica, improving the overall operational efficiency of the Group, and the development of a comprehensive Global Talent Mobility Programme, cornerstones of our 2020 vision of international expansion. This strategic focus fully supports the vision of delivering long-term consumer and shareholder value.

FINANCIAL HIGHLIGHTS INCLUDE:

- Group revenue for 2016 was J\$88.27 billion, representing an increase of 10.7% or J\$8.53 billion over 2015 (J\$79.74 billion).
- Net profit attributable to the shareholders of the Company was J\$4.00 billion for 2016 compared with J\$2.76 billion for 2015. Earnings per share was J\$4.04 in 2016 compared with J\$2.78 in 2015, a 45.3% increase. As reported previously, a non-recurring gain was realised on the dissolution of some non-operating subsidiaries. Without this gain, net profit attributable to the stockholders of the Company would have increased by 29.7% or J\$819.85 million.
- Shareholders' equity increased by 10.6% or J\$4.01 billion moving from J\$38.05 billion in 2015 to J\$42.06 billion in 2016.
- Total assets grew by 16.4% or J\$17.79 billion from J\$108.69 billion in 2015 to J\$126.48 billion in 2016.
- Dividends totaling J\$1.01 billion or J\$1.02 per share were paid in 2016 compared with J\$820.03 million or J\$0.83 per share in 2015, an increase of 22.9%.
- At the end of 2016, the GraceKennedy stock price closed at J\$40.29. When adjusted for the 3-for-1 stock split which was effective August 11, 2016, this represented a 48.8% increase over prior year.

The Foods segment made great strides in meeting the changing needs of our markets worldwide as customers increased their preference for healthier, more convenient and increased variety of food choices.

Our international foods companies showed improved performance over prior year. GraceKennedy Foods (USA) LLC, saw growth in both the Grace and the La Fe brands. We continue to invest in these brands and our infrastructure to improve the efficiency of our operations. During 2016, we recruited key expertise to drive the future growth and optimisation of the business. GraceKennedy (Ontario) Inc. (GKO) was appointed "Category Advisor - Caribbean and Ethnic" by Walmart in 2016. This has provided our Canadian business with the opportunity to strengthen and expand its presence in Walmart, which has over 400 stores in Canada.

Our food operations in the United Kingdom (UK) and Europe also performed well despite the uncertainty surrounding Brexit, and the resulting depreciation of the pound sterling. The Aloe drink continues to gain market share in the UK beverage market and not only competes in the Ethnic Drink Category but has successfully expanded into the mainstream beverage category where it is positioned among the Top 10 UK juice brands. In recognition of Grace Foods UK Limited's (GFUK) contribution to commerce, the Company received three important awards from the Hertfordshire Chamber of Commerce: 'Overall Business of the Year', 'Medium to Large Business of the Year' and awards for 'Excellence in People Development'. Sales to the European market continue to show strong growth, and we expect to expand our presence and pursue opportunities in this region.

Our foods business in Jamaica showed strong growth in revenue. Our strategy to cater to multiple segments of the market has resulted in our domestic foods business being resilient and responsive to competitive forces and the changing taste of our customers. Hi-Lo Food Stores, our supermarket chain in Jamaica, delivered strong performance. Our most recently opened location in Liguanea, Kingston and the refurbished Fairview location in Montego Bay, have enhanced the experience of grocery shopping in Jamaica with world-class layouts and wider variety of products and services.

Our manufacturing operations had a remarkable year. Our brands, This Is Really Great Yogurt, and Lishous, our juice drink that was introduced into the Jamaican market in 2016, recorded strong growth, while our Tastee Cheese and Soups segment grew exports to the United States. We continue to invest in upgrading facilities within our factories while continually exploring low cost sourcing initiatives for key products to remain competitive.

Our financial services companies continue to meet the high standards of service and innovation that our customers have grown to expect from us. We made investments in technology,

and in our people, in order to focus on delivering a seamless customer service experience.

In our Banking and Investments segment, First Global Bank (FGB) reported strong growth in revenue over 2015 which was primarily driven by 13.5% growth in the loan portfolio. Profitability, however, declined over prior year primarily due to costs associated with network expansion and investments in technology. Loan provisions were also higher than prior year, however the Bank continued to effectively manage delinquencies, and has seen a decline in the ratio of impaired loans to total loan portfolio. FGB continued to pursue its strategy of convenience enabled by technology with the opening of a new high-tech branch in Ocho Rios and the relocation and upgrade of the Liguanea branch. GK Capital Management Limited (GKCM) solidified its position in the investment advisory space, having completed a number of transactions during the year valued at over \$3 billion.

The Insurance segment's revenue growth was driven primarily by our underwriter in Jamaica, GK General Insurance Company Limited (GKGIC). GKGIC also continues to innovate through its microinsurance portfolio resulting in the revenue generated from this portfolio doubling year-over-year. The growth in profitability is however due to the strong performance of our insurance broker in Jamaica, Allied Insurance Brokers Limited, which also recorded strong revenue growth over prior year. In line with our strategic plan, we continued our focus on regional expansion and are pleased to report that our underwriter in St. Lucia, GK Insurance (Eastern Caribbean) Limited, is now licensed to operate in three additional territories: St Vincent & The Grenadines, Antigua and Barbuda and Grenada.

GraceKennedy Money Services Limited (GKMS) remained the dominant player in the English-speaking Caribbean remittance market. The business continues to be strategically focused on protecting its market-leader position while driving growth and enhancing the regional remittance business through digitisation. In February 2016, GKMS expanded its operations into the Turks and Caicos market through the establishment of a new subsidiary, GraceKennedy Money Services (Turks & Caicos) Limited; this represents the 11th market in which the

Company operates. In December 2016, the Bank of Jamaica approved the GK Money Services' mobile wallet application, GK MPAY, in Jamaica. GK MPAY was launched in the Jamaican market in February 2017, providing the convenience for users to make payments and other money services transactions on their mobile phones.

The GK Value Rewards Programme, launched in February 2015, continues to change the face of loyalty programmes in Jamaica with the introduction of innovative platforms designed to improve customers' user experience. The GraceKennedy Value Rewards Programme has issued over \$73 million in points to over 102,000 members.

We continue to hold ourselves to the highest standards of governance, transparency and accountability as these are core to what we do and how we do it. In recognition of this, GraceKennedy was awarded the 'PSOJ/JSE – Corporate Governance Award' for 2015 at the Jamaica Stock Exchange Best Practices Awards function held in December 2016. GraceKennedy was also first runner-up in the Corporate Disclosure & Investor Relations (Main Market) category. We are very proud to receive this recognition as we look forward to continuing to strengthen our relationship with our investors.

Our commitment to the development of the communities within which we operate continues.

Our GraceKennedy and Grace and Staff Community Development Foundations continue to champion this cause through various outreach initiatives. Our Grace and Staff Foundation was recognised by the American Chamber of Commerce (AMCHAM) for Corporate Social Responsibility in the large company category. The GraceKennedy Foundation provided scholarships and bursaries totalling J\$17.5 million to 75 students tenable at the University of the West Indies, University of Technology, Edna Manley College for the Visual and Performing Arts and the Northern Caribbean University. The Foundation hosted its annual lecture in March 2016, entitled "Overfed and Undernourished: Dietary Choices in

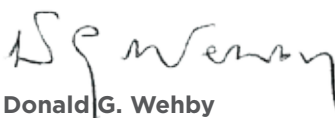
Modern Jamaica" which was presented by Professor Marvin Reid, a former GraceKennedy scholar. He cited research that showed the link between disease and life style choices and emphasised the importance of healthy food choices on wellbeing.

As a Jamaican company with multi-national operations, we are very proud of our performance and how far we have come. As part of our transformation, we are currently evaluating our technology infrastructure and customer experience to enhance a digital strategy for companies in the group. We continue to set high standards for ourselves and remain committed to the vision of being a Global Consumer Group by 2020. Our performance demonstrates the result of our focused strategy and competitive capabilities. As the Company celebrates its 95th year of operation, we will continue to put our customers first as we build on the foundation that was set by those before us. We are thankful to our nearly 2000 employees who are the heart of what we do and who represent the best that this Company has to offer.

As we work to achieve our goals and grow shareholder value, we remain grounded in and guided by our values of HONESTY, INTEGRITY and TRUST.



Gordon V. Shirley
Chairman



Donald G. Wehby
Group Chief Executive Officer

February 28, 2017

FINANCIAL HIGHLIGHTS

REVENUE OF
J\$88.27
BILLION

AN
INCREASE
OF

10.7%

NET PROFIT

J\$4
BILLION

up from

J\$2.76
BILLION

EARNINGS
PER SHARE

J\$4.04

versus

J\$2.78

UP

45.3%



SHAREHOLDERS'
EQUITY

10.6%

from

J\$38.05
BILLION

TO

J\$42.06
BILLION

DIVIDENDS TOTALLING

J\$1.01b

or J\$1.02/share

compared with

J\$820.03m

or J\$0.83/share

up by

22.9%

STOCK
CLOSED AT

J\$40.29

A

48.8%
INCREASE

OVER PRIOR YEAR



Management Discussion & Analysis

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2020 Campaign Map



Disclosures

The Management of GraceKennedy is responsible for the integrity and objectivity of the information contained in the Management Discussion and Analysis (MD&A). The information presented 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.

All monetary figures are presented in Jamaican dollars, unless otherwise stated.

Who We Are

GraceKennedy Limited is a publicly listed company on the Stock Exchanges of Jamaica and the Republic of Trinidad & Tobago. 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 into two Divisions:



FOOD TRADING

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 Supermarket chain in Jamaica. The Group also manufactures and distributes third-party brands in Jamaica and internationally. GK Foods operates primarily in Jamaica, the Caribbean, Central America, North America, Africa, the United Kingdom (UK), and other European countries.



FINANCIAL SERVICES

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.



Our Vision

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

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

“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, Consumer 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. A survey is conducted every two years to measure staff satisfaction and engagement.
- **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.
- **CONSUMER:** 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:** This aspect of our scorecard is to assess how well the Company'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 profit 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.

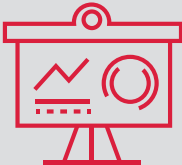
Key Expectations for 2016 – How We Did

During 2016, we embarked on several strategic initiatives aimed at strengthening our market position and improving efficiencies. A summary of our performance is shown below.

2016 REPORT CARD

	GOALS	STATUS
	Optimising the Food Distribution business in North America through the expansion of existing markets and channels and improved operational efficiency and effectiveness.	In our USA operations, GraceKennedy Foods (USA) LLC, we realised gains from improved operational efficiencies through IT and process redesign. We also made significant strides in growing distribution in key retail channels in the USA. In Canada, GraceKennedy (Ontario) Inc. (GKO) was appointed Category Advisor – Caribbean and Ethnic by Walmart which gives us the opportunity to expand our presence to over 400 Walmart stores.
	Pursuing further growth opportunities in the United Kingdom and Europe and improving our distribution business in Ghana.	Our operations in Europe continued to leverage successful listings in the main markets. The Grace Aloe drink gained market share in the UK beverage market. While still in its early stage of operations GK Ghana's business grew by 70% with encouraging growth seen in the retail channels. The business however, experienced lower margins due to increased competitive pressures. Additionally, we relocated the head office to Spintex, Accra in order to bring the business closer to its customers.
	Strengthening our Foods and Financial services business in Jamaica through increased brand presence and introduction of new and innovative products.	Significant investments were made in our local brands. In our domestic food business we executed our major consumer promotion, 'Chase Your Dreams', which positively impacted Q1 2016 performance with overall growth in the Grace portfolio. During 2016, we also launched new, innovative financial products such as First Global Bank's Mobile Banking App, and new food products, such as Grace Ham Dices and Steaks.

2016 REPORT CARD

	GOALS	STATUS
	Strong improvement in our operational efficiency across the Group through sustained cost transformation programmes.	During 2016, we made significant advances in improving our operational efficiency. Several of our businesses, such as GraceKennedy Money Services and our factories, were able to successfully implement phased cost transformation programmes aimed at lowering expenses while maintaining productivity and the quality of service. This focus will continue in 2017 with even greater emphasis placed on the utilisation of technology, as well as capitalising on creating synergies among companies within the GraceKennedy Financial Group to increase operational excellence.
	Greater emphasis on becoming a world-class marketing led organization, focussed on understanding our customer's needs.	Since 2015, when we first indicated our desire to become a marketing-led organization, the Group has taken several steps towards achieving this goal. We recognise that having the right talent is key and so, we have invested in broadening our knowledge base in Business Intelligence to ensure that we are better equipped to determine our customers' needs and preferences. Throughout 2016, we also implemented various initiatives based on the communicated preferences of our customers. In 2016, we grew our loyalty programme, GraceKennedy Value Rewards, to over 100,000 members, which gives us the base to garner information about our customers' preferences through the use of data analytics.
	The development of a comprehensive Global Talent Mobility Programme to support our 2020 vision of international expansion.	In 2016, we also furthered talent mobility across the Group with various global assignments between our businesses.

2016 Financial Performance

Revenue grew by 10.7% to total \$88.27 billion for the year. Pre-tax profit increased by 41.8% primarily due to improved operating performance from the subsidiaries and non-recurring gains, despite an increase in post-employment benefit expenses under IAS 19. This was further reflected in the reported Net Profit for the Group which increased by 39.4%. Non-controlling interest for the year increased by 7.2% representing a change from \$494.52 million in 2015 to \$530.32 million in 2016, while profit attributable to shareholders increased from \$2.76 billion to \$4.00 billion, representing a 45.1% increase.

A non-recurring, non-cash gain was realised on the dissolution of some non-operating subsidiaries. Without this gain, net profit attributable to the stockholders of the Company would have increased by 29.7% or \$819.85 million.

Total assets grew by 16.4% or \$17.79 billion, moving from \$108.69 billion in 2015 to \$126.48 billion in 2016. During the year, the Group's liabilities increased by 19.7% while the capital base grew by 10.6%. Capital comprised shareholders' equity of \$42.06 billion and non-controlling interest of \$1.47 billion. Return on equity for 2016 was 10.0% compared to 7.4% for 2015, while earnings per share increased from \$2.78 to \$4.04.

HOW WE EARNED

The Group's revenue growth was driven by increases in revenue in all segments. The Money Services segment reported the highest growth rate of 19.3%, followed by Banking & Investments, Insurance, and Food Trading, which showed growth rates of 11.5%, 9.9% and 9.8% respectively. Food Trading continues to be the dominant contributor to revenue accounting for 78% of total Group revenue.

Overall revenue grew at a faster rate when compared to expenses, due to margin improvements from the Foods segment and improved operational efficiency from the Insurance and Money Services segments.

Other income increased by 51.7% during the year, largely attributable to non-recurring gains realised on the liquidation of certain dormant subsidiaries and foreign exchange gains.

The Group's net profit was represented by profit attributable to stockholders of \$4.0 billion and non-controlling interest of \$530.32 million.

STATEMENT OF FINANCIAL POSITION REVIEW

During 2016, the increase in the Group's asset base was mainly attributable to an increase in investment securities and pledged assets due to growth in First Global Bank's (FGB) customer deposits. Other areas of growth included, loans receivables, resulting from growth in FGB's customer loan portfolio and working capital items including receivables from the Financial Services companies and inventory from our Food companies.

The Group reduced its use of debt in 2016, resulting in a debt-to-equity ratio of 31.5% compared with 36.6% in 2015. This was due to a reduction in external financing for FGB due to increase funding from deposits. Bank and other loans decreased by 5.0% to total \$13.24 billion while deposits grew by 26.4% to total \$30.7 billion. The growth in deposits is in line with FGB's strategy to grow its deposit base.

The Group's equity base increased by 10.6% during the year to total \$42.06 billion in 2016, compared with \$38.05 billion in 2015. The capital growth for the Group in 2016 was mainly driven by an increase in retained earnings of 12.9%. Non-controlling interest increased by 11.2% to total \$1.47 billion in 2016 due to improved performance of the GK Money Services Group, in which GraceKennedy has a 75% shareholding.

SHAREHOLDER RETURN

GraceKennedy's stock price recorded a 48.8% increase on the Jamaica Stock Exchange (JSE) during 2016, closing at \$27.08 on December 31, 2015 (share price adjusted for 3-for-1 stock split which took place in 2016) and closing at \$40.29 on December 31, 2016. The Group also increased its dividend payment during the period by 22.9% with a dividend pay-out of over \$1 billion.

In 2016, GraceKennedy shareholders voted in favour of a 3-for-1 stock split which took place on August 11, 2016. The main objective of the stock split was to allow the stock to be more accessible to investors and so lead to increased liquidity in the trading of the stock. It was also intended to widen the Company's ownership base as more persons would be able to invest in the Company's stock. The greater activity in the trading of the stock should allow the stock price to move towards its true value.

The stock, as at December 31, 2016, traded at a price earnings multiple of 9.97 times on the JSE, an increase over the 2015 multiple of 9.73 times. The stock, as at December 31, 2016, traded at 95% of its book value per share of \$42.39, compared with a price to book ratio of 71% in 2015.

SEGMENT ANALYSIS

The GraceKennedy Group earns in four major segments: Food Trading, Banking and Investments, Insurance and Money Services. All segments, with the exception of Banking and Investments, showed an increase in both revenue and pre-tax profit. The summary segment performance is as follows:

Our Food Trading segment increased by 126.7% in pre-tax profit due to the improved performance of GraceKennedy Foods (USA) LLC.

The Banking and Investment segment, while showing an increase in revenue, experienced a reduction in pre-tax profit of 28.9% due primarily to costs associated with network expansion and investments in technology at FGB.

The Insurance segment grew by 37.2% in pre-tax profit, primarily due to increased insurance cover and higher commission rates at Allied Insurance Brokers.

Money Services had a 25.4% increase in pre-tax profit over 2015 due to improved performance from FX Trader, GraceKennedy Trinidad & Tobago Limited (GK T&T) and GraceKennedy Remittance Services (GKRS). FX Trader and GK T&T experienced improved foreign exchange margins while GKRS had higher transaction volumes and costs savings.

Overall, the Food Trading segment generated the largest share of revenue, accounting for 78.0%, compared with 78.6% in 2015. Pre-tax profit was earned in the following proportions:

Money Services : 50%, down from 57% in 2015

Food Trading : 22%, up from 14% in 2015

Insurance : 13%, equal to 13% in 2015

Banking and Investments : 6%, down from 12% in 2015

Corporate and other unallocated income: 9%, up from 4% in 2015

SEGMENT ANALYSIS

Pre-Tax Profits

50%

DOWN FROM
57% IN 2015



**Money
Services**

22%

UP FROM
14% IN 2015



**Food
Trading**

13%

EQUAL TO
13% IN 2015



Insurance

6%

DOWN FROM
12% IN 2015



Banking &

9%

UP FROM
4% IN 2015



**Corporate
& Other**

Food Trading

The Food Trading segment experienced improvement in both revenue and profit from both the Jamaican and international operations. Our manufacturing businesses showed increased performance by boosting volumes and containing costs. GraceKennedy Foods (USA) LLC has taken significant steps in optimising operations and increasing the presence of both the Grace and La Fe brands in the United States market.

The report card below shows the performance of the Food Trading segment.

2016 REPORT CARD		
	GOALS	STATUS
	Optimising the Food Distribution business in North America through improved operational efficiency and exploring new channels for the Grace and La Fe brands.	In 2016, we successfully gained new listings for both the Grace and La Fe brands in some of the key retailers in the USA, including Walmart and Publix. We also began shipping to Puerto Rico in keeping with strategic goals for market expansion. In our USA business, we realized gains from improved operational efficiencies in our warehouse operations and we saw a reduction in manual processes through the use of IT.
	Pursuing further growth opportunities in the United Kingdom and Europe and improving our distribution business in Ghana.	Our food business based in the UK did well despite the volatile market conditions resulting from the 2016 Brexit vote. We saw an increase of 70% in sales for GK Ghana and this growth was driven mainly by our retail channel. The business also introduced a van sales unit mid-year which is performing well.
	Strengthening our leading market position in Jamaica through product innovation and efficiency.	We have implemented business process improvements geared towards improving efficiency in both our distribution and manufacturing business.
	Transforming and growing the Hi-Lo Food stores business in Jamaica.	Hi-Lo showed strong performance in 2016 with double digit growth in revenue and pre-tax profit. We opened a new location in Liguanea as well as completed the renovation of Hi-Lo Fairview in Montego Bay. The chain continues to enjoy increased patronage from its loyal customers who are transacting more frequently at higher values.

Jamaica

We currently operate in the Jamaican market through Grace Foods & Services, Hi-Lo Food Stores, and World Brands Services. These businesses are supported by our five manufacturing plants which are located across the island.

Our Jamaican Food companies reported year-over-year growth in both revenue and profit. Grace Foods & Services achieved a significant increase in case volumes in 2016. Value brands, including Caribbean Choice and Lishous, which offer a lower price point, did extremely well as consumers become more price sensitive. We expect that these portfolios will continue to experience increased case sales in the upcoming year. New product revenue grew by 33% over prior year with Lishous being the main driver. Other products launched in 2016 included Grace Exotic Mackerel, Ham Dices and Ham Steaks. These products were all well received by consumers.

Hi-Lo Food Stores had a very good year with both revenue and profit being above prior year. Our investment in the Hi-Lo brand has begun to show returns with all renovated stores reporting growth in revenue from improved transaction size and count.

Customer satisfaction has shown great improvement over 2015. Our Hi-Lo team has been creating a “customer service revolution” which involves top-down training in customer service. The aim of this is to engage and empower all team members to offer excellent customer service. Hi-Lo remains focused on providing its customers with a great shopping experience, focusing on delivering on its “FS5” promise to its customers – *Fresh Stores, Full Shelves, Frequent Savings, Fast Service and Friendly Smiles*.

World Brands Services recorded significant growth in both revenue and pre-tax profit when compared with 2015. The Company added a new principal in 2016 which resulted in incremental revenue. Promotional activities throughout the year, as well as strong relationships with existing principals, and customers resulted in the growth of some of our major brands.

Our Jamaican manufacturing businesses had a remarkable year with both revenue and profit exceeding prior year. This performance was attributable in part to energy-saving initiatives and strong overall demand for our products both in Jamaica and the international markets. Dairy Industries (Jamaica) Limited and Grace Foods Processors (Meats) factory realised record profits for the year through reduced raw material prices and improved pork supplies. This is Really Great Yoghurt and Lishous recorded strong growth domestically, while Tastee Cheese and the line of Grace Soups grew in exports to the USA.

International Market

The international food companies showed positive year-over-year results for 2016 with Canada and the United Kingdom reaching new milestones for their businesses.

GraceKennedy Foods (USA) LLC saw growth in both the Grace and La Fe brands by 15% and 17% respectively, through increased distribution and marketing of products. During the 2nd half of 2016, the business recorded growth in the Walmart channel as well as with other key retailers. The recruitment of key expertise to drive the future growth of the business and the restructuring of the sales functions are just a few of the positive strides made in 2016, from which we have already begun to reap rewards. To close 2016, testing of the Grace Frozen Ackee began in key locations in the United States of America (USA). This promises to expand the options for our consumers as they seek more fresh market options. The Grace Jerk Festivals continue to be a hit throughout the USA and a new sponsorship agreement proved successful

when we hosted the largest Caribbean Block Party ever held on Pennsylvania Avenue in Washington D.C. The festivals are now supported by key chains such as Publix and Giant Foods with special displays and promotions as they seek to connect with our shared demographics. We will continue to invest in the Grace and La Fe brands and expect 2017 to be a new and exciting year for the business, as we seek to extract value from investments made.

GraceKennedy (Ontario) Inc. (GKO) performed excellently having executed well on key strategic initiatives that will shape the business for the future. The coconut category performed well with revenues growing by 18%. The organic line of coconut products, including organic coconut milk, sugar, vinegar and oil grew by 37%. As a result of its strong performance, GKO was appointed Category Advisor – Caribbean and Ethnic by Walmart in 2016. This has provided our Canadian business with the opportunity to strengthen and expand our presence in Walmart, which has over 400 stores in Canada.

Our food operations in Europe also performed well despite the uncertainty surrounding Brexit, and the resulting depreciation of the pound sterling. Grace Aloe drink continues to gain market share in the UK beverage market and not only competes in the Ethnic Drink category, but has successfully expanded into the mainstream beverage category, where it is positioned among the Top 10 UK juice brands. In recognition of the Grace Foods UK Limited's contribution to commerce, the company received three important awards from the Hertfordshire Chamber of Commerce: 'Overall Business of the Year', 'Medium to Large Business of the Year' and awards for 'Excellence in People Development'. Sales to the European market continue to show strong growth, and we expect to expand our presence and pursue opportunities in this region.

GraceKennedy Ghana Limited has shown resilience and has returned growth of 70% in revenues in what is still an early stage in the Company's operations. The Company however experienced lower margins due to increased competition. Our relationships within the retail channels have grown stronger and we continue to be positive about the growth prospects for this business. Looking forward, we will be reassessing the business model to increase Africa's contribution to total Group revenue.

GraceKennedy (Belize) Limited expanded its product range and consumer base with the introduction of the La Fe brand to its local market. Grace Foods Latin America and the Caribbean (GF LACA), which is the business responsible for food expansion within Latin America and the Caribbean, had an exceptional year, with all three Caribbean market regions recording growth in 2016.



Financial Services Segments

(INSURANCE, BANKING & INVESTMENTS AND MONEY SERVICES)

The Financial Services business segments showed growth in both revenue and pre-tax profit with the exception of the Banking and Investments segment which showed a decline in pre-tax profit. Pre-tax profit for all three segments showed an overall increase of 19.2%, moving from \$3.55 billion in 2015 to \$4.24 billion in 2016. This increase in profit was driven by the strong performance of both the Money Services and Insurance segments. Revenue showed an overall increase of 14.0% over 2015.

Financial Services Segments

(INSURANCE, BANKING & INVESTMENTS AND MONEY SERVICES) CONT'D.

The 2016 GK Financial Services segment report card is shown below:

2016 REPORT CARD		
	GOALS	STATUS
	Optimising domestic insurance and increasing penetration of our Insurance businesses across the Caribbean region	There was growth in new channels; GKGOOnline, GK General Insurance Company Limited's (GKG Insurance Company) online insurance platform, and Microinsurance with overall risk count growing by 9% during 2016. Our focus on regional expansion continued with GK Insurance (Eastern Caribbean) Limited, our insurance underwriting company in St. Lucia, which is now licensed to operate in three additional territories.
	Continued use of technology to drive operational efficiency and to improve customer service	This is a multi-year initiative with the Group making a number of strides in 2016. First Global Bank launched a new high-tech branch in Ocho Rios; relocated the Ligunea branch and expanded the features to include a Video Teller Machine, intelligent deposit ATM, and multi-currency dispenser. GKG Insurance Company continued the expansion of its online portal, GKGOOnline. GraceKennedy Money Services continued to grow their digital channels and focused on improving their efficiency ratio.
	The strengthening and growth of our Banking business	First Global Bank had strong growth in revenue mainly driven by a 14% increase in the loan portfolio. Deposits also grew by over 20%.
	Protect, grow and enhance the Money Services business and introduce innovative digital products in Money Services business	GraceKennedy Remittance Services Limited (GKRS) remained the dominant player in the Jamaican remittance market. In December 2016, the BOJ granted approval for a mobile wallet product, GK MPay. This service was introduced to the Jamaican public in February 2017.

INSURANCE

Insurance revenue growth of 9.9% was driven primarily by the performance of Allied Insurance Brokers Limited which experienced increased insurance cover and higher commission rates. GKGOOnline continues to be the leading online portal for motor insurance and became an important source of new business.

It allows customers the flexibility of choosing the coverage they need with the convenience of conducting the transaction online. GKGOnline's global reach in 2016, saw persons visiting the portal from over 50 countries, and purchases emanating from over 11 countries. GKG Insurance Company continues to innovate through its microinsurance products resulting in the revenue generated from this portfolio doubling year-over-year. Additionally, three new products, namely International Travel Insurance, Guaranteed Asset Protection (GAP) and School Personal Accident Protection policy, were launched in 2016. Focus on regional expansion continued and we are pleased to report that GK Insurance (Eastern Caribbean) Limited is now licensed to operate in three additional territories: St Vincent & Grenadines, Antigua and Barbuda and Grenada.

BANKING & INVESTMENTS

First Global Bank (FGB) reported strong growth in revenue driven by double-digit growth in the loan portfolio. Profitability declined over prior year primarily due to costs associated with network expansion and investments in technology. Loan provisions were also higher than prior year, however the Bank continued to effectively manage delinquencies and has seen a decline in the ratio of impaired loans to total loan portfolio. FGB continued to pursue its strategy of being the most convenient bank enabled by technology with the opening of a new high-tech branch in Ocho Rios and the upgrade and relocation of the Liguanea branch; both locations are outfitted with the Video Teller Machine, Intelligent Deposit ATM, and Multi-Currency Dispenser. We have seen a decline in the number of transactions done in branches that are supported by alternative channels. Similarly the number of calls to the Contact Centre to inquire about account balances has been trending downwards as more customers use the mobile banking app and Global Access for such transactions. Our Video Teller Machines which are at our Liguanea location now complete 38% of the transactions that would have been done over the counter. FGB also launched online account opening capabilities for checking and savings accounts as well as credit cards to reduce the time associated with opening any account. In 2016, FGB was also the first bank in Jamaica to issue the EMV chip-enabled debit card with the launch of FGB Visa Debit. The Visa Debit card offers the convenience of debit card use locally and overseas, as well as best-in-class security, which mitigates against card cloning.

GK Capital Management's (GKCM) advisory business made its mark in 2016, taking a leading role in the local merger and acquisition space having completed a number of transactions during the year valued over \$3 billion dollars. This included the divestment of UNIPET by Hagley Park Holdings and the acquisition of PETCOM by Phoenix Fuels and Accessories Limited. GKCM's principal investments business also achieved some key milestones with the establishment of its proprietary public equity trading portfolio which realised returns well in excess of the local market average and the growth of its leasing and lending portfolio to over \$1 billion.

MONEY SERVICES

GraceKennedy Remittance Services Limited (GKRS) remained the dominant player in the local Jamaican remittance market and continues to be strategically focused on protecting its market-leader position, increasing market share, identifying opportunities for expansion, and enhancing delivery of services through digitisation. In December 2016, the Bank of Jamaica (BOJ) approved GKMS' mobile wallet application. The product, GK MPay, was launched to the general public in February 2017 providing the convenience for Jamaicans to carry out payments and other money services on their mobile phones. Growth in revenue and profit for the GKMS surpassed expectations in 2016 driven by the strong performance of the foreign currency trading business in Jamaica and Money Services business in Trinidad. In November 2015, GKMS began offering money transfer services in Cayman. That business performed impressively in its first year of operations and closed 2016 with a net profit and significant market share position.

Our Money Services businesses have developed a robust programme to detect and deal with money laundering and other fraudulent schemes. These activities are a real risk to the money services industry and to our economy, and we remain vigilant in establishing strong measures and putting in place the right processes, technology and infrastructure to reduce the impact of these on our business. We remain committed to meeting all our regulatory responsibilities, following best practices and market standards in areas of accountability, transparency and business ethics.

Where We Earn

Revenue by Geographical Area (J\$ Millions)	2012	2013	2014	2015	2016	2016 % Contribution to Revenue
Jamaica	40,599	43,041	37,497	40,248	45,344	51.4%
Europe	9,331	11,165	14,282	14,290	14,058	15.9%
North America	7,793	9,042	14,205	19,744	22,218	25.2%
Other Caribbean Countries	3,458	3,798	4,538	5,248	6,339	7.2%
Africa	41	79	183	96	164	0.2%
Other countries	118	133	134	116	145	0.2%
Total	61,340	67,258	70,840	79,742	88,268	100%

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 60% of our revenue from outside Jamaica.

Our revenue from North America is accounting for a larger share of our revenue, growing by 12.5% over 2015. This is due to the growth in revenue from both the Grace and the La Fe brands through GraceKennedy Foods (USA) LLC and GK Ontario.

Revenue from the European market contracted and thus contributed a reduced percentage to the overall Group. This reduction was mainly due to the UK food business reporting lower revenue in Jamaican dollars as a result of the depreciation of the Pound Sterling. Africa's revenue increased by 70.5%, driven by improved distribution of Grace products, the introduction of new products and the overall strengthening of the Grace brand. Total revenue outside of Jamaica was 48.6% compared with 49.5% in 2015.

Our People

The GraceKennedy Group continues on its path of developing its human capital to effectively support the vision of being a world-class global group and this objective is owned by our leadership at all levels. The Human Resource (HR) Transformation continues to take shape through the analysis of Strategic Key Performance Indicators, HR Governance, Technology, Operating Efficiencies and implementing an HR Operating Model that best fits a conglomerate which operates in multiple markets.

ENGAGEMENT & DIVERSITY MANAGEMENT

The foundation for transitioning from the measurement of Employee Satisfaction to Employee Engagement is now in place, anchored by five pillars: Meaningful Work, Hands-on-Management, Positive Work Environment, Growth Opportunity and Trust in Leadership.

Based on our demographics, 50% of our people work outside of Jamaica, 53% of our workforce is female and of the three generations in the organisation, millennials make up 46% of the Group. Consequently, our engagement initiatives are reflective of our diverse workforce, with flexibility for local customisation in each market.

TALENT & GLOBAL MOBILITY

A significant amount of time was spent in 2016, across all businesses, ascertaining the global skills gaps in technical areas that will need to be closed by 2020. These gaps will be closed over the next three years through the avenues of accelerated development, market exposure and/or strategic recruitment, in tandem with succession planning. To support our Global Mobility Programme, we have revised our Transfer Policy by instituting a robust approach to inter-company/country transfers.

The GK Internship Programme continues as a part of our Social Corporate Responsibility, where we pride ourselves on “Building a Nation through the Next Generation”. Simultaneously, ongoing programmes designed to develop future leaders are being implemented. The Diamonds Programme was launched in 2016 with forty-six participants from Jamaica, Belize, Guyana, Trinidad & Tobago, UK and Canada. This Programme embraces the 360 Degree Development for personal, technical and professional growth.

TOTAL REWARDS

Special focus has started in the areas of enhancing Recognition & Retention, Career Development, Promotions, Salary and Benefits and Performance Management. Total Rewards maps the links between: the benefit of each job, culture, and GK’s mission and values.

Corporate Social Responsibility

For the past 94 years, we have applied our expertise and resources to address the issues that affect the communities in which we do business in order to positively impact people, society and the environment.

SPORTS

GraceKennedy has always firmly believed in supporting the growth and development of young people through sports. During 2016, the Company sponsored several activities including: the flagship event GraceKennedy/ISSA Boys and Girls Championships, and the ISSA/Grace Cricket Shield competitions. GraceKennedy was honoured to have been the official Food & Nutrition Sponsor for the 2016 Jamaican Olympic team providing food products, nutritional support and covering the costs for Chef Karl Thomas, who was contracted by GK Foods to oversee the preparation of meals for the Jamaica contingent in Rio de Janeiro, Brazil.

GRACEKENNEDY FOUNDATION

In 2016, the GraceKennedy Foundation continued to fulfil its commitment to nation building primarily through its educational, environmental and Jamaica diaspora initiatives. The Foundation embarked on a new project with the Dudley Grant Memorial Trust to improve the quality of early childhood teaching and learning through the development of innovative science curricula. The project focuses primarily on teacher training and parenting workshops to create nurturing environments to foster and encourage imaginative and inventive learning and play. In Phase One of the project, four basic and infant schools in Central Kingston will receive this intervention. In addition to this, sixteen grants were awarded to organisations that focus on early childhood education, special needs, and environmental sustainability.

The Foundation’s scholarship programme provides talented students with the opportunity to attend university in Jamaica. In 2016, approximately 100 students studying at the University of the West Indies, University of Technology, Edna Manley College and the Caribbean Maritime Institute received scholarships valued at J\$19 million.

Through the GraceKennedy Birthright Programme, the Foundation hosted four university students who are second or third generation Jamaicans born in the USA, UK and Canada for five weeks. The students were exposed to a diversified Jamaican experience through music, social activities and professional tutelage through internships at GraceKennedy.

Corporate Social Responsibility

GRACEKENNEDY FOUNDATION (CONT'D)

The Plastic Bottle Collection Programme continues to be well received. Employees are actively participating in the recycling effort at work and bringing their plastic bottles from home for collection. By the end of 2016, over 21,000 lbs. of plastic were collected from GK subsidiaries. In addition, four new schools were added to the Programme.

As part of GraceKennedy's 94th Anniversary celebrations, a beach clean-up exercise dubbed 'Harbour Haul' was held during September 2016. Over ninety staff members and sixty students from Campion College turned out to participate in International Coastal Clean-up Day where the team cleaned a section of the Kingston Harbour located in front of the downtown office. A plastic bottle collection initiative was also implemented at the ISSA/GraceKennedy Boys and Girls Championships.

GRACE AND STAFF COMMUNITY DEVELOPMENT FOUNDATION

The seventh staging of the GraceKennedy Education Run took place on July 10, 2016. The event was supported by over 3,000 participants and resulted in over \$5 million being raised in support of the Foundation's education programmes.

During 2016, over 400 students benefited from the bursary support programme; \$6.9 million was spent on tertiary support and \$2.4 million on secondary school support.

Over 2,000 persons were impacted through the Grace and Staff Foundation's outreach activities. In addition to conducting workshops, seminars and school presentations, 228 students from the St Michael Infant and Lalyce Gray Basic Schools were treated to a day of activities and Christmas cheer.

Grace and Staff partnered with the Scientific Research Council to host another STEM (Science, Technology, Engineering and Mathematics) Summer Camp in July. Thirty students from schools located in downtown Kingston participated in this camp. Our partnership with the Bob Marley Foundation included participation in the One Love Youth Camp, and the Launch of the Marley Music Room located at the GK/Parade Gardens STEM Centre.

GraceKennedy Ltd earned second place recognition from American Chamber of Commerce for Civic Leadership and Corporate Social Responsibility, evidenced by the work and impact of both Foundations.

Risk Management and Internal Controls

Risk is inherent in all business activities. It is not always possible or 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.

GRACEKENNEDY RISK MANAGEMENT FRAMEWORK

In 2016, 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 (ERM). The RMF provides a common basis for the identification, assessment, management, monitoring and reporting of risk on a continuous basis. Elements of the RMF include:

- A Risk Policy that governs the management of the Risk Management Framework and outlines the risk management responsibilities of the GraceKennedy Board of Directors, Audit Committee and Management;
- A GraceKennedy Risk Appetite Statement that defines the boundaries within which the Management, Executive Committee and Board of Directors will pursue the strategic objectives of the Group;
- A governance framework that supports formal reporting by company executives on topical risk and control issues, control self-assessments and the results of internal and external audit reports;
- Monitoring mechanisms that help provide assurance to the Audit Committee and Board about the maintenance of internal controls;
- The Risk Assessment Reporting Standard that identifies the mandatory requirements relating to risk assessment and mitigation;
- The Risk Assessment Guidelines that outline how all areas of the business must identify, evaluate, manage, monitor, and report on risks on an ongoing basis;
- Tools and methodologies that allow for the nimble identification and reporting of material risks to the GraceKennedy Executive Committee, the Business Unit Audit Committees, the Group Audit Committee, and the GraceKennedy Board of Directors;
- Self-Audit Guidelines and accompanying tool kit that has been designed to encourage the Company's business and support units to proactively identify and act quickly on process and control weaknesses.

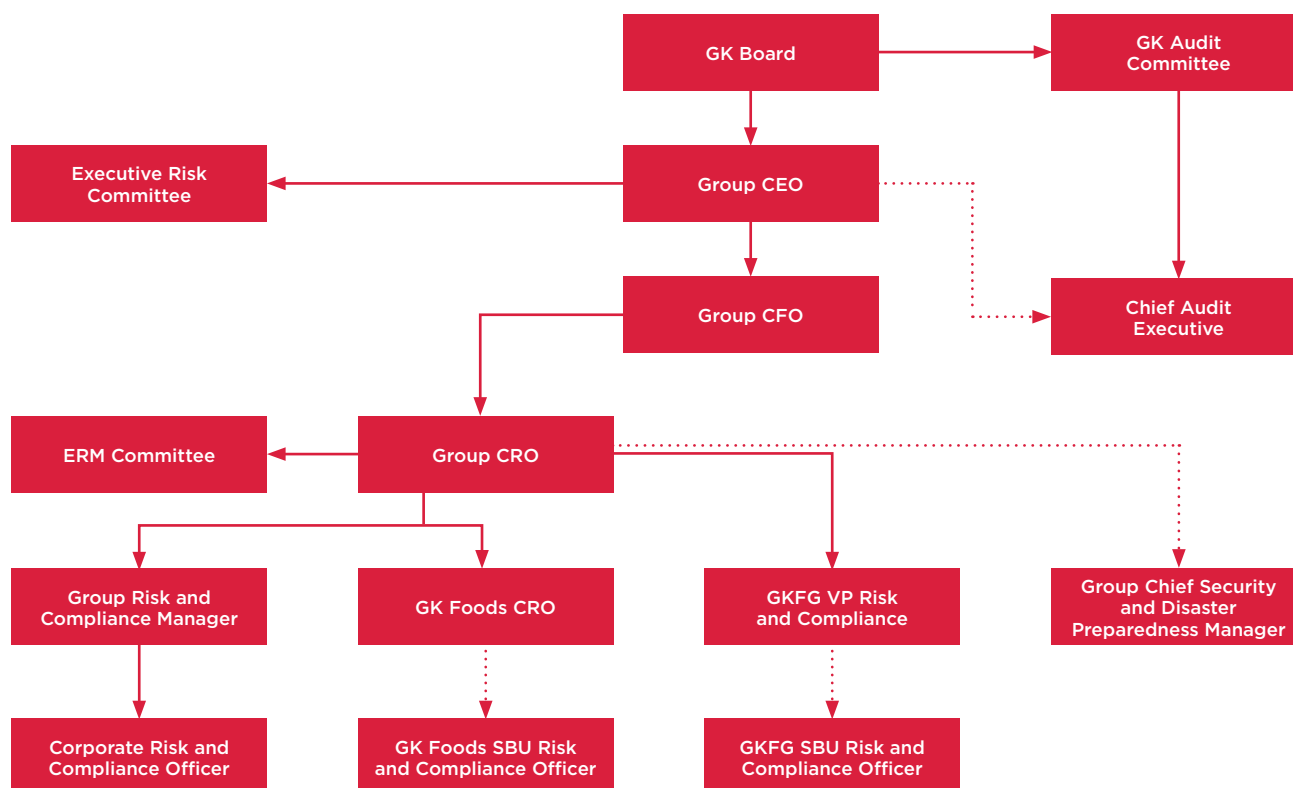
RISK MANAGEMENT GOVERNANCE

The GraceKennedy Board is ultimately accountable for determining the Group's risk profile and ensuring that management has appropriate policies and internal controls in place. The Board has charged the Group Audit Committee with the responsibility for overseeing the Risk Management Programme on its behalf in accordance with its Terms of Reference. 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 the management team of the business units. Management is responsible for identifying, assessing, quantifying, reporting, and managing all risks within their respective lines of business. Management 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 also 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 Company'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 Group's strategy while still managing the risks that accompany the opportunities available. The Enterprise Risk Management (ERM) Committee 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 five times a year and monitors the progress of the Group's ERM programme through a Balanced Scorecard.

Risk Management Governance Framework



MILESTONES AND CHALLENGES IN 2016

To support GraceKennedy's vision of being 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 improves, the strategic initiatives necessary to continue to improve 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 2016, the Company actively pursued four risk management initiatives:

- Created guidelines for root cause analysis and incident reporting and conducted comprehensive training at the business and support unit level;
- Increased engagement across the Group to proactively communicate with all members of staff about their roles and responsibilities in managing risk and conducted ongoing training of staff in the use of the risk management tools;
- Developed a universal register of compliance obligations for all business and support units across the Group;
- Conducted due diligence on possible Governance Risk and Compliance software solutions to enhance the efficacy of the Group's ERM programme.

RISK ASSESSMENT

GraceKennedy operates in various geographical regions across several industries. The Group paid particular attention to the following external risks throughout 2016:

- Loss of correspondent banking relationships in the financial services industry across the developing world and effects it may have on GraceKennedy Ltd.;
- The rapid disruption of established industries by digitisation (4th Industrial Revolution);
- The effects terrorism, mass migration and climate change may have on supply chain management and expansion plans;
- How the needs of the millennial and baby boomer generations could change GraceKennedy's product and service focus;
- The rise of populism in developed countries and the changes that it brings to the political, economic and environmental landscapes in the markets in which the Group operates.

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 manufacturing and distribution. 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 subsidiaries and are borne by these subsidiaries. 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

Risk Management & Internal Controls

CREDIT RISK (CONT'D)

receivables from customers, agents and the amounts due from reinsurers, insurance contract holders and insurance brokers, and 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 lenders.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively as applicable, since 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 carry out extensive research and monitor the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

CURRENCY RISK

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

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

INTERNAL CONTROLS

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 (GIA) Department and its activities are guided by its Charter as approved by GraceKennedy Limited (the Board). The GIA reports independently (through the Audit Committee) to the Board 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 2016.

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.

Group Internal Audit

INTERNAL CONTROLS (CONT'D)

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

- Reliability and integrity of the accounting principles and practices, financial statements and other financial reporting;
- Internal audit functions of the Company and the Group;
- Risk management functions and processes of the Company and the Group;
- Qualifications, independence and performance of the external auditors of the Company;
- System of internal control and procedures established by Management and reviewing their effectiveness; and
- The 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 2016 with a focus on continuous improvement, use of technology to drive efficiency and continued client support and relationship building. The activities in 2016 included ongoing internal quality assurance and peer reviews, as well as programmes of continuous education and exposure for the department.

The Internal Audit team completed other significant activities in 2016 which included inter alia:

- » Formulated and agreed with the Group Audit Committee and subsidiary Audit Committees, the audit plan, strategy and scope of work; ensuring the annual internal audit plan is designed to assist in attaining the Group's strategic objectives;
- » Reviewed compliance with internal policies, procedures and standards, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's internal control system;
- » Conducted assurance reviews as well as analysed and assessed certain key business processes, and made recommendations to improve their effectiveness and efficiency;
- » Reviewed the adequacy and effectiveness of management's processes for risk management, internal control and governance;
- » Reviewed the internal audit charter for possible modification and approval by the Group Audit Committee;
- » Reviewed means of safeguarding the Group's assets;
- » Coordinated audit efforts and provided support to the external auditors;
- » Provided 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;

- » Provided management with feedback about their self-audit process;
- » Presented training opportunities and provided exposure to internal controls for business unit team members by facilitating short-term rotation opportunities to work in internal audit.

For 2017, the focus 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;
- External quality assessment review by the Institute of Internal Auditors (IIA).

In keeping with good corporate governance practices and maintaining an effective internal audit function, the Group Internal Audit Department will in 2017, undergo an external quality assessment review of its processes, practices and activities, which will be conducted by the Institute of Internal Auditors (IIA). These external assessments, conducted every 5 years, enhance value, as they enable the internal audit activity to evaluate conformance with the IIA Standards; internal audit and audit committee charters; the organisation's risk and control assessment; the effective use of resources; and the use of successful practices. The previous quality assessment review was conducted in 2012 and indicated appropriate conformance to the Standards.

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 2016, Group Internal Audit had conducted approximately 90 audits, which included several IT audits.

Future Outlook

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

In 2017, our 95th year of operation, while celebrating the successes of the past, we recognise that growth demands that we continuously innovate and set new milestones for the future. To achieve this, GraceKennedy's strategic focus will continue to be guided by our goal of becoming a Global Consumer Group and Regional Financial Services Group. Both Divisions executed on this vision in 2016, where Insurance and Money Services gained approval for entry into new markets in the Caribbean; and GK Foods expanded distribution into new channels in several countries. We intend to move closer towards achieving our goal by executing the following four pillars of success outlined by our 2020 Campaign Map:

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

Group Internal Audit

INTERNAL CONTROLS (CONT'D)

GROWTH AND SUSTAINABILITY

GraceKennedy intends to pursue several growth opportunities while reinforcing the existing core operations of our business. Our Jamaican Food Trading business will continue to strengthen its current standing in the market by improving the distribution and accessibility of our products. Plans include, increased production volumes from our factories through Grace new product growth and new co-packing business, the ongoing project of renovating our Hi-Lo retail stores, and a major consumer promotion, #GoHard, aimed at rewarding our loyal customers. We believe that these initiatives will provide a solid platform for the future growth and success of the local food business.

On the International Food side, we will continue to pursue new markets through our operations in North America, Europe and Africa. In the USA, we will build brand equity for the Grace and La Fe brands and invest in infrastructure to optimize warehouse facilities and logistics. In Canada, we will develop our distribution arm in the western provinces. We will aim to expand our European operations by pursuing opportunities for strategic partnerships and to push our products into mainstream food categories. As our foothold in Africa strengthens, we will introduce more of our products to the Ghanaian market and broaden distribution through new market channels. However in Ghana, we do not foresee that we will achieve our original 2020 growth target for the region. Africa is a key growth area for the business and so we are reassessing the business model to bolster Africa's contribution to total Group revenue.

As the GK Financial Group cements its core operations and increases its presence in the market, we will pursue initiatives geared at expanding our product offerings through digital channels and improving our efficiency levels. The upcoming year will see FGB local network expansion and regional expansion for GKMS and GKI being important drivers of growth as we seek to broaden our customer base in new segments and territories.

CUSTOMER CENTRICITY AND INNOVATION

In a world of rapid technological advancements, the GraceKennedy Group recognises the need to remain relevant and focused on meeting the ever-changing needs of our clients and consumers. To this end, GraceKennedy is currently pursuing opportunities to increase the use of digital channels in our operations. We expect that this innovation will make our financial offerings the most convenient choice for our customers. One such new channel is GK MPay, the mobile wallet solution from GraceKennedy Money Services, which was launched February 2017. GK MPay allows users to, among other things, pay bills, conduct peer-to-peer transactions, and pay for goods and services at retail locations from their mobile phones. We believe that this innovative solution will increase financial inclusion in Jamaica and provide a secure, convenient option for conducting transactions. On the Food side, we will continue to provide new products that meet our consumers' needs across the various markets and engage our domestic customers through our new promotion. Consumers will be able to participate in the campaign, through in-store purchases, social media and digital marketing promotions, road shows, for a chance to win one of four grand prizes. In 2017, our Group loyalty programme, GraceKennedy Value Rewards, which now boasts over 100,000 members, will provide us with a valuable business intelligence asset to provide customer insights and guide future business strategy.

OPERATIONAL EXCELLENCE

In order to continue delivering value to our customers and shareholders, operational efficiency must remain a vital focus of GraceKennedy. One major opportunity for improving operational excellence is the entry of FGB into the area of Agency Banking. Through this channel, the Bank will be able to reach thousands of potential customers without the usual high capital outlay involved in setting up a traditional full service branch. Technology will also be used as a key component in achieving our goal of operational excellence.

An example of this in 2017, will be the multi-million dollar investment in the implementation of an enterprise resource planning (ERP) software at Hi-Lo which will streamline processes at the retail stores and ultimately lead to a more satisfying customer experience.

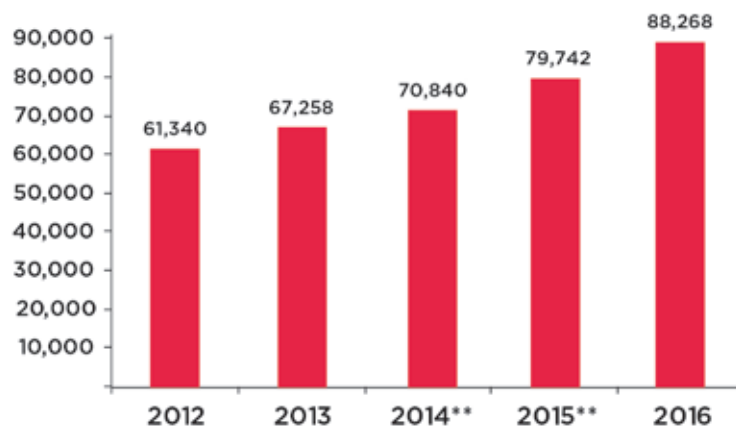
PERFORMANCE DRIVEN ORGANISATION

At the core of any successful organisation are employees who are motivated to continually improve their performance. In 2017, we will commit to this goal through our strategic theme, “Together, we are GraceKennedy: Building a world-class Global Group”. The theme reflects the emphasis on aligning the Group’s strategy and vision and a culture of excellence with an engaged and united team. As we continue to expand internationally, the Group has committed to the development of a Global Talent Mobility Programme. This programme will enable us to invest the resources needed to ensure that the right people are employed in the right places, seamlessly executing their duties across the globe.

KEY EXPECTATIONS FOR 2017

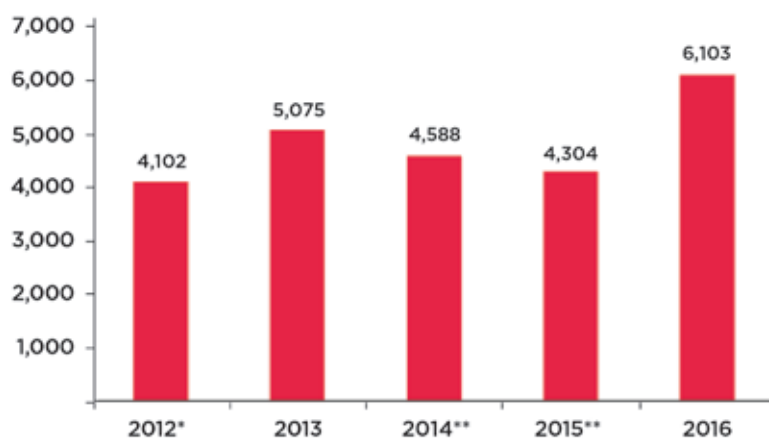
- Accelerating the introduction of digital products/channels to ensure that our customers can have a seamless user experience;
- Improving operational efficiency through the use of technology;
- Strengthening the Domestic Food operations through increased customer engagement, improvements to the distribution centre, and investments in our retail stores;
- Executing our financial inclusion strategy through agency banking channels to target the unbanked and underbanked;
- Extending our financial services reach in the Caribbean through entry into new countries;
- Optimising the distribution channel in the USA through increased investments in warehousing and logistics and a focus on building brand equity for the La Fe and Grace brands;
- Pursuing growth opportunities in Europe and building on already established platforms in the region;
- Strengthening the Group’s talent pool by identifying, planning and developing skill-sets to support global expansion.

Revenue (J\$ Millions)



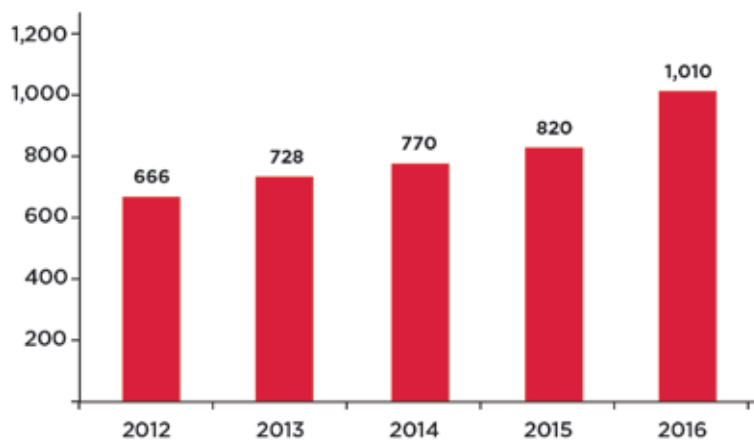
**From continuing operations

Profit Before Tax (J\$ Millions)

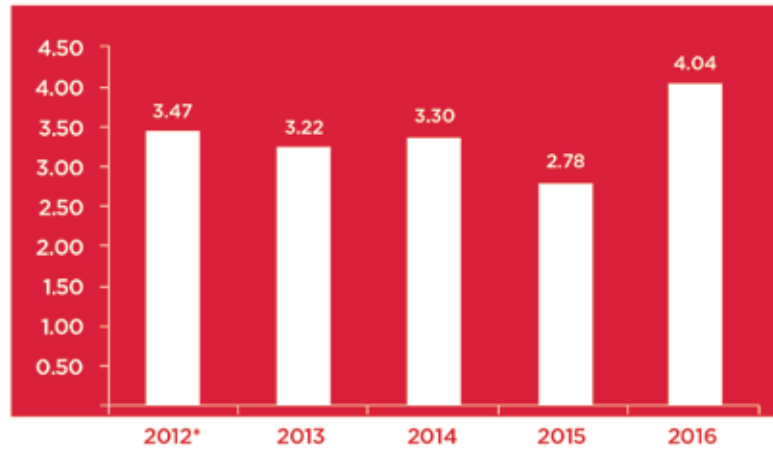


*Restated **From continuing operations

Dividend (J\$ Millions)



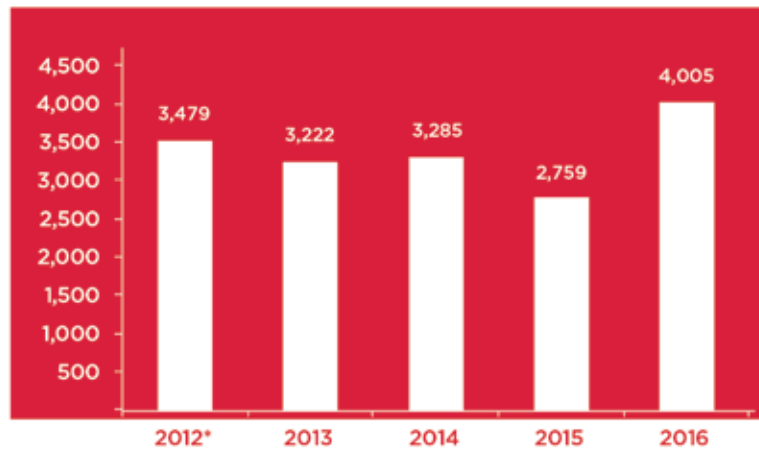
Earning Per Stock Unit – basic



*Restated

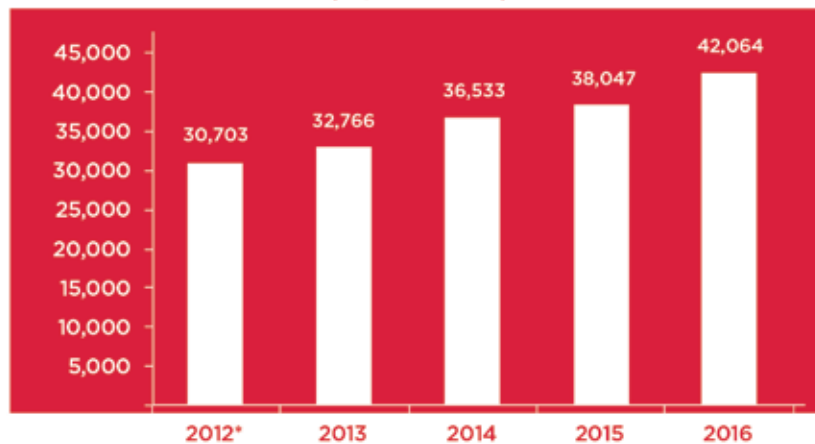
EPS 2012-2015 restated for comparison purposes due to 3-for-1 stock split, which was effective August 11, 2016

Net Profit Attributable to Stockholders (J\$ Millions)



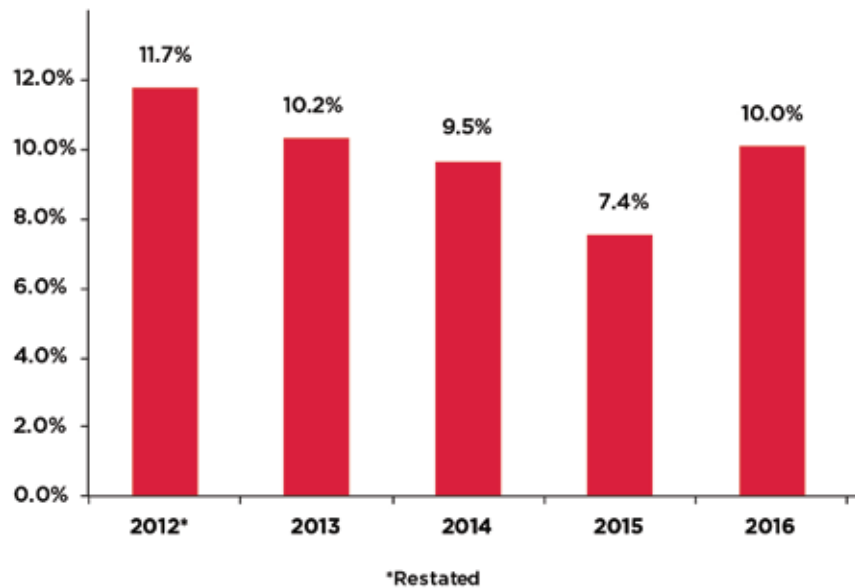
*Restated

Shareholders' Equity (J\$ Millions)

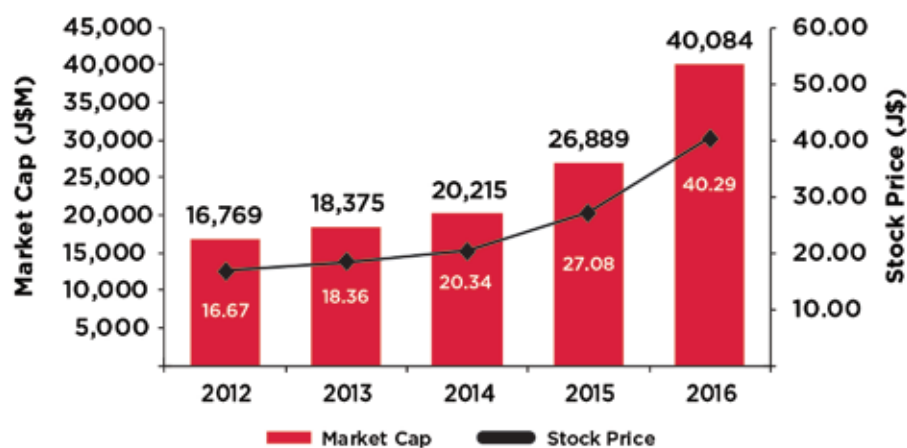


*Restated

Return on Equity



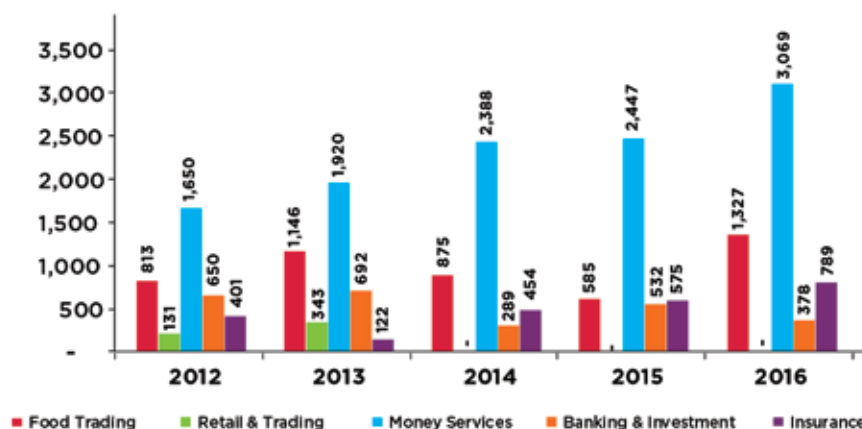
Market Capitalisation



*Market price restated for comparison purposes due to 3-for-1 stock split, which was effective August 1, 2016

Contribution to Pre-Tax Profit by Segment*

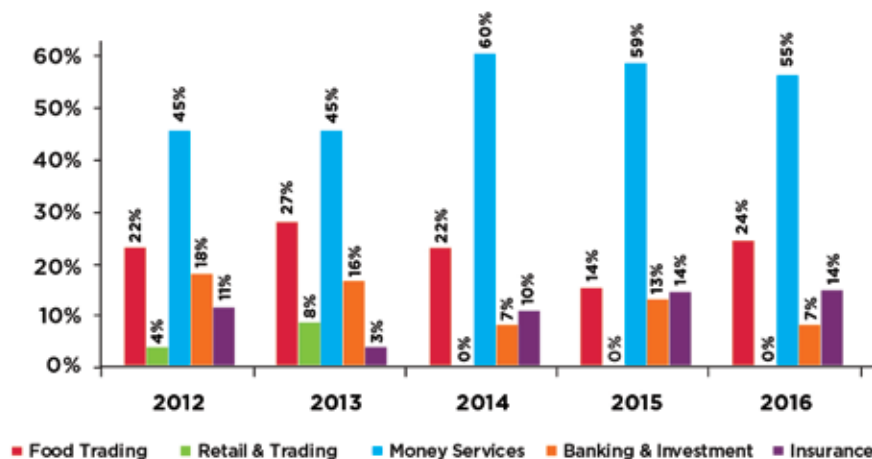
(J\$ Millions)



*Excluding unallocated income

Contribution to Pre-Tax Profit by Segment*

(%)



*Excluding unallocated income



Leadership Team & Corporate Data

PROFILE OF DIRECTORS

AS AT FEBRUARY 28, 2017



Gordon 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 Wehby

Group Chief Executive Officer
GraceKennedy Limited

PROFILE OF DIRECTORS

AS AT FEBRUARY 28, 2017





1. 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.

2. 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.

3. Frank A. R. James

GraceKennedy Group Chief Financial Officer.

4. 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.

5. Everton L. McDonald, O.O.

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

6. 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 Boards of Trustees of the GraceKennedy Pension Schemes.

7. Gina M. Phillipps Black

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



Directors & Corporate Data

AS AT FEBRUARY 28, 2017

DIRECTORS

Professor The Hon. Gordon Shirley, OJ
Chairman

Donald G. Wehby
Group Chief Executive Officer

Mary Anne V. Chambers, O.Ont.
Joseph P. Esau
Frank A. R. James
Dr. Parris A. R. Lyew-Ayee Jr
Everton L. McDonald, OD
Hon. 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.
CIBC 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

WEBSITE

www.gracekennedy.com

Senior Management

AS AT FEBRUARY 28, 2017

CORPORATE OFFICE

Donald Wehby
Group Chief Executive Officer

Frank James
Group Chief Financial Officer

Karen Chin Quee Akin
Chief Corporate Secretary/
General Counsel

Cassida Jones
Group Chief Human
Resources Officer

Andrew Messado
Group Comptroller

Cathrine Kennedy
Group Chief Risk Officer

Debra Dodd
Chief Audit Executive

Klao Bell-Lewis
Head of Corporate
Communication

Simon Roberts
Group Chief
Information Officer

Steven Whittingham
Chief Investment Officer

Michael Ranglin
Executive Chairman
GraceKennedy Properties Limited

GK Financial Group

GRACEKENNEDY FINANCIAL GROUP LIMITED

Grace Burnett
Chief Executive Officer

ALLIED INSURANCE BROKERS LIMITED

Amanda Beepat
Managing Director

GK GENERAL INSURANCE COMPANY LIMITED

Grace Burnett
Managing Director

Andrew Leo-Rhynie
General Manager

GK INSURANCE BROKERS LIMITED

Marie Beckford
General Manager

GK INSURANCE (EASTERN CARIBBEAN) LIMITED
(FORMERLY EC GLOBAL INSURANCE COMPANY
LIMITED)

Grace Burnett
Director

FIRST GLOBAL HOLDINGS LIMITED

Grace Burnett
Chief Executive Officer

FIRST GLOBAL BANK LIMITED

Mariame Robinson
President and Chief Executive Officer

Paula Barclay
General Manager

GK CAPITAL MANAGEMENT

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
Chief Executive Officer

Senior Management

AS AT FEBRUARY 28, 2017 (CONT'D)

GRACEKENNEDY PAYMENT SERVICES LIMITED

Michelle Allen
Chief Executive Officer

GRACEKENNEDY CURRENCY TRADING SERVICES LIMITED

Michelle Allen
Chief Executive Officer

GRACEKENNEDY MONEY SERVICES (ANGUILLA) LIMITED

Michelle Allen
Chief Executive Officer

GRACEKENNEDY MONEY SERVICES (ANTIGUA & BARBUDA) LIMITED

Michelle Allen
Chief Executive Officer

GRACEKENNEDY MONEY SERVICES (MONTSERRAT) LIMITED

Michelle Allen
Chief Executive Officer

GRACEKENNEDY MONEY SERVICES (ST KITTS-NEVIS) LIMITED

Michelle Allen
Chief Executive Officer

GRACEKENNEDY MONEY SERVICES (ST VINCENT) LIMITED

Michelle Allen
Chief Executive Officer

GRACEKENNEDY MONEY SERVICES (CAYMAN) LIMITED

Michelle Allen
Chief Executive Officer

GRACEKENNEDY MONEY SERVICES (TURKS & CAICOS) LIMITED

Michelle Allen
Chief Executive Officer

SIGNIA FINANCIAL GROUP INC*

Paul Ashby
Chief Executive Officer

TRIDENT INSURANCE COMPANY LIMITED*

H. C. Algernon Leacock
Managing Director

GK FOODS

FOODS DOMESTIC

Andrea Coy
Chief Executive Officer
GK Foods Domestic Business

Andrew Ho
Senior General Manager
Manufacturing

Zak Mars
Head of Innovation & Global Sourcing

Lorna Reynolds-Minott
Divisional Chief Financial Officer-Acting

Angeline Gillings
Chief Global Category Management Officer

Dianne Robinson
Chief Supply Chain Officer

DAIRY INDUSTRIES (JAMAICA) LIMITED*

Andrew Ho
General Manager

GK FOODS & SERVICES LIMITED

Andrea Coy
Managing Director

Andrew Wildish
General Manager
Grace Food Processors (Canning) Division

Radcliffe Walker
General Manager
Grace Food Processors (Meats) Division

*Associated Companies

Renee Nathan
General Manager
Hi-Lo Food Stores Division

Dave Mitchell
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

Danielle Longman
Head of Planning & Strategy
GK Foods International Business

GRACEKENNEDY FOODS (USA) LLC.

Ryan Mack
President & Chief Executive Officer

Gavin Jordan
Chief Financial Officer

Derrick Reckord
Senior Vice-President – Southern USA

Ricardo Bryan
Senior Vice-President – Northern USA

David Hernandez
Senior Vice-President
Marketing, Brand & Business Development

Carl Barnett
Senior Vice-President
Manufacturing

GRACEKENNEDY (BELIZE) LIMITED

Gilroy Graham
Executive Chairman

Marcello Blake
General Manager

GRACEKENNEDY (ONTARIO) INC.

Lucky Lankage
President

GRACE FOODS LATIN AMERICAN AND CARIBBEAN (GF LACA)

Stephen Saddler
Regional Business Manager

GRACE FOODS UK LTD

Adam Reader
Managing Director

Brian Mitchell
Chief Financial Officer

Alan Polding
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

GRACEKENNEDY GHANA LIMITED

Robert Walker
General Manager

Executive Management



Donald Wehby
Group Chief Executive
Officer



**Mariame McIntosh
Robinson**
President & Chief
Executive Officer
First Global Bank



Karen Chin Quee Akin
Chief Corporate
Secretary/
General Counsel



Andrea Coy
Chief Executive Officer
GraceKennedy Foods
Domestic



Frank James
Group Chief Financial
Officer



Cassida Jones
Group Chief Human
Resource Officer



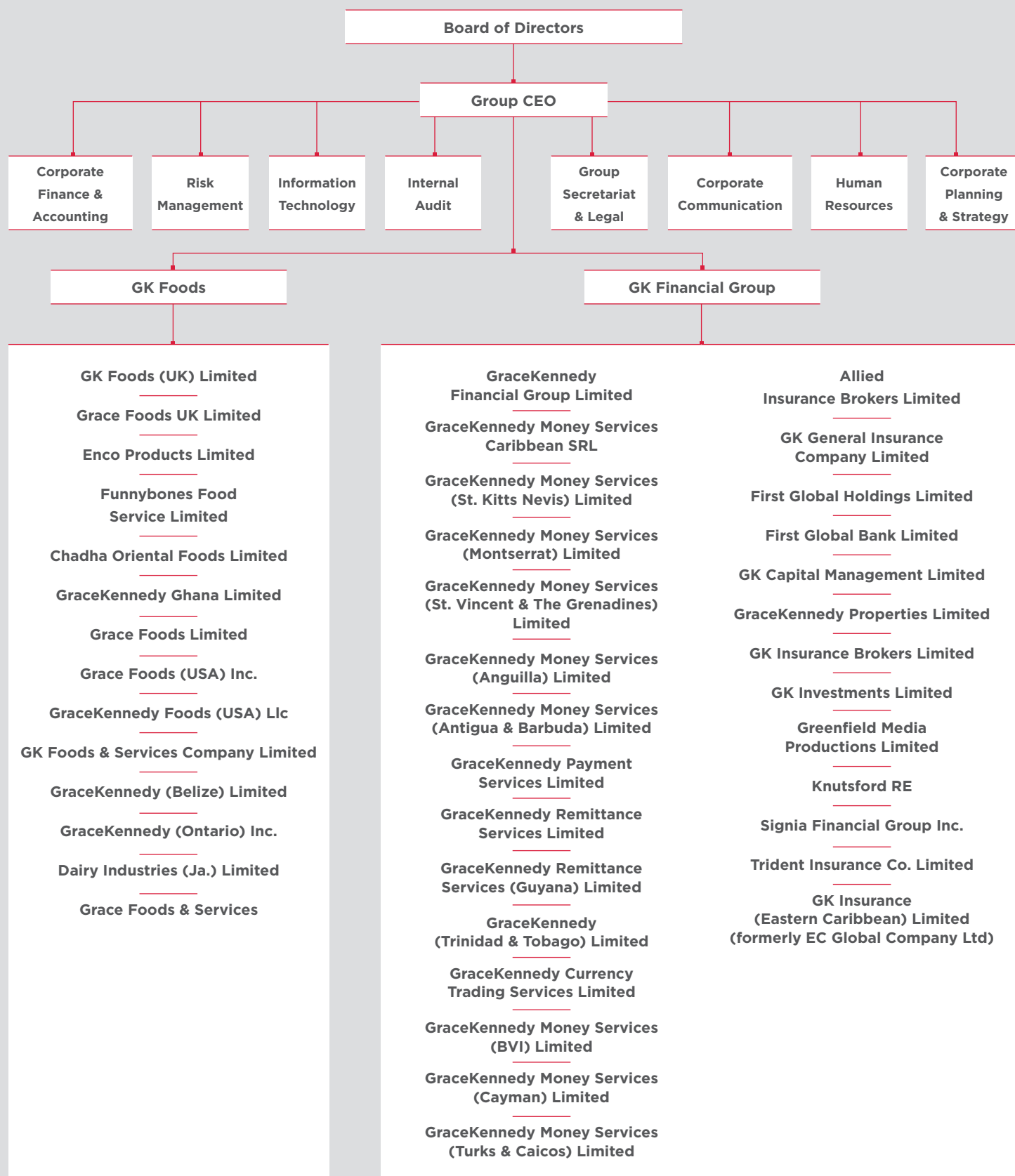
Ryan Mack
Chief Executive Officer
GK Foods International
Business



Grace Burnett
Chief Executive Officer
GraceKennedy Financial
Group



Organisational Chart



Shareholdings of Directors

AS AT DECEMBER 31, 2016

ORDINARY STOCK UNITS OF NO PAR VALUE

Douglas R. Orane*	21,372,089
Donald G. Wehby*	10,929,855
Frank A. R. James	2,010,153
Gordon V. Shirley	626,896
Joseph Esau*	398,126
Mary Anne Chambers	181,766
Everton McDonald	184,334
Gina Phillipps Black	134,579
Parris Lyew-Ayee	98,684
TOTAL	35,936,482

*Includes stockholdings of connected persons

Shareholdings of Executive Committee Members

AS AT DECEMBER 31, 2016

ORDINARY STOCK UNITS OF NO PAR VALUE

Donald G. Wehby*	10,929,855
Frank A. R. James	2,010,153
Michael Ranglin	1,688,350
Ryan Mack	1,202,460
Cassida Jones	782,205
Karen Chin Quee Akin	665,727
Grace Burnett	622,218
Andrea Coy	500,043
Mariame McIntosh Robinson	414,708
TOTAL	18,815,719

*Includes stockholdings of connected persons

Stockholders' Profile

	31/12/2016 STOCK UNITS	%
Private Individuals	282,870,507	28.43%
Insurance Companies, Trust Companies & Pension Funds	329,417,026	33.11%
Private Companies	72,489,035	7.29%
Public Listed Companies	342,660	0.03%
Investment Companies/Unit Trusts	173,248,946	17.41%
Others	84,192,193	8.46%
Directors & Senior Managers	41,397,485	4.16%
Nominee Companies	10,929,040	1.10%
	994,886,892	100.00%

Top Ten Stockholders

AS AT DECEMBER 31, 2016

	NAME	ORDINARY STOCK UNITS	%
1	Sagicor Pooled Equity Fund	68,823,374	6.92%
2	NCB Insurance Co. Ltd. A/c WT109	54,412,956	5.47%
3	GraceKennedy Limited Pension Scheme	44,922,201	4.52%
4	National Insurance Fund	41,790,339	4.20%
5	ATL Group Pension Fund Trustees Nominee Ltd.	25,404,561	2.55%
6	FCIB (Barbados) Limited A/c C1191	22,825,059	2.29%
7	JCSD Trustee Services Ltd - Sigma Optima	21,817,116	2.19%
8	Douglas Orane	20,487,365	2.06%
9	Michele Marie Kennedy	19,696,716	1.98%
10	FredKenn Limited	16,827,381	1.69%
			33.87%





THE GRACEKENNEDY FOUNDATION

Board of Directors

AS AT FEBRUARY 28, 2017

Professor Elsa Leo-Rhynie
Chairman

Mr. U. Philip Alexander

Mr. Noel Greenland

Ms. Cathrine Kennedy

Mr. Fred Kennedy

Mrs. Fay McIntosh

Mr. James Moss-Solomon, CD, JP

Mr. Radley Reid

Professor Elizabeth Thomas-Hope

Mrs. Hilary Wehby

Mrs. Caroline Mahfood
Secretary/Executive Director



GraceKennedy Volunteers working at the Kingston Harbour on International Coastal Cleanup Day observed on Saturday September 17, 2016.

The GraceKennedy Foundation Directors' Report

In 2016, the GraceKennedy Foundation continued to fulfil its commitment to nation building primarily through initiatives in the areas of education, the environment and diaspora engagement.

MAJOR PROJECT FOR 2016 – PIONEERING EARLY CHILDHOOD SCIENCE PROJECT

Sixteen grants were awarded to organisations that focus on early childhood education, special

needs, and environmental sustainability. The Foundation embarked on a new project with the Dudley Grant Memorial Trust to improve the quality of early childhood teaching and learning through the development of an innovative science curriculum. The project focuses primarily on teacher training and parenting workshops to create nurturing environments to foster and encourage imaginative and inventive learning and play. In Phase I, four basic and infant schools in Central Kingston will receive this intervention.



Renee Nathan, General Manager of Hi-Lo Foods and Professor The Hon. Gordon Shirley present the Middlesex award to the Charlemont High School team for winning the GraceKennedy Foundation's '#ChooseMyPlate' Competition.



Professor Elsa Leo-Rhynie, Donald Wehby and Professor The Hon. Gordon Shirley present a token of appreciation to keynote speaker, Professor Marvin Reid following his presentation at the annual GraceKennedy Foundation Lecture on March 14.



A water tank was donated to the Amy Bailey Basic School in June.

2016 LECTURE

The annual lecture, entitled "Overfed and Undernourished: Dietary Choices in Modern Jamaica" was presented by former GraceKennedy scholar, Professor Marvin Reid. He cited research that showed the link between disease and life style choices and emphasised the importance of healthy food choices on well-being. In conjunction with the lecture, the Foundation launched the '#ChooseMyPlate' Competition for Food and Nutrition CSEC students in Grade 11 who were required to prepare a healthy three course meal using Grace products with a budget of J\$2,000. More than 20 schools entered and winning schools from each county received a grant of \$75,000 toward their Food & Nutrition Lab along with vouchers valued at \$25,000 redeemable at Hi-Lo Food Stores.

SCHOLARSHIP PROGRAMME

The Foundation's scholarship programme provides bright, talented students with the opportunity to attend university in Jamaica. In 2016, 110 students studying at the University of the West Indies, University of Technology, Edna Manley College and the Caribbean Maritime Institute received scholarships valued at \$19 million.

In 2016, 110 students studying at the UWI, UTech, Edna Manley College and the Caribbean Maritime Institute received scholarships valued at \$19 million.

PROFESSORIAL CHAIRS

Prof. Ian Boxill, the S. Carlton Alexander Chair in Management continues to do outstanding work through the Centre for Tourism and Policy Research. His community film project is reaching persons living in volatile communities across the island and providing employment opportunities in the creative industries.

In October 2016, Professor Mona Webber was appointed as the James Moss-Solomon Senior Chair in Environmental Management. Professor Webber currently serves as the Director of the Port Royal Marine Lab and Discovery Bay Marine Lab and the Centre for Marine Sciences, UWI, Mona.



We welcome her to this new role, convinced that her research and thought leadership will be critical to Jamaica's resilience to climate change.

Mr. James Moss-Solomon, who serves as the Executive-in-Residence at the UWI Mona School of Business and Management, must be commended for his invaluable business expertise and the guidance that he continues to provide to students in the MBA programmes.

ENVIRONMENTAL INITIATIVES

The Plastic Bottle Collection Programme continues to be well received. Employees are actively recycling at work and bringing their plastic bottles from home for collection. By year-end, 21,104 lbs. of plastics were collected from GK subsidiaries. In addition, teachers and students of Wolmer's Prep, Wolmer's Trust High School for Girls, Wolmer's Trust High School for Boys and Kingston College were trained and added to the Programme.

As part of GraceKennedy's 94th Anniversary celebrations, Group CEO, Donald Wehby, led a beach clean-up exercise dubbed 'Harbour Haul'. In September, over ninety staff members and sixty students from Campion College cleaned up a section of the Kingston Harbour located in front of the downtown office as our contribution to International Coastal Clean-up Day. A plastic bottle

collection initiative was also implemented at the ISSA/GraceKennedy Boys and Girls Championships in March.

All these initiatives resulted in a total of 23,625 lbs of plastic being collected throughout the year.

GRACEKENNEDY JAMAICAN BIRTHRIGHT PROGRAMME

The Programme provides 2nd and 3rd generation Jamaican university students who live in the USA, UK and Canada with exposure to the country and company during the summer. Successful candidates receive a fully paid 5-week long internship in Jamaica where they have the opportunity to work at GraceKennedy, explore the island and connect with their Jamaican roots. The candidates were: Casey Daley, a senior at Florida State University, Kimberly Ann Stephenson, graduate student at New York University; Natasha Allen, a graduate of the University of Toronto, Karis Edwards, graduate student of Brunel University.

The Ministry of Foreign Affairs and Foreign Trade, the Jamaica Tourist Board, Jakes Hotel in St. Elizabeth and FLOW Jamaica contributed toward the success of the Programme.



THE GRACE & STAFF COMMUNITY DEVELOPMENT FOUNDATION

Board of Directors

AS AT FEBRUARY 28, 2017

James Moss-Solomon, CD, JP
(Chairman)

Lorna Reynolds Minott

Rachel McKenley

Noel Greenland

Simon Roberts

Caroline Mahfood

Marsha Cope-Johnson

Andrea Coy

Dave Mitchell

Klao Bell-Lewis

L. Anthony Lawrence

U. Philip Alexander

Frank James

Joan Marie-Powell

Karen Lowther Martin
(Secretary)



The Grace & Staff Community Development Foundation Directors' Report

Grace and Staff Community Development Foundation continued to serve and support children in the communities in which our operations are located. Through our homework centres, outreach activities, in-house services, breakfast feeding programmes, workshops and other activities.

During the year, over 400 students received bursaries with \$6.9 million allocated to tertiary and \$2.4 million to secondary school students. Financial

assistance for lunch was provided to 48 students.

Attendance at the homework centres fluctuated in some communities during periods of instability resulting from outbreaks of violence. However, throughout the year we served 82 students at the homework centre in the community of De La Vega and 48 at the Quarry Hill location in the parish of St. Catherine; 112 in the Majesty Gardens community of Kingston; 70 at the Tower Street centre, located in downtown Kingston; 35 students at the Barbican



Children planting a tree at the STEM Centre.

centre located in the parish of St. Andrew and 13 students located in Savannah-La-Mar, Westmoreland. The STEM Centre, located in the Parade Gardens Community in Kingston, closed the year with 107 students attending regularly.

More than 2000 men, women, boys and girls were beneficiaries of various outreach activities. In addition to conducting workshops, seminars and school presentations, 228 students from the St Michael Infant and Lalyce Gray Basic Schools in downtown Kingston enjoyed a special fun day in December. Also in December, staff sang carols while providing care packages to more than 1000 seniors in seven inner-city communities located in St. Andrew, St. Catherine and Kingston.

For the third time, a summer camp, hosted by the Scientific Research Council was held at the STEM Centre in Parade Gardens in July. Thirty students from primary schools located in downtown, Kingston participated in this camp.

Our partnership with the Bob Marley Foundation included participation in the One Love Youth Camp, hosting the Rox in Sox Initiative in Majesty Gardens and the Launch of the Marley Music Room located at the GK/Parade Gardens STEM Centre. Furnished at a cost of approximately \$1.5 million, the Marley Music Room Project received a variety of musical instruments including guitars, drums, keyboards, and recorders which were donated to the facility. Music lessons will be delivered by the Alpha Institute and discussions have begun to identify opportunities to collaborate with the Edna Manley College for the Visual and Performing Arts.



Opening of the Marley Music Room in September.

To help raise additional funds and awareness of the needs within the communities we serve, the GraceKennedy Education Run is hosted annually. There were more than 3,000 participants and a yield of a surplus of \$5 million in support of our education programmes. The target was for 4,000 participants and \$7 million.

The work of both of GraceKennedy's Foundations resulted in the Company being placed second in the American Chamber of Commerce's 2016 Business and Civic Leadership Awards. Grace and Staff also placed first in the Council of Voluntary Social Services CVSS Summer Games.



GraceKennedy Ltd.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

GRACEKENNEDY LTD.

DIRECTORS' REPORT

1. The Directors are pleased to present their report for the year ended 31 December 2016 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	88,267,589
Profit Before Taxation	6,103,330
Net Profit After Tax	4,534,862
Net Profit After Tax Attributable to Stockholders	4,004,539

3. **DIVIDENDS**

The following dividends were paid during the year:

- \$0.26 per ordinary stock unit was paid on 18 May 2016
- \$0.34 per ordinary stock unit was paid on 26 September 2016
- \$0.42 per ordinary stock unit was paid on 9 December 2016

The Directors recommend that the interim dividends paid on 18 May 2016, 26 September 2016 and 9 December 2016 be declared as final for the year under review.

4. **DIRECTORS**

The Directors as at 31 December 2016 were as follows:

Professor The Hon. Gordon Shirley, OJ,
Chairman

Mrs. Mary Anne Chambers, O.Ont.

Mr. Frank James

Mr. Everton McDonald, OD

Mrs. Gina Phillipps Black

Mr. Donald Wehby,
Group Chief Executive Officer

Mr. Joseph Esau

Dr. Parris Lyew-Ayee Jr.

Hon. Douglas Orane, CD, JP

Mr. Courtney Campbell resigned from the Board effective 31 January 2016.

In accordance with Article 102 of the Company's Articles of Incorporation, Mrs. Mary Anne Chambers, Mr. Joseph Esau and Mr. Douglas Orane 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
28 February 2017
Gordon V. Shirley, OJ
Chairman

Group Audit Committee Report

YEAR ENDED DECEMBER 31, 2016

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:

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

The Committee met seven times in 2016 and the external auditors attended six regular meetings.

Prior to termination of meetings, time is reserved for the Committee to meet independently of management with the Chief Audit Executive and the External Auditor to discuss any areas of concern. 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.

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*, transfer pricing and other new tax developments including garnishment, risks and opportunities in the new digital era and the cost of poor corporate governance and compliance systems.

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, 2016, be approved for presentation to the shareholders of GraceKennedy Limited.

The Audit Committee Members:

E. L. McDonald, OD (Chair)
M. A. V. Chambers, O. Ont. (Mrs.)
Dr. P. Lyew-Ayee Jr
Hon. D. R. Orane, CD, JP

February 28, 2017

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*, transfer pricing and other new tax developments including garnishment, risks and opportunities in the new digital era and the cost of poor corporate governance and compliance systems.

GraceKennedy's Corporate Governance & Nomination Committee Report

THE BOARD'S RESPONSIBILITY

Ultimately, the GraceKennedy Board has responsibility for the Company's long-term success as it provides counsel and direction, framed by prudent and effective management and controls. At GraceKennedy, effective corporate governance principles are the centre of our internal practices and policies, and our approach to our businesses. Consistency in this approach requires a strong, independent board and behaviour that goes beyond mere compliance, to insist on a culture that embraces and encourages good corporate governance. This Board promotes GraceKennedy's values of respect, honesty, integrity, trust, fairness and responsible behaviour by the Company in its dealings with employees, customers, suppliers, shareholders and other stakeholders in our global community. The Board, and more particularly the Corporate Governance & Nomination Committee, must ensure that these values are practised with sincerity, in the context of responsible corporate behaviour that considers the environment, ethical practices, philanthropy and volunteerism.

The Board of GraceKennedy ended the year 2016 with nine (9) directors, seven (7) of whom were non-executive directors. The two (2) executive directors on the Board were the Group's Chief Executive Officer and Group Chief Financial Officer, Donald Wehby and Frank James respectively. Led by its Chairman, Gordon Shirley, the GraceKennedy Board sought to provide shareholders with confidence that the Company's businesses were conducted in a manner where risks were managed and value added to shareholders and the communities in which the Group operates. Accordingly, during the year under review, the Board continued to provide strategic leadership and oversight to the Group, promoting and ensuring the execution of the Company's approved strategy and objectives.

The Corporate Governance & Nomination Committee is comprised of all the non-executive directors of the Board, namely, Mary Anne Chambers, Joseph Esau, Parris Lyew-Ayee, Everton McDonald, Douglas Orane, Gordon Shirley and Gina Phillipps Black (Chair), all of whom the Board considers independent. Independence is based on the Board's criteria, set out in the Company's Corporate Governance Code, which takes account of any employment by, or material business relationships with, the Company or Group within the last three (3) years, receipt of additional remuneration from the Company (apart from a director's compensation) or participation in the Company's performance-related pay scheme within the last three years, significant holding of shares in the Company or whether any spouse, child or dependent of the director was an advisor, director or senior employee of the Company. The Board reviews the independence of all directors, on an ongoing basis.

The terms of reference of the Corporate Governance & Nomination Committee provide that the Committee shall meet at least three (3) times each year and more frequently if circumstances require. The Committee met four (4) times during 2016, but on numerous occasions during the course of the year, the Chairman of the Board and the Chair of this Committee met in person or via conference calls with the Group Chief Executive Officer, to discuss various matters concerning the Company and to conduct interviews with potential candidates for consideration for appointment or reappointment to the Boards of subsidiary

companies in order to facilitate the Board's interests. The Chairman of the Board and the Chair of the Corporate Governance & Nomination Committee extend their appreciation to all the members of the Board and the Committees for their frank and engaged participation at meetings. Two (2) of the non-executive directors reside outside of Jamaica and notwithstanding that the GraceKennedy Articles permit directors to participate in meetings using electronic means, both of these directors made every effort to attend meetings in person and did so on most, if not all occasions. The Committee and the Board, by extension wishes to record its appreciation to them for their ongoing effort in this regard.

Notwithstanding that the Company's Corporate Governance Code provides that the Chairman of the Board should hold meetings at least semi-annually with the non-executive directors only, the practice is that immediately following the termination of each Board meeting, the Chairman convenes a meeting of the non-executive directors only for the purpose of providing them with an opportunity to raise and discuss matters whether arising out of the preceding meeting, or otherwise, in the absence of any member of management .

The Board remains committed to its position that it is crucial for the Board to have knowledge of the Group's operations, markets, and competitors. Accordingly, a directors' meeting and trade visits were scheduled to be held in Trinidad on September 28 and 29, 2016. We were, however, forced to change the location of the meeting to Jamaica, based on the projected path for the dangerous Hurricane Matthew. The Board remains interested in visiting the Company's operations in Trinidad in the future.

The Board also continues to reserve at least one day each year to go into retreat to review and explore with management the long-term strategic plans of the Company.

The table below provides further details on the Directors and their attendance at Board and Committee meetings.

GRACEKENNEDY LIMITED BOARD AND COMMITTEE MEETING ATTENDANCE					
Names of Directors and Date of Appointment to Board	Executive (E)/ Non-Executive (NE)	Board	Corporate Governance & Nomination Committee	Audit Committee	Compensation Sub-Committee
Mary Anne Chambers 26-May-11	NE	7/7	5/5	7/7	n/a
Joseph Esau 30-Nov-06	NE	6/7	4/5	n/a	n/a
Frank James 27-Sep-12	E	7/7	n/a	n/a	n/a
Parris Lyew-Ayee 06-Mar-13	NE	7/7	5/5	7/7	n/a
Everton McDonald 26-May-11	NE	7/7	5/5	7/7	4/4
Douglas Orane 30-May-85	NE	7/7	5/5	7/7	4/4
Gina Phillipps Black 08-Feb-12	NE	7/7	5/5	n/a	n/a
Gordon Shirley 30-May-96	NE	7/7	5/5	n/a	4/4
Donald Wehby 05-Oct-09	E	7/7	n/a	n/a	n/a

GraceKennedy's Corporate Governance & Nomination Committee Report (cont'd)

BUILDING AND MAINTAINING A HIGH PERFORMANCE BOARD

The Corporate Governance & Nomination Committee reviewed the composition of Boards and Committees of the Company and its key operating subsidiaries. This review facilitated the Committee's analysis of the skills that would be desirable or necessary to strengthen the Board or Committee and improve its effectiveness. The Committee and Board also reviewed and considered reports on the Disclosure of Business Interests made to the Committee 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. There were no conflicts or circumstances declared to the Committee that affected the directors' independent judgment.

In addition to its Corporate Governance & Nomination Committee, the Board also has an Audit Committee. The Compensation Committee is, and operates as a sub-committee of the Corporate Governance & Nomination Committee. The Chairman of the Compensation Sub-Committee, Gordon Shirley, reports to the Corporate Governance & Nomination Committee on the deliberations of meetings of that Committee. All of the foregoing committees have documented terms of reference that have been approved by the Board and each of these are reviewed by the respective Committees, and the Board, at least annually, and where appropriate, revised. In 2016, the Corporate Governance & Nomination Committee reviewed and made revisions to the GraceKennedy Corporate Governance Code. The revised Code is available to the public through the Company's website at <http://gracekennedy.com>.

SUCCESSION PLANNING IS MORE THAN A CHANGE IN LEADERSHIP

Planning effectively for succession in leadership in a way that is smooth and not disruptive to the Group is crucial to its sustained success. The Group Chief Executive Officer reported to the Committee, in some detail, on senior executives and their potential and readiness to succeed in the future to senior positions in the Group. The Committee made recommendations to the Group Chief Executive Officer on development plans for these executives and other matters affecting the Group's organizational structure, which were accepted.

The Committee also oversaw the execution of the succession plan for Karen Chin Quee Akin, the Company's Chief Corporate Secretary & General Counsel, in light of her scheduled retirement in the first quarter of 2017. As a part of this plan, Gail Moss-Solomon, joined the Group in July 2016, initially assuming the role of Senior Legal Counsel. On the retirement of Karen Chin Quee Akin, Gail Moss-Solomon, will assume the role of General Counsel & Chief Corporate Secretary. The Board wishes to acknowledge the outstanding performance that Karen Chin Quee Akin has consistently delivered during her years of service to the GraceKennedy Group.

BOARD PERFORMANCE EVALUATION

The Group utilizes the Board evaluation tool to review the performance of the Board and key subsidiaries and for the development of even stronger Boards. The process involves both a self-evaluation component and a peer evaluation component. A review of the 2016 Board Evaluation process and format was led by an Ad Hoc Committee comprising Directors Gina Phillipps Black and Parris Lyew-Ayee, Chief Corporate Secretary & General Counsel, Karen Chin Quee Akin and Senior Legal Counsel, Gail Moss-Solomon. The Ad Hoc Committee refined and revised some of the questions in the form and presented their recommendations for approval by the Corporate Governance & Nomination Committee. Ongoing evaluation of the Board's collective performance and that of individual Directors remains central to strong and effective governance.

The Corporate Governance & Nomination Committee confirmed its position on the desirability of annual evaluations and recommended that a more fulsome evaluation should be conducted every other year, and a more concise evaluation should be conducted in the intervening years, between the full evaluations. The Committee discussed and concluded that an external facilitation of board evaluations once every four (4) years to coincide with the full form Board evaluations would be valuable and constructive, and arrangements should be made for this to commence in 2020.

During the course of the one-on-one interviews that the Chairman of the Board and the Chair of the Committee held with each director to discuss the results of the 2015 Board Evaluation, the Chair solicited the views of each director on the issue of term limits that the Committee had been exploring. In the end, while recognising the value of term limits, the Committee concluded that the implementation of term limits would not be pursued at this time and would instead be revisited in 2019. The Committee reinforced the importance of the Board evaluation and interview process being used to establish competency and accountability, to identify non-performing Board members and to enable appropriate actions to be taken.

The Committee reviewed the annual schedule of directors' attendance at Board and Committee meetings for the GraceKennedy Board and the key subsidiaries to ensure the required level of attendance.

The first evaluation for the GK Ontario Board was conducted in January 2016.

BOARD APPOINTMENTS

The Board of Directors may fill vacancies in the Board and also may appoint additional directors. Each of these appointments is then subject to re-election by shareholders at the Annual General Meeting following each appointment. The Board's Competency Matrix was reviewed and particular areas identified for attention.

The aim is to have a vibrant Board membership with the requisite skills who can work together, and independently, to constructively challenge management's strategies and evaluate the performance against strategies and known performance indicators. The Board has in place a formal, rigorous and competence-based process for the appointment of directors to the Board. The Corporate Governance & Nomination Committee, in consultation with the Chairman of the Board and Group Chief Executive Officer, drive the identification and nomination process for new directors. These may arise out of the Company's list of potential directors and known areas of expertise for such persons, or recommendations from Board members or executives.

The Committee is committed to ensuring that potential nominees are persons of the highest character and integrity, who possess skill and experience in their professed areas of expertise and exercise sound judgment. It is essential that they be willing and able to devote adequate and appropriate time to Board matters, including preparation for meetings. There should be no conflict of interest that would interfere with their independence and the effective discharge of their duties.

DIRECTORS' EDUCATION AND TRAINING IS AN IMPORTANT INVESTMENT

Best practice in corporate governance requires that directors participate in periodic training to facilitate further development of their knowledge and skills, to better enable the discharge of their duties as directors and to continuously add value to the Board. The Committee coordinated the Group's annual Board Training Workshop which was attended by over 75 directors and senior managers across the Group. The Committee thoughtfully selected topics that met the unique needs of the range of businesses in the Group. These included developments in governance best practices, legal, tax, regulatory and other business related matters and industry threats and trends that are relevant to directors and managers of a large publicly-held entity, with businesses as diverse as that of the GraceKennedy Group. Attendance at these workshops is one of the factors considered in the Board Evaluation exercise.

It was previously decided that Information Technology and Cyber Security Awareness training was mandatory for the directors of the Company and subsidiaries in the Group and encouraged this also for directors of associated companies in the Group. Training for directors in this area therefore took place again this year.

GraceKennedy's Corporate Governance & Nomination Committee Report (cont'd)

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 and strategy for compensation within the Group, including the significant benefit plans. Deliberations over the year included the review of the Group CEO's performance for 2016 and the setting of objectives for 2017; compensation for the senior executives; incentive plans for executives and key incumbents; talent management strategies across the Group; a review of the rules relating to the pension plans, long-term incentive schemes and the Sub-Committee's Terms of Reference. The Sub-Committee is comprised solely of non-executive directors, members being Directors Gordon Shirley (Chairman), Everton McDonald and Douglas Orane.

In 2016, fees paid to non-executive directors were as presented below. Directors' fees are not paid to executive directors for their attendance and participation at Board meetings.

BOARD FEES (NON-EXECUTIVE DIRECTORS ONLY)

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

In addition to the fees set out in the aforementioned table, each non-executive director was granted the sum of \$847,439 by way of additional fees on condition that the net amount after tax was to be used exclusively to purchase GraceKennedy shares on the open market. The shares so purchased are also subject to a restriction on sale for a period of three (3) years.

STAKEHOLDER COMMUNICATION AND ENGAGEMENT

The Board remains committed to a process of regular and meaningful communication between the Company and its shareholders and engagement on the Board's objectives. GraceKennedy knows that constructive dialogue with stakeholders allows us to remain responsive to those issues that are important

to all stakeholders whether they are shareholders, customers, employees, regulators, or otherwise part of our global community. For this reason, 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 Exchanges of Jamaica and Trinidad & Tobago, press releases and postings on the Company's website.

Investor briefings to discuss published results take the form of an on-line conference, accessible via a live Internet stream. Questions may be submitted via e-mail before or during the broadcast and all are invited.

JAMAICA STOCK EXCHANGE BEST PRACTICES AWARDS CORPORATE GOVERNANCE

In closing, it is with great pleasure that we report that at the Jamaica Stock Exchange Best Practices Awards Banquet held in December, 2016 GraceKennedy received the 'Corporate Governance Award' which recognizes the listed company that demonstrates and practices outstanding corporate governance. Corporate governance and ethics is truly everyone's business so this award celebrates the efforts of the entire GraceKennedy Group in this achievement.

GraceKennedy's vision to be a Global Consumer Group delivering long-term consumer and shareholder value, through brand building and innovative solutions in food and financial services, provided by highly skilled and motivated people, cannot be achieved without good governance and the maintenance of international best standards. Good governance and the maintenance of the highest ethical principles and standards remain at the centre of the Board's attention as the GraceKennedy Group of companies strives to deliver value reflected in improved profitability, growth and other benefits to our stakeholders.

Gina Phillipps Black

Chair, on behalf of the Corporate Governance & Nomination Committee

February 28, 2017



GraceKennedy Around the World

GKMS Now in Turks & Caicos

Following its venture into the Turks & Caicos Islands in February 2016, GraceKennedy Money Services has increased to 11, the number of countries in the Caribbean in which it operates.

In keeping with the Group's mandate to bring world-class financial services to the region, GKMS expanded its operations into TCI through the entity – GraceKennedy Money Services Turks & Caicos Limited (“GKMS Turks & Caicos”). GKMS now serves as Western Union's agent in eleven countries across the Caribbean, including Jamaica, Trinidad & Tobago, Guyana, St. Vincent and the Grenadines, St. Kitts and Nevis, Antigua and Barbuda, Anguilla, Montserrat, the British Virgin Islands and the Cayman Islands.

Initially launched with one operating location, ‘Your Choice TCI’, at Payless Warehouse Limited, 7 Hospital Road in Providenciales, GKMS Turks & Caicos plans to add more locations over time.



Gabriel's Grill, Cayman Fires up Grace Jerk-themed truck

The hugely popular Gabriel's Grill Cayman is channelling brand Grace in a big way.

Through a partnership with Grace Foods, the savvy restaurant uses the trendy yet effective trade marketing tool of wrap advertising for its mobile food truck to showcase one of its main ingredients – Grace Jerk, of course.

The movable eatery serves up a wide variety of jerk-infused dishes for lunch and dinner daily and customers visit its location at 273 Dorcy Drive in George Town, Cayman Islands in droves.



GraceKennedy Group CEO, Donald Wehby, accepts the Corporate Governance Award from Greta Bogues, Chairperson for the Private Sector Organisation of Jamaica/Jamaica Stock Exchange's Corporate Governance Committee.

GraceKennedy Wins at JSE Best Practice Awards

At the Jamaica Stock Exchange (JSE) Best Practises Awards 2015 Ceremony held at the Pegasus Hotel on December 7, 2016, GraceKennedy Limited won the 'PSOJ/JSE Corporate Governance Award'. GraceKennedy was also first runner-up in the Corporate Disclosure & Investor Relations category. GraceKennedy has been listed on the Jamaica Stock Exchange since 1986 and the Stock Exchange of Trinidad and Tobago since 1998.

GraceKennedy was also first runner-up in the Corporate Disclosure & Investor Relations category.



Hi-Lo Returns to Liguanea

Hi-Lo Food Stores Liguanea officially opened on August 29, 2016, across the road from its former location. Located in the Liguanea Lane Plaza, it is properly positioned to meet the shopping needs of the large number of people who frequent the Liguanea business district.

Group CEO, Donald Wehby, led a tour of the new facilities during the opening attended by the Hon. Fayval Williams, Minister of State in the Ministry of Finance and the Public Service, Sen. Ruel Reid, Minister of Education, customers and journalists.

The opening of the new Liguanea store followed closely on the heels of the refurbishing of the Manor Park and Barbican stores in 2014 and 2015 respectively, as part of the US\$8 million renovation programme which began in 2014. The project was completed within five months. The new branch includes a meat department, produce section, deli, bakery, floral bar, juice bar and spacious aisles neatly stocked with a wide range of goods that are easy to find.

...Remodels in Montego Bay

Jamaica's second city, Montego Bay, also received an upgraded the Hi-Lo Food Store at Fairview Shopping Centre on November 15, 2016. Group CEO, Donald Wehby, unveiled the new-look location which was upgraded at a cost of US\$2 million. The supermarket is the fourth in the GraceKennedy-owned chain to be upgraded. In keeping with its mandate and brand promise of *Making Life Easier*, the new Hi-Lo Fairview boasts wider aisles, a larger selection of grocery and non-grocery items, a pharmacy, juice bar, a bakery and a deli.



Donald Wehby cuts the ribbon to the new Hi-Lo Fairview with (from left), Andrea Coy CEO GK Foods Domestic, Montego Bay business man, Anthony Hart and Renee Nathan, general manager Hi-Lo Food Stores.



First Global Bank Makes a Move in Liguanea

In September 2016, First Global Bank (FGB) relocated its Liguanea branch to Liguanea Lane Plaza. Situated beside Hi-Lo Food Stores, the new location boasts a suite of smart machines such as the Multi-Currency Dispenser, Intelligent Deposit ATM and Video Teller Machine that will redefine the in-branch banking experience for its customers.



Douglas Orane, Chairman of the Board of FGB; Dr. the Honourable. Andrew Wheatley MP, Energy, Science and Technology; Bernadette Barrow, senior vice-president, personal and business banking; Don Wehby; Mariame McIntosh Robinson - FGB's President and CEO, Paula Barclay, General Manager and Chad-Paul Priestly, branch manager, Liguanea.



Grace Foods UK Wins Big at Hertfordshire Chamber Council Awards 2016

(PHOTO AND ARTICLE REPUBLISHED FROM GROCERY TRADER NEWSLETTER - MAY 30, 2016)

The Welwyn Garden City-based company won three major awards in the hotly contested 'Inspiring Hertfordshire Awards 2016', organised by Herts Chamber of Commerce.

In addition to winning the 'Excellence in People Development' award, Grace Foods was voted 'Medium to Large Business of the Year' and won the most prestigious award of all, 'Overall Business of the Year'.

Managing Director Adam Reader said the awards were the result of a "huge amount of commitment and endeavour by people throughout the company."

"We pride ourselves on our team spirit and we empower people at all levels to make decisions. The awards are the result of a lot of hard work by a lot of people, but we won't rest on our laurels. We will use the success as a springboard for continued success."

Grace Foods UK employs approximately 200 people and comprises three subsidiary companies – Enco Products Limited (primarily Caribbean foods), Chadha Oriental Foods Limited (Asian and Oriental) and Funnybones Foodservice Limited (American and Tex-Mex).

In addition to its sales, marketing and distribution headquarters in Hertfordshire, the company owns a state-of-the-art production facility in Corwen, North Wales.



GraceKennedy Ontario named Category Advisor Ethnic for Walmart Canada

A year of great success describes GraceKennedy (Ontario) Inc. (GKO) in 2016. The appointment as Category Advisor Ethnic for Walmart is a major breakthrough as it solidifies GraceKennedy as the supplier of choice with respect to category leadership and recognition by other Canadian retailers in the market. This relationship empowers GKO to be a valuable business partner with Walmart Canada which views the ethnic category as a fundamental driver within their overall growth strategy. GKO has been able to add significant value to Walmart's ethnic category growth through the effective use of data analysis and identification of emerging market trends. Walmart continues to support new Grace products in the Caribbean and Latin sections in an increasing number of stores across Canada.

Growing Brand Grace in the Ghanaian Marketplace

GraceKennedy Ghana went all out with its promotional activities designed to grow Brand Grace. Food festivals were seen as a natural fit for the brand and as such, the team participated in many of the major food festivals that were held in the capital city, Accra, which has an estimated urban population of 2.291 million, as of 2013.

GK Ghana was the main sponsor of Jamaica Independence Day Celebration held on August 6 at Jamrock Restaurant located at 10 Jungle Road, Accra. The celebration featured an all-day buffet showcasing popular Jamaican dishes, served against the backdrop of the pulsating rhythms of the Caribbean. Some lucky patrons won gift baskets, compliments of GK Ghana.



She's a Winner with Grace! Sylvia Asare-Ayeh (left), GK Ghana's Trade Development Officer, presents the prize of a Grace gift basket to Priscilla Bookman-Amissah Impraim (right) - Winner of the Grace Jamaica Independence Day Raffle. Sharing the happy moment is Elizabeth Olympio Emmanuel (centre), Owner of Jamrock Restaurant in Accra.

Dancehall Night brought the curtains down on the celebrations, with patrons receiving complimentary Jamaican Rum Punch with the added twist of Grace Aloe Strawberry.



Inside H2, which is 11 ft wide and 28 ft deep, customers eagerly stock up on their favourite Grace products. Grace Mighty Malt, Grace Mackerel and Grace Aloe Vera are big sellers.

Another initiative undertaken by the team was the partnership with businessman Junior Wilson, in November 2016, in the opening of H2 Enterprise, a Grace-only store in one of the main market centres, Takoradi - Ghana's fourth most populous city (445,205 - 2013 estimate).

The team also engaged in several open market promotions, featuring product sampling and giveaways in the main markets.



GraceKennedy adds 'Sweetener' to 2016 Champs Sponsorship

In addition to the approximately \$100 million GraceKennedy invested in the 2016 ISSA/GraceKennedy Boys and Girl Championships through sponsorship and activation, Group CEO, Donald Wehby, announced at the 'Champs' launch held at the Spanish Court Hotel on March 2, that the Company will be adding a special sweetener to this year's staging of the Championships.

"GraceKennedy would like to reward the outstanding performances of this year's Champs. For each record broken by an athlete/team this year, we will award the school they represent, \$25,000. The student or team who breaks the record will make the decision as to which project or initiative within the school the money will go towards. The initiative must have the permission of the school's Principal. We hope that this will encourage the athletes to go above and beyond in pursuit of those record performances," the Group CEO said.

GraceKennedy has been title sponsor of Champs since 2007. The Group's CEO has said that the money spent on Champs by the Company is not seen as an expense, but rather as an investment in the nation's youth. "We are implementing this initiative this year because we want to empower our young people even more, to let them know that they have it within them to make their schools better off. We are excited to see what projects will be implemented with the money awarded from the records broken," he said.

Mr Wehby outlined GraceKennedy's involvement in Champs through its Grace Foods, Western Union and First Global Bank subsidiaries, as well as the GraceKennedy Foundation. He pledged GraceKennedy's continued support to the athletics competition for the long term. "I am really proud to see the discipline which has been displayed over the last couple of years of Champs, and know that with sustained effort, it will go on. GraceKennedy looks forward to continuing our sponsorship of what is undoubtedly the greatest schoolboy and schoolgirl event of its kind anywhere in the world," he said.



And now...Grace Patties!

Patties, one of the most popular and delicious snack foods in Jamaica, are rapidly being discovered and enjoyed the world over. They are scrumptious pastries with meat or vegetable fillings, baked inside a tender, flaky crust.

As the #1 Ambassador of Caribbean food globally, with distribution in over 60 countries, the Grace brand is seeking to carry this product to its markets across the globe, beginning in the USA.

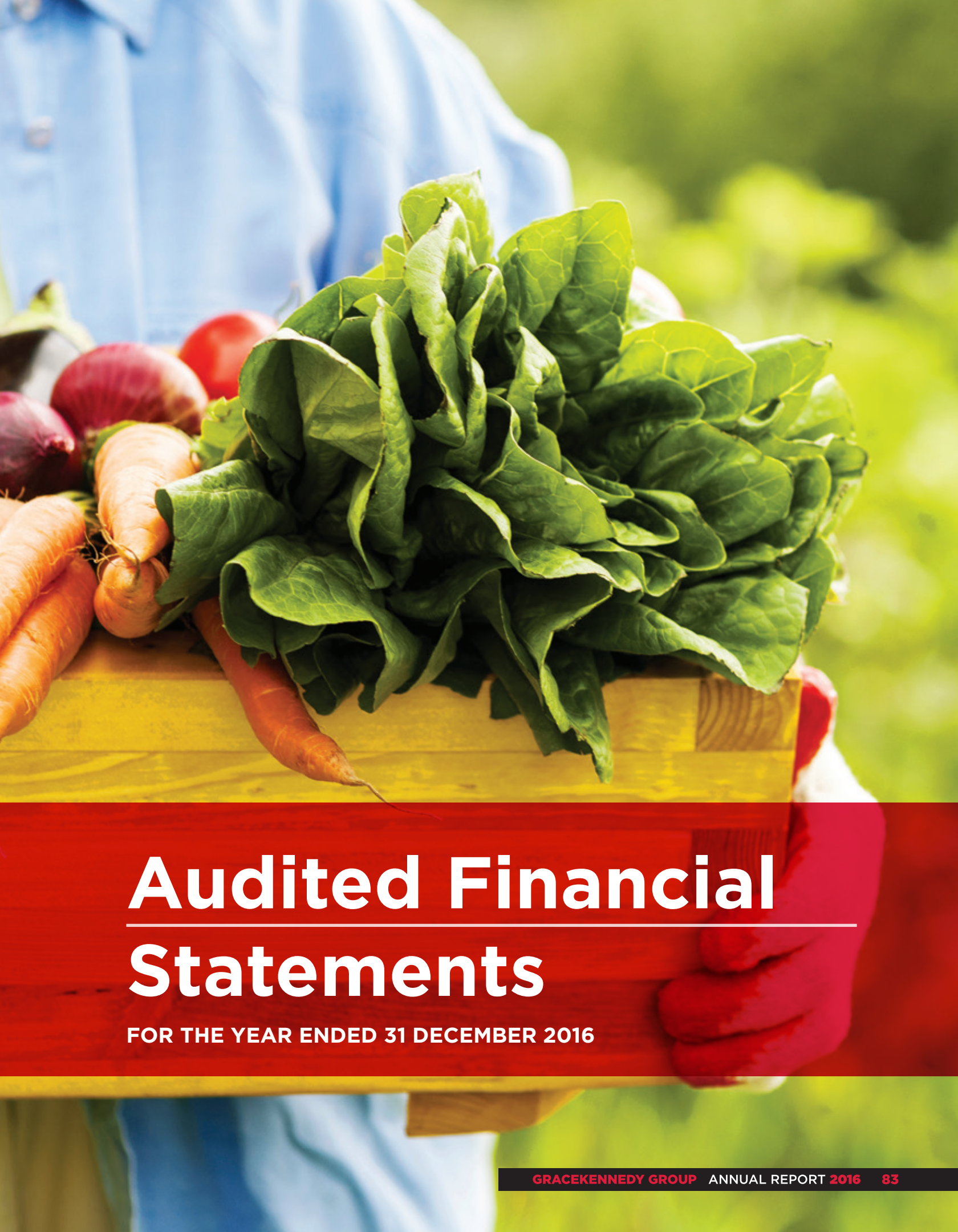
After extensive research and testing, the product has received positive reviews on the innovative package design and product taste. It was introduced in the Southeast USA on a test basis in March 2016 with three flavours: spicy beef, mild beef and curry chicken. The product is currently available in supermarkets at over 100 locations across South Florida in the frozen packaging format, with two patties in each retail box.



Andrew Ho (left), Senior General Manager, Manufacturing with GK Foods Domestic receives the award from Dr Parris Lyew Ayee Jr., member of the BSJ's Standards Council, representing Government Interest.

Dairy Industries wins National Quality Awards

Dairy Industries received the National Quality Awards (NQA) prize for 'Excellence in HR Management' from the Bureau of Standards Jamaica (BSJ) in October 2016. The NQA Programme is Jamaica's first quality systems based awards programme which seeks to recognize and reward local companies that demonstrate the application of standards and quality systems in both the production of goods and delivery of service. Dairy Industries also earned other NQA in the past for Business Results in 2006, Process Management in 2008, and three awards in 2011 - Overall Winner, Business Results, and Organisational Focus.



Audited Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2016

GraceKennedy Limited

Financial Statements | 31 December 2016

Independent Auditors' Report to the Members

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Independent auditor's report

To the Members of GraceKennedy Limited

Report on the audit of the consolidated financial and stand-alone statements

Our opinion

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

What we have audited

GraceKennedy Limited's consolidated and stand-alone financial statements comprise:

- the consolidated and stand-alone statements of financial position as at 31 December 2016;
- the consolidated and stand-alone income statements and statements of comprehensive income for the year then ended;
- the consolidated and stand-alone statements of changes in equity for the year then ended;
- the consolidated and stand-alone statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: 876 922 6230 / 876 952 5065, F: 876 922 7581, www.pwc.com/jm

L.A. McKnight P.E. Williams 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



Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements we designed and performed audit procedures over various components. The Group comprised 41 reporting components of which, we selected 18 components which represent the principal business units within the Group and covered entities within Jamaica, Barbados, the Eastern Caribbean, Trinidad and Tobago, Canada, the United Kingdom, the United States of America and Guyana.

Of the 18 components selected, we performed an audit of the complete financial information of 12 components ("full scope components") which were selected based on their size, risk characteristics or both. For the remaining 6 components ("specific scope components"), we performed audit procedures on specific accounts and or analytical procedures within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either due to the size of these accounts or their risk profile. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

In relation to the remaining components, none of which are individually greater than 2% of the Group's profit before tax we performed other procedures, including analytical review procedures and testing of consolidation journals, intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

For components that are in scope of the Group audit, we used component auditors from PwC network firms and non PwC firms who are familiar with the local laws and regulations to perform this audit work. Throughout the audit we had regular meetings and correspondence with management and component auditor teams to follow up progress of work for all components. The group team engagement leader and the senior members of the group engagement team reviewed reports about the audit approach and findings of the component auditors.



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment for the United States of America (USA) operations (Group) <i>Refer to notes 2(g), 4(i) and 11 of the consolidated financial statements for disclosures of related accounting policies, judgments and estimate and balances.</i> The total carrying value of goodwill is \$1.409 billion of which \$957 million relates to the USA operations. The assessment of the carrying value of goodwill involves judgement in relation to forecasting future cash flows and is sensitive to growth rates and discount rates applied to the future cash flows. We have focused on the United States operations as aspects of it are still in the process of being integrated within the Group; through its efforts to increase operational efficiencies and improve distribution channels since the acquisition in 2014 of the LaFe operation.	We tested management's assumptions used in their impairment testing model for goodwill, including the future cash flow projections, discount rates and growth rates applied. The following procedures were performed; • we obtained management's discounted cash flow model (DCF) including qualitative and quantitative analyses and obtained an understanding of the process used by management to determine fair value of the reporting unit • we tested the mathematical accuracy, including verifying spreadsheet formulas, of the DCF model • we agreed the 31 December 2016 base year financial information to audited results and compared the current year forecast to most recent audit results • We verified management's assumptions as follows: ➤ Revenue growth rates - we compared the revenue growth rates to historical revenue growth, industry analysis and peer data; ➤ Gross & EBITDA margins - We compared gross margins to historical results, reconciling variances to underlying supporting data and current period results; ➤ Tax rates - we compared the tax rate to the entity's effective tax rate; ➤ Capital expenditures - we compared capital expenditures to historical amounts and discussed with management their capital expenditure plans;

Key audit matter	How our audit addressed the key audit matter
	➤ Working capital requirements – we compared the forecasted amounts to historical working capital requirements. Additionally, we utilized our PwC valuation specialists to review the trend in working capital requirements as compared to the entity's growth and benchmarked against peer companies; and ➤ WACC & terminal value – we engaged our PwC valuation specialists to review weighted average cost of capital (WACC) and terminal value whereby they developed a range of parameters using available market inputs and performed sensitivity analyses using these parameters to determine the reasonableness of management's fair value measurements • sensitivity analysis was performed by looking at changes in management's revenue growth rates, gross margin, EBITDA margin and WACC , and changes in working capital requirements • we considered subsequent events and impact on the entity's cash flows and forecasts There were no significant exceptions noted from our procedures performed above. We found the assumptions to be consistent and in line with our expectations.
Valuation of pension scheme assets and liabilities (Group and Company) <i>Refer to notes 2(m), 4(iii) and 14 of the consolidated financial statements for disclosures of related accounting policies, judgments and estimate and balances.</i> The Group has defined benefit pension plans with pension plan asset and other post-employment obligations which are significant in the context of the overall statement of financial position of the Group and Company. Pension plan assets amounted to \$6.142 billion for both Group and Company and other post-employment obligations amounted to \$4.406 billion and \$2.163 billion for Group and Company respectively.	We evaluated management's assumptions made in relation to the valuations of the liabilities and assets in the pension plans and the assumptions around salary increases and mortality rates by comparing them to national and industry averages. We performed the following procedures on the valuations of pension plan liabilities and the pension assets as follows: • we agreed the discount and inflation rates used in the valuation of the pension liability to that issued by the Institute of Chartered Accountants of Jamaica; • we reviewed the audit work papers of the auditors of the pension scheme in relation to work on the fair valuation of pension assets;

Key audit matter	How our audit addressed the key audit matter
We focused on this areas as the valuation of the pension liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. A number of the key assumptions can have a material impact on the calculation of the liability including; • salary increases • inflation • discount rates and; • mortality rates The pension assets include significant pension asset investments, the fair value measurement of which includes some judgement. Management uses external actuaries to assist in determining these assumptions and in valuing the gross assets and liabilities within the pension plan.	• we tested the completeness and accuracy of data extracted and supplied to the Group's actuary, which is used to calculate the pension scheme surplus or deficit; and • we engaged our actuarial specialist and liaised with management and their actuary to understand and review the judgements made in determining key economic assumptions used in the calculation of the liability. Based on the audit evidence obtained, we determined that the data and assumptions used by management in the actuarial valuations and determination of the fair value of the scheme assets were supported by the available audit evidence.
Credit risk and impairment of loans and advances to customers (Group) <i>Refer to notes 2(h), 4(viii) and 9 of the consolidated financial statements for disclosures of related accounting policies, judgments and estimate and balances.</i> The Group has loans receivable balances disclosed in Note 9 which are significant in the context of the overall Group statement of financial position representing 20% of total assets. Included in loan receivables are loans and advances to customers amounting to \$25.360 billion, of which \$1.451 billion is impaired and \$582 million is subject to an impairment charge. Impairment is a subjective area due to the level of judgement applied by management in determining provisions.	We understood and tested the operating effectiveness of controls impacting impairment and focused on: • credit approval being supported by proper documentation and appropriate loan underwriting in accordance with the Group's policies; • automated identification of loans classified as delinquent by the system and days outstanding correctly reflected; and • adjustments for credit losses are supported, correctly posted and appropriately approved. We found that these key controls were designed, implemented and operated effectively, and therefore we determined that we could place reliance on these key controls for the purposes of our audit.

Key audit matter	How our audit addressed the key audit matter
We focused on the impairment assessment as the assumptions used for estimating both the amount and timing of future cash flows are complex and involve significant judgment by management, including: • Classification of loans as impaired: we focused on the completeness of the customer accounts that are included in the impairment assessment; • Valuation of real estate property pledged as collateral: this is the most significant repayment source for impaired mortgages and impaired commercial loans. The estimation of collateral values is impacted by market trends as well as the circumstances of the specific property and involves judgment and specialised skills; and • The key assumptions and judgments made by management when calculating the provision for individually impaired loans and loan portfolio by sector collectively. Key assumptions and judgments include the estimated costs to sell the collateral, time to liquidate the pledged collateral and the amount and timing of collection of cash flows from other sources than pledged collateral as well as default rates.	In addition, we have performed the following substantive procedures: • we understood management's basis for determining whether a loan is impaired as disclosed in Note 2(h) and assessed the reasonableness using our understanding of the Group's lending portfolios and our broader industry knowledge; • we tested completeness of the loan provision balance based on non-performing loans within the portfolio and considered the reasonableness of management's assumptions in prior year based on the realised value of the security sold. No exceptions were noted; • we tested a sample of performing loans and examined the status of the loan account subsequent to year end to determine if there were any indicators of impairment. We did not identify impairment events; • for a sample of non-performing loans we gained an understanding of the latest developments at the borrowers and the basis of measuring the impairment provisions and considered whether key judgments were appropriate given the borrowers' circumstances. We also re-performed management's impairment calculation. In addition, we tested key inputs to the impairment calculation including the expected future cash flows and valuation of collateral held, and determined reasonableness of valuation of real estate collateral based on use of our auditors' expert. Where cash flows are from real estate, sensitivity analyses were performed by varying the time taken to sell the property; • where we identified individually significant loan accounts which were experiencing financial difficulties individual impairment assessments were performed by examining the borrowers' circumstances subsequent to year end and comparing the value of collateral related to the facilities and;



Key audit matter	How our audit addressed the key audit matter
	we tested management's impairment assessment calculation for loans by sector by evaluating the default rate model, compared inputs to relevant data including historical loss experience for loans with similar risk characteristics. We also checked the calculations for mathematical accuracy, noting no exceptions. From the testing performed we found no significant additional impairment provisions for loan balances identified.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

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



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

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

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

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

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



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

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

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

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

Report on 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.

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

*Chartered Accountants
28 February 2017
Kingston, Jamaica*

GraceKennedy Limited

Consolidated Statement of Financial Position

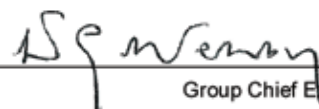
31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
Assets			
Cash and deposits	5	12,276,647	9,901,417
Investment securities	6	23,874,246	21,760,103
Pledged assets	6	15,419,427	11,107,139
Receivables	7	13,688,237	11,578,568
Inventories	8	11,461,283	10,041,196
Loans receivable	9	25,928,057	22,595,591
Taxation recoverable		424,239	579,836
Investments in associates	10	1,743,984	1,492,080
Investment properties	39	584,000	532,000
Intangible assets	11	4,024,272	4,176,644
Fixed assets	12	10,111,671	8,544,393
Deferred tax assets	13	801,008	1,019,904
Pension plan asset	14	6,142,078	5,364,583
Total Assets		126,479,149	108,693,454
Liabilities			
Deposits		30,653,888	24,258,437
Securities sold under agreements to repurchase		12,343,432	8,641,978
Bank and other loans	15	13,242,037	13,936,107
Payables	16	20,325,181	17,216,263
Taxation		572,331	311,600
Deferred tax liabilities	13	1,397,657	1,107,574
Other post-employment obligations	14	4,406,015	3,848,433
Total Liabilities		82,940,541	69,320,392
Equity			
Capital and reserves attributable to the company's owners			
Share capital	18	534,249	567,789
Capital and fair value reserves	19	5,805,054	5,132,759
Retained earnings		29,333,152	25,971,707
Banking reserves	20	2,772,209	2,588,019
Other reserves	21	3,619,261	3,787,167
		42,063,925	38,047,441
Non-Controlling interests	22	1,474,683	1,325,621
Total Equity		43,538,608	39,373,062
Total Equity and Liabilities		126,479,149	108,693,454

Approved for issue by the Board of Directors on 28 February 2017 and signed on its behalf by:


 Gordon Shirley Chairman


 Donald Wehby Group Chief Executive Officer

GraceKennedy Limited

Consolidated Income Statement

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
Continuing operations:			
Revenues	24	88,267,589	79,742,230
Expenses	25	(84,684,563)	(76,949,188)
		3,583,026	2,793,042
Other income	26	2,383,733	1,571,132
Profit from Operations		5,966,759	4,364,174
Interest income – non-financial services		372,276	339,154
Interest expense – non-financial services		(676,856)	(715,706)
Share of results of associated companies	10	441,151	316,191
Profit before Taxation		6,103,330	4,303,813
Taxation	28	(1,568,468)	(1,271,291)
Net Profit from continuing operations		4,534,862	3,032,522
Discontinued operations:			
Profit for the year from discontinued operations	40	-	221,498
NET PROFIT		4,534,862	3,254,020
Attributable to:			
Owners of GraceKennedy Limited	29	4,004,539	2,759,498
Non-Controlling interests	22	530,323	494,522
		4,534,862	3,254,020

		\$	\$
Earnings per Stock Unit from continuing and discontinued operations attributable to owners of GraceKennedy Limited during the year	31		
Basic:			
From continuing operations		4.04	2.64
From discontinued operations		-	0.14
		4.04	2.78
Diluted:			
From continuing operations		4.03	2.64
From discontinued operations		-	0.14
		4.03	2.78

GraceKennedy Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
Profit for the year		4,534,862	3,254,020
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Gains/(losses) on revaluation of land and buildings		431,032	(23,905)
Remeasurements of post-employment benefit obligations		664,461	(597,558)
Share of other comprehensive income of associated companies		24,327	(10,237)
		1,119,820	(631,700)
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Foreign currency translation adjustments		(346,623)	123,576
Fair value gains/(losses)		308,665	(21,802)
Share of other comprehensive income of associated companies		80,322	96,475
		42,364	198,249
Other comprehensive income for the year, net of tax		1,162,184	(433,451)
Total comprehensive income for the year		5,697,046	2,820,569
Attributable to:			
Owners of GraceKennedy Limited		5,156,200	2,355,114
Non-Controlling interests	22	540,846	465,455
		5,697,046	2,820,569
 Total comprehensive income attributable to owners of GraceKennedy Limited arises from:			
Continuing operations		5,156,200	2,261,622
Discontinued operations		-	93,492
		5,156,200	2,355,114

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 2016

(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
Balance at 1 January 2015		992,922	588,533	5,185,628	25,092,735	2,083,726	3,582,479	38,244,972
Profit for the year		-	-	-	2,759,498	-	-	3,254,020
Other comprehensive income for the year		-	-	(43,439)	(565,633)	-	204,688	(433,451)
Total comprehensive income for 2015		-	-	(43,439)	2,193,865	-	204,688	2,820,569
Transactions with owners:								
Issue of shares	18 (b)	54	879	-	-	-	-	879
Repurchase of shares	18 (b)	(885)	(18,799)	-	-	-	-	(18,799)
Purchase of treasury shares	18 (c)	(171)	(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		(1,002)	(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		991,920	567,789	5,132,759	25,971,707	2,588,019	3,787,167	39,373,062
Profit for the year		-	-	-	4,004,539	-	-	4,534,862
Other comprehensive income for the year		-	-	769,791	660,688	-	(278,818)	1,162,184
Total comprehensive income for 2016		-	-	769,791	4,665,227	-	(278,818)	5,697,046
Transactions with owners:								
Issue of shares	18 (b)	2,050	37,668	-	-	-	-	37,668
Issue of treasury shares	18 (c)	324	13,418	-	-	-	-	13,418
Purchase of treasury shares	18 (c)	(5,447)	(205,952)	-	-	-	-	(205,952)
Share-based payments:								
Value of services received	18 (h)	-	-	-	-	-	23,590	23,816
Transfer of treasury shares to employees	18 (c)	3,532	121,326	25,343	-	-	(146,669)	-
Transfer of non-controlling interests	22	-	-	1,983	-	-	(1,983)	-
Dividends paid by subsidiaries to non-controlling interests	22	-	-	-	-	-	(390,027)	(390,027)
Dividends paid	30	-	-	-	(1,010,423)	-	-	(1,010,423)
Total transactions with owners		459	(33,540)	27,326	(1,010,423)	-	(123,079)	(1,531,500)
Transfers between reserves:								
From capital reserves		-	-	(124,822)	124,822	-	-	-
To banking reserves		-	-	-	(184,190)	184,190	-	-
To other reserves		-	-	-	(233,991)	-	233,991	-
Balance at 31 December 2016		992,379	534,249	5,805,054	29,333,152	2,772,209	3,619,261	43,538,608

GraceKennedy Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
SOURCES/(USES) OF CASH:			
Operating Activities	32	11,122,250	2,490,497
Financing Activities			
Loans received		2,949,444	6,211,189
Loans repaid		(2,995,936)	(4,499,647)
Dividends paid by subsidiary to non-controlling interests	22	(390,027)	(256,645)
Repurchase of shares	18	-	(18,799)
Purchase of treasury shares	18	(205,952)	(2,824)
Sale of treasury shares	18	13,418	-
Issue of shares	18	37,668	879
Interest paid – non financial services		(689,416)	(753,378)
Dividends	30	(1,010,423)	(820,030)
		(2,291,224)	(139,255)
Investing Activities			
Additions to fixed assets ^(a)	12	(1,818,363)	(1,428,884)
Proceeds from disposal of fixed assets		42,899	62,350
Additions to investment properties		(38,643)	(1,193)
Additions to investments		(6,549,167)	(6,266,565)
Proceeds from sale of investments		2,470,937	3,953,786
Net proceeds from disposal of subsidiary	40	-	657,265
Additions to intangibles ^(b)	11	(390,751)	(558,939)
Interest received – non financial services		373,094	334,611
		(5,909,994)	(3,247,569)
Increase/(decrease) in cash and cash equivalents		2,921,032	(896,327)
Cash and cash equivalents at beginning of year		7,074,059	7,909,641
Exchange and translation gains on net foreign cash balances		315,710	60,745
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	10,310,801	7,074,059

The principal non-cash transactions include:

^(a) Acquisition of fixed assets under finance lease of \$109,862,000 (2015: \$Nil), (Note 12).

^(b) Additions to intangible assets from shares issued to non-controlling interests of \$Nil (2015: \$818,000).

GraceKennedy Limited

Company Statement of Financial Position

31 December 2016

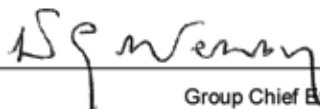
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
Assets			
Cash and deposits	5	2,600,811	1,805,241
Investment securities	6	6,761,609	6,317,231
Receivables	7	1,352,108	1,344,542
Inventories	8	2,689,643	2,388,611
Loans receivable	9	3,175,183	3,133,745
Subsidiaries	35	479,762	1,273,308
Taxation recoverable		191,885	147,214
Investments in associates	10	49,698	49,698
Investments in subsidiaries		14,648,540	14,550,397
Intangible assets	11	130,014	123,531
Fixed assets	12	299,284	247,737
Pension plan asset	14	6,142,078	5,364,583
Total Assets		38,520,615	36,745,838
Liabilities			
Bank and other loans	15	4,446,639	4,735,644
Payables	16	2,600,965	2,204,102
Subsidiaries	35	2,784,294	2,870,823
Deferred tax liabilities	13	981,093	880,836
Other post-employment obligations	14	2,163,271	1,885,663
Total Liabilities		12,976,262	12,577,068
Equity			
Share capital	18	534,249	567,789
Capital and fair value reserves	19	356,298	253,229
Retained earnings		24,585,435	23,347,752
Other reserves	21	68,371	-
Total Equity		25,544,353	24,168,770
Total Equity and Liabilities		38,520,615	36,745,838

Approved for issue by the Board of Directors on 28 February 2017 and signed on its behalf by:



 Gordon Shirley Chairman



 Donald Wehby Group Chief Executive Officer

GraceKennedy Limited

Company Income Statement

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
Revenue	24	16,974,486	16,039,438
Cost of goods sold		(13,239,361)	(12,519,938)
Gross Profit		3,735,125	3,519,500
Other income	26	4,799,017	4,734,155
Administration expenses		(7,147,063)	(6,037,729)
Profit from Operations		1,387,079	2,215,926
Interest income		549,282	508,925
Interest expense		(355,206)	(386,440)
Profit before Taxation		1,581,155	2,338,411
Taxation	28	156,086	45,445
NET PROFIT	29	1,737,241	2,383,856

GraceKennedy Limited

Company Statement of Comprehensive Income

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	2016	2015
	\$'000	\$'000
Profit for the year	1,737,241	2,383,856
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Gains on revaluation of land and buildings	7,534	659
Remeasurements of post-employment benefit obligations	713,131	(248,195)
	720,665	(247,536)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Fair value gains	70,192	2,006
	70,192	2,006
Other comprehensive income for the year, net of tax	790,857	(245,530)
Total comprehensive income for the year	2,528,098	2,138,326

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 2016

(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	Other Reserves \$'000	Total \$'000
Balance at 1 January 2015		992,922	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 (b)	54	879	-	-	-	879
Repurchase of shares	18 (b)	(885)	(18,799)	-	-	-	(18,799)
Purchase of treasury shares	18 (c)	(171)	(2,824)	-	-	-	(2,824)
Dividends paid	30	-	-	-	(820,030)	-	(820,030)
Total transactions with owners		(1,002)	(20,744)	-	(820,030)	-	(840,774)
Balance at 31 December 2015		991,920	567,789	253,229	23,347,752	-	24,168,770
Profit for the year		-	-	-	1,737,241	-	1,737,241
Other comprehensive income for the year		-	-	77,726	713,131	-	790,857
Total comprehensive income for 2016		-	-	77,726	2,450,372	-	2,528,098
Transactions with owners:							
Issue of shares	18 (b)	2,050	37,668	-	-	-	37,668
Issue of treasury shares	18 (c)	324	13,418	-	-	-	13,418
Purchase of treasury shares	18 (c)	(5,447)	(205,952)	-	-	-	(205,952)
Share-based payments:							
Value of services received	18 (h)	-	-	-	-	12,774	12,774
Transfer of treasury shares to employees	18 (c)	3,532	121,326	25,343	-	(146,669)	-
Dividends paid	30	-	-	-	(1,010,423)	-	(1,010,423)
Total transactions with owners		459	(33,540)	25,343	(1,010,423)	(133,895)	(1,152,515)
Transfers between reserves:							
To other reserves		-	-	-	(202,266)	202,266	-
Balance at 31 December 2016		992,379	534,249	356,298	24,585,435	68,371	25,544,353

GraceKennedy Limited

Company Statement of Cash Flows

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
SOURCES/(USES) OF CASH:			
Operating Activities	32	2,474,065	1,714,006
Financing Activities			
Loans received		609,344	3,140,382
Loans repaid		(1,121,365)	(3,393,812)
Repurchase of shares	18	-	(18,799)
Purchase of treasury shares	18	(205,952)	(2,824)
Sale of treasury shares	18	13,418	-
Issue of shares	18	37,668	879
Interest paid		(365,490)	(392,560)
Dividends	30	(1,010,423)	(820,030)
		(2,042,800)	(1,486,764)
Investing Activities			
Additions to fixed assets	12	(109,236)	(84,738)
Proceeds from disposal of fixed assets		3,782	9
Additions to investments		(316,802)	(1,742,204)
Loans receivable, net		(41,437)	171,641
Proceeds from sale of investments		220,877	1,030,858
Investment in subsidiary		(100,000)	(2,043,768)
Proceeds from disposal of subsidiary		53,703	841,256
Additions to intangibles	11	(65,343)	(116,944)
Interest received		550,102	501,855
		195,646	(1,442,035)
Increase/(decrease) in cash and cash equivalents		626,911	(1,214,793)
Cash and cash equivalents at beginning of year		868,036	2,057,681
Exchange and translation gains on net foreign cash balances		51,055	25,148
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	1,546,002	868,036

GraceKennedy Limited

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification

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

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

The Group is organised into two divisions namely, GK Foods and GK Financial Group. The GK Foods division comprises all the food related companies while the GK Financial Group division 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; and property rental.

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 which was disposed of in the prior year. The performance of these operations is not presented in the segment results and instead information about this discontinued segment is provided in Note 40.

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.

- Annual Improvements to IFRSs 2012-2014 cycles, effective for periods beginning on or after 1 January 2016. There was no impact from adoption of these amendments and clarifications.
- Amendment to IFRS 11, 'Joint arrangements' (effective for the periods beginning on or after 1 January 2016), clarifies the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. There was no impact from adoption of this amendment, as there were no acquisitions of joint arrangements during the year.

GraceKennedy Limited

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- 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. There was no impact from adoption of this amendment, as the Group does not use revenue-based depreciation or amortisation methods.
- Amendments to IAS 27, 'Separate financial statements' (effective for annual periods beginning on or after 1 January 2016). This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. An entity can now account for investments in subsidiaries, joint ventures and associates in its separate financial statements: a) at cost; or b) in accordance with IFRS 9; or c) using the equity method as described in IAS 28. The IASB has also clarified the definition of separate financial statements. There was no impact from adoption of this amendment, as the Group has opted to continue to account for its investments in subsidiaries and associates at cost in its separate financial statements.
- Amendments to IFRS 10 and IAS 28 (effective for annual periods beginning on or after 1 January 2016). The amendments clarify the relief from consolidation which is available to entities in group structures involving investment entities and are likely to reduce the number of entities which produce consolidated financial statements. The amendments also provide relief to non-investment entity investors in associates and joint ventures, who would otherwise incur practical difficulties or additional costs in unwinding fair value measurements and performing additional consolidations. There was no impact from adoption of this amendment.
- 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 effect of adopting this amendment is that \$24,327,000 (2015: -\$10,237,000) of the OCI of associates is now shown under *items that will not be reclassified to profit or loss*.

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 2016, 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 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 currently assessing the impact of IFRS 9.

GraceKennedy Limited

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

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 (continued)

- 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 2018 and earlier application is permitted. The Group is currently assessing the impact of IFRS 15.
- Amendment to IFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.
- IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019). This standard replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The standard includes an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. The Group is currently assessing the impact of IFRS 16.
- Amendments to IFRS 4 'Insurance Contracts' (effective for annual periods beginning on or after 1 January 2018). This amendment addresses the concerns of insurance companies about the different effective dates of IFRS 9, 'Financial instruments', and the forthcoming new insurance contracts standard. The amendment to IFRS 4 provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level); and the 'overlay approach'. Both approaches are optional. IFRS 4 (including the amendments that have now been issued) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standard becomes effective. The Group is currently assessing whether to use temporary exemption or overlay approach as permitted under the standard.
- Amendments to IAS 12, 'Income Taxes' (effective for annual periods beginning on or after 1 January 2017). The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. Deferred tax assets are assessed in combination with other deferred tax assets where the tax law does not restrict the source of taxable profits against which particular types of deferred tax assets can be recovered. Where restrictions apply, deferred tax assets are assessed in combination only with other deferred tax assets of the same type. The amendment also clarifies that tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. The Group is currently assessing the impact of this amendment.
- Amendments to IAS 7, 'Statement of Cash flows' (effective for annual periods beginning on or after 1 January 2017). The amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. An entity is required to disclose information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings; and non-cash changes, such as acquisitions, disposals and unrealised exchange differences. The adoption of this amendment is expected to impact the nature and extent of the Group's disclosures.
- Amendments to IFRS 2, 'Share-based Payment' (effective for annual periods beginning on or after 1 January 2018). The amendment addresses the accounting for cash-settled, share-based payments and equity-settled awards that include a 'net settlement' feature in respect of withholding taxes. The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The Group is currently assessing the impact of this amendment.
- Amendment to IAS 40, 'Investment property' (effective for annual periods beginning on or after 1 January 2018). These amendments clarify that to transfer to, or from investment properties, there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for annual periods beginning on or after 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The Group is currently assessing the impact of this amendment.

GraceKennedy Limited

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

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 (continued)

- Annual improvements to IFRSs 2014 – 2016 cycles. These amendments impact two standards which are relevant to the Group's operations as follows:
 - IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
 - IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value, effective 1 January 2018.

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.

GraceKennedy Limited

Notes to the Financial Statements

31 December 2016

(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 Investments Limited and its subsidiary – Greenfield Media Productions Limited	Jamaica Jamaica	Lease financing Media rights holder	100 -	100 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	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	British Virgin Islands	Money services	-	75	25
GraceKennedy Money Services (Cayman) Limited	Cayman Islands	Money services	-	75	25
GraceKennedy Money Services (Turks & Caicos Islands) Limited	Turks & Caicos 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	-	89.3	10.7
GK 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	-
Horizon Shipping Limited	Jamaica	Dormant	100	100	-
International Communications Limited	Jamaica	Dormant	100	100	-

GraceKennedy Limited

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2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Entity	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held by the parent company %	Proportion of ordinary shares held by the Group %	Proportion of ordinary shares held by non-controlling interests %
Grace Foods Limited, St. Lucia	St. Lucia	Brand owner	100	100	-
GraceKennedy (Belize) Limited	Belize	Food trading	100	100	-
GraceKennedy (Ontario) Inc.	Canada	Food trading	100	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 (St. Lucia) Limited and its subsidiaries –	St. Lucia	Holding company	100	100	-
Graken Holdings 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 GraceKennedy Money Services (Turks & Caicos Islands) Limited was capitalised.

In 2016, the Group increased its shareholdings in EC Global Insurance Company Limited from 80% to 89.3% through the purchase of additional shares issued by that company (Note 22).

The Group liquidated GraceKennedy Logistics Services Limited, GraceKennedy (Caribbean) Limited, GraceKennedy Trade Finance Limited and GraceKennedy Remittance Services (Turks and Caicos) Limited during the year. This resulted in a gain being realised on liquidation which is included in Other Income within *gain on disposal of investments* (Note 26).

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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	
				2016	2015
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

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

(d) Segment reporting

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

(e) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

GraceKennedy Limited

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2. Significant Accounting Policies (Continue)

(e) Foreign currency translation (continued)

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

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

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

Group companies

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

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

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

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

(f) Fixed assets

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

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

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

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

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

Land is not depreciated.

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

GraceKennedy Limited

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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.

GraceKennedy Limited

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2. Significant Accounting Policies (Continued)

(h) Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

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

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

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

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

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

Available-for-sale financial assets

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

Recognition and measurement

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

GraceKennedy Limited

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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.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

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.

GraceKennedy Limited

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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 equity-settled, share-based compensation plans. Directors, senior executives, management and key employees are awarded stock options and/or restricted stock grants. The fair value of the employee services received in exchange for the grant of the options or restricted units is recognised as an expense. The total amount expensed over the vesting period is determined by reference to the fair value of the options or restricted units granted, excluding the impact of non-market vesting conditions. When options are exercised or restricted units are vested, the proceeds received net of any transaction costs or the value transferred are credited to share capital.

Termination benefits

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

GraceKennedy Limited

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2. Significant Accounting Policies (Continued)

(m) Employee benefits (continued)

Incentive plans

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

(n) Inventories

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

(o) Trade and insurance receivables

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

(p) Cash and cash equivalents

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

(q) Payables

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

(r) Insurance business provisions

Claims outstanding

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

Insurance reserves

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

Reinsurance ceded

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

Deferred policy acquisition costs

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

GraceKennedy Limited

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2. Significant Accounting Policies (Continued)

(s) **Provisions**

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

(t) **Deposits**

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

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

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

(v) **Borrowings**

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

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

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

(w) **Borrowings costs**

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

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

(x) **Leases**

As lessee

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

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

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

As lessor

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

(y) **Share capital**

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

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

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2. Significant Accounting Policies (Continued)

(z) Revenue recognition

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

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

(i) Sales of goods – wholesale

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

(ii) Sales of goods – retail

The Group operates a chain of retail outlets for selling general and food items, hardware and agro products. Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit. It is the Group's policy to sell its products to the retail customer with a right to return within 30 days. Accumulated experience is used to estimate and provide for such returns at the time of sale. The Group operates a loyalty programme in which the parent company has contracted certain subsidiaries to participate in the programme in the capacity of an issuer and/or redeemer of loyalty points. Under this programme, customers accumulate points for purchases made at certain subsidiaries within the Group, which entitle them to goods and services at redeeming subsidiaries and/or third party suppliers. Commission is recognised by the participating subsidiaries in their capacity as agents at the point the parent company is obligated to supply the awards and is entitled to receive consideration for doing so, that is, when points are issued. Revenue is recognised on a gross basis by the parent company in the capacity of principal at the point at which the company has fulfilled its obligations in respect of the awards, that is when points are issued. Amounts payable to participating subsidiaries and third parties for acting as suppliers in the programme are recognised by the parent company as an expense. One of the Group's subsidiaries operates a loyalty programme under similar arrangements to that of the parent company.

(iii) Sales of services

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

(iv) Interest income

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

(v) Dividend income

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

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2. Significant Accounting Policies (Continued)

(aa) Dividends

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

(ab) Investment properties

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

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

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

(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.

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3. Insurance and Financial Risk Management

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

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

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

(i) Audit Committee

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Group Risk Management and Internal Audit. 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 (ALCOs) and Investment Committees are management committees responsible for monitoring and formulating investment portfolios and investment strategies within the Insurance, Banking and Investment, and Corporate divisions. The ALCOs are 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 ALCOs establish asset and liability pricing policies to protect the liquidity structure as well as assesses the probability of various liquidity shocks and interest rate scenarios. They also establish and monitor relevant liquidity ratios and statement of financial position targets. Overall, the Committees ensure 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.

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3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk

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

Insurance risk for the Group attributable to policies sold by its general insurance underwriting subsidiaries, is borne by those subsidiaries. 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 subsidiaries. The policy limit and maximum net retention of any one risk for each class of insurance per customer for the year are as follows:

	2016		2015	
	Policy Limit	Maximum Net Retention	Policy Limit	Maximum Net Retention
	\$'000	\$'000	\$'000	\$'000
Commercial property:				
Fire and consequential loss	1,279,391	10,235	900,225	7,202
Boiler and machinery	639,696	7,197	360,090	6,752
Engineering	639,696	7,197	360,090	6,752
Burglary, money and goods in transit	31,985	22,389	30,008	21,005
Glass and other	31,985	22,389	30,008	21,005
Liability	383,817	38,382	360,090	36,009
Marine, aviation and transport	76,763	3,838	72,018	3,601
Motor	31,000	16,000	10,000	10,000
Pecuniary loss:				
Fidelity	31,985	22,389	30,008	21,005
Surety/Bonds	50,000	10,000	50,000	10,000
Personal accident	31,985	22,389	30,008	21,005
Personal property	1,279,391	10,235	900,225	7,202

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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 regulations.

(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 stochastically modeled using various confidence intervals to determine the impact on the net reserves. The net reserves of \$2,763,198,000 were determined at the 50% confidence interval. Had the confidence interval increased/(decreased) by 10%, the net reserves would increase/(decrease) by \$100,919,000/(\$101,141,000).

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 2007 - 2015 has changed at successive year-ends, up to 2016. 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.

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3. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk

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

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

- The retention limit or maximum exposure on insurance policies under the reinsurance treaties range between \$3,838,000 and \$38,382,000 (2015: \$3,601,000 and \$36,009,000).
- The Group utilises reinsurance treaties to reduce its net retained risk. The risk is spread over several reinsurers all of whom are AM Best or S&P rated at A or better.
- Excess of loss reinsurance is also purchased to cover the retained risk in the event of a catastrophe as well as for large motor losses.
- The amount of reinsurance recoveries recognised during the period is as follows:

	Group	
	2016 \$'000	2015 \$'000
Property	715,955	126,254
Motor	29,903	37,391
Marine	3,281	4,975
Liability	18,419	(1,218)
Pecuniary loss	(2,588)	(75)
Accident	1,458	118
	766,428	167,445

(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 credit risk, cash flow risk and market risk (interest rate risk and currency risk).

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

(i) Credit risk

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

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Credit review process

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

(a) Trade and other receivables

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

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

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

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

(b) Loans and leases

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

Group's 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.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

(c) Reinsurance

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The insurance subsidiaries' 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 subsidiaries' Risk and Reinsurance Department.

(e) Investments

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

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

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

Securities lending and reverse repurchase transactions – cash or securities.

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

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

Impairment

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Impairment (continued)

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

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

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

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

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

Group's rating

	2016		2015	
	Loans, Leases, Premium and Trade Receivables \$'000	Impairment Provision \$'000	Loans, Leases, Premium and Trade Receivables \$'000	Impairment Provision \$'000
Low risk	37,663	-	90,499	-
Standard risk	36,460,525	-	31,042,647	-
Sub-Standard	1,942,934	1,002,470	1,798,951	715,579
	38,441,122	1,002,470	32,932,097	715,579

Company's rating

	2016		2015	
	Loans, Leases, Premium and Trade Receivables \$'000	Impairment Provision \$'000	Loans, Leases, Premium and Trade Receivables \$'000	Impairment Provision \$'000
Standard risk	4,351,693	-	4,359,059	-
Sub-Standard	172,236	100,448	137,529	97,981
	4,523,929	100,448	4,496,588	97,981

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 2016 and 2015, without taking account of any collateral held or other credit enhancements.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit Risk (continue)

Loans and leases, premium and trade receivables

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Neither past due nor impaired -				
Low risk	37,663	90,499	-	-
Standard risk	33,561,765	28,343,505	4,192,639	4,204,355
	33,599,428	28,434,004	4,192,639	4,204,355
Past due but not impaired	2,898,760	2,699,142	159,054	154,704
Impaired	1,942,934	1,798,951	172,236	137,529
Gross	38,441,122	32,932,097	4,523,929	4,496,588
Less: provision for credit losses	(1,002,470)	(715,579)	(100,448)	(97,981)
Net	37,438,652	32,216,518	4,423,481	4,398,607

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 2016, loans and leases, premium and trade receivables of \$2,898,760,000 (2015: \$2,699,142,000) and \$159,054,000 (2015: \$154,704,000) 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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Less than 1 month	1,420,277	1,389,665	-	-
Within 1 to 3 months	1,002,915	1,019,643	145,587	137,150
Over 3 months	475,568	289,834	13,467	17,554
	2,898,760	2,699,142	159,054	154,704

As of 31 December 2016, loans and leases, premium and trade receivables of \$1,942,934,000 (2015: \$1,798,951,000) and \$172,236,000 (2015: \$137,529,000) for the Group and company respectively were impaired. The amount of the provision was \$1,002,470,000 (2015: \$715,579,000) and \$100,448,000 (2015: \$97,981,000) for the Group and company respectively. There are no financial assets other than loans, leases, premium and trade receivables that are past due.

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(expressed in Jamaican dollars unless otherwise indicated)

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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Over 6 months	1,457,568	1,321,513	-	-
	1,457,568	1,321,513	-	-

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
At 1 January	377,325	247,763	-	-
Provision for receivables impairment	325,311	228,502	-	-
Receivables written off during the year as uncollectible	(113,732)	(98,940)	-	-
At 31 December	588,904	377,325	-	-

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
3 to 6 months	148,103	192,988	56,284	28,351
Over 6 months	337,263	284,450	115,952	109,178
	485,366	477,438	172,236	137,529

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
At 1 January	338,254	357,023	97,981	108,119
Provision for receivables impairment	177,865	175,394	24,033	31,160
Receivables written off during the year as uncollectible	(77,363)	(88,617)	(11,575)	(25,581)
Unused amounts reversed	(25,190)	(105,546)	(9,991)	(15,717)
At 31 December	413,566	338,254	100,448	97,981

GraceKennedy Limited

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31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
3 to 6 months	148,103	192,988	56,284	28,351
Over 6 months	1,794,831	1,605,963	115,952	109,178
	1,942,934	1,798,951	172,236	137,529

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 1 January	715,579	604,786	97,981	108,119
Provision for receivables impairment	503,176	403,896	24,033	31,160
Receivables written off during the year as uncollectible	(191,095)	(187,557)	(11,575)	(25,581)
Unused amounts reversed	(25,190)	(105,546)	(9,991)	(15,717)
At 31 December	1,002,470	715,579	100,448	97,981

The creation and release of provisions 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.

GraceKennedy Limited

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(expressed in Jamaican dollars unless otherwise indicated)

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Public sector	171,852	239,747	-	-
Professional and other services	4,568,848	3,826,102	-	-
Personal	8,732,161	7,770,061	163,169	189,303
Agriculture, fishing and mining	762,855	572,684	-	-
Construction and real estate	1,519,896	2,372,073	30,000	117,756
Electricity, gas and water	1,202,447	325,848	-	-
Distribution	4,084,067	3,256,991	2,778,044	2,626,621
Manufacturing	2,318,411	1,928,816	-	-
Transportation	2,403,631	2,359,191	-	-
Tourism and entertainment	1,624,079	726,543	194,408	197,207
Financial and other money services	2,059,656	1,240,758	191,349	191,385
Brokers and agents	1,680,620	1,682,123	-	-
Reinsurers and coinsurers	740,516	83,628	-	-
Supermarket chains	1,784,489	1,573,105	319,463	353,421
Wholesalers	1,196,302	803,768	314,153	300,480
Retail and direct customers	2,918,837	3,041,874	363,806	333,752
Other	511,737	927,316	155,569	177,052
	38,280,404	32,730,628	4,509,961	4,486,977
Less: Provision for credit losses	(1,002,470)	(715,579)	(100,448)	(97,981)
	37,277,934	32,015,049	4,409,513	4,388,996
Interest receivable	160,718	201,469	13,968	9,611
	37,438,652	32,216,518	4,423,481	4,398,607

GraceKennedy Limited

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31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Loans and leases	1,457,568	1,321,513	-	-
Trade and other receivables	485,366	477,438	172,236	137,529

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

Reposessed collateral

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

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

Debt securities

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Government of Jamaica:				
Available-for-sale securities	17,883,313	14,312,520	3,531,448	3,346,102
Fair value through profit or loss	86,223	-	-	-
Corporate:				
Available-for-sale securities	6,720,538	6,774,021	1,608,075	1,387,559
Other government				
Available-for-sale securities	799,671	406,839	-	-
Bank of Jamaica	10,587,210	7,626,134	-	-
Other (Note 6)	2,845,341	3,403,254	1,562,237	1,461,686
	38,922,296	32,522,768	6,701,760	6,195,347

GraceKennedy Limited

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk

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

Liquidity risk management process

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

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

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

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk

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	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 December 2016:					
Deposits	25,380,849	5,395,693	16,338	-	30,792,880
Securities sold under agreements to repurchase	9,353,969	203,488	3,032,050	-	12,589,507
Bank and other loans	3,678,663	4,701,019	5,048,588	1,071,760	14,500,030
Trade and other payables	16,843,073	718,910	-	-	17,561,983
Total financial liabilities (contractual dates)	55,256,554	11,019,110	8,096,976	1,071,760	75,444,400

	Group				
	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'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	3,437,323	-	-	14,493,330
Total financial liabilities (contractual dates)	41,295,264	13,577,907	5,678,441	2,615,502	63,167,114

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31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial liabilities cash flows (continued)

	Company				
	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
As at 31 December 2016:					
Bank and other loans	1,939,198	1,465,329	1,347,775	79,304	4,831,606
Trade and other payables	2,600,965	-	-	-	2,600,965
Subsidiaries	2,784,294	-	-	-	2,784,294
Total financial liabilities (contractual dates)	7,324,457	1,465,329	1,347,775	79,304	10,216,865

	Company				
	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:					
Bank and other loans	1,743,552	1,543,443	1,335,170	523,184	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	523,184	10,220,274

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Floating rate –				
Expiring within one year	9,075,887	9,771,165	6,371,215	7,145,559

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Off-statement of financial position items

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

	Group			
	No Later Than 1 Year \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
As at 31 December 2016:				
Loan commitments	1,090,931	-	-	1,090,931
Guarantees, acceptances and other financial facilities	189,585	-	-	189,585
Capital commitments	2,352,326	-	-	2,352,326
Operating lease commitments	1,309,118	3,703,535	1,238,355	6,251,008
	4,941,960	3,703,535	1,238,355	9,883,850
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

(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.

GraceKennedy Limited

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(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk

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

	Group						
	Jamaican\$ J\$'000	US\$ J\$'000	GBP J\$'000	CAN\$ J\$'000	EURO J\$'000	Other J\$'000	Total J\$'000
As at 31 December 2016:							
Financial Assets							
Cash and deposits	5,242,740	3,981,704	360,448	123,375	1,362,803	1,205,577	12,276,647
Investment securities and pledged assets	11,183,407	27,748,662	36,849	11,658	-	313,097	39,293,673
Trade and other receivables	4,225,984	4,314,861	1,718,676	453,663	173,800	623,611	11,510,595
Loans receivable	19,926,453	6,001,564	40	-	-	-	25,928,057
Total financial assets	40,578,584	42,046,791	2,116,013	588,696	1,536,603	2,142,285	89,008,972
Financial Liabilities							
Deposits	11,350,884	17,551,420	284,545	97,599	1,369,440	-	30,653,888
Securities sold under agreements to repurchase	5,223,496	7,119,936	-	-	-	-	12,343,432
Bank and other loans	7,087,161	5,345,352	559,059	213,973	-	36,492	13,242,037
Trade and other payables	8,001,988	5,468,031	2,738,693	629,981	80,892	642,398	17,561,983
Total financial liabilities	31,663,529	35,484,739	3,582,297	941,553	1,450,332	678,890	73,801,340
Net financial position	8,915,055	6,562,052	(1,466,284)	(352,857)	86,271	1,463,395	15,207,632

	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 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	2,916,869	3,853,405	1,624,137	340,255	148,869	737,392	9,620,927
Loans receivable	18,222,704	4,372,842	45	-	-	-	22,595,591
Total financial assets	35,934,176	31,384,706	2,086,295	608,489	919,573	4,051,938	74,985,177
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	5,588,939	5,133,472	2,302,025	472,831	149,814	846,249	14,493,330
Total financial liabilities	27,304,258	28,109,922	3,431,405	667,489	916,455	900,323	61,329,852
Net financial position	8,629,918	3,274,784	(1,345,110)	(59,000)	3,118	3,151,615	13,655,325

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	Company						
	Jamaican\$ J\$'000	US\$ J\$'000	GBP J\$'000	CAN\$ J\$'000	EURO J\$'000	Other J\$'000	Total J\$'000
As at 31 December 2016:							
Financial Assets							
Cash and deposits	1,685,459	909,804	-	-	-	5,548	2,600,811
Investment securities	2,294,564	4,467,045	-	-	-	-	6,761,609
Trade and other receivables	1,228,915	19,383	-	-	-	-	1,248,298
Subsidiaries	344,208	129,251	-	6,303	-	-	479,762
Loans receivable	1,823,080	1,352,103	-	-	-	-	3,175,183
Total financial assets	7,376,226	6,877,586	-	6,303	-	5,548	14,265,663
Financial Liabilities							
Bank and other loans	2,863,002	1,583,637	-	-	-	-	4,446,639
Trade and other payables	1,677,103	923,862	-	-	-	-	2,600,965
Subsidiaries	1,710,476	1,073,266	552	-	-	-	2,784,294
Total financial liabilities	6,250,581	3,580,765	552	-	-	-	9,831,898
Net financial position	1,125,645	3,296,821	(552)	6,303	-	5,548	4,433,765

	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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Foreign currency sensitivity

The following tables indicate the currencies to which the Group and company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The 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 6% increase (2015: 8%) and a 1% decrease (2015: 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 repurchase, 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	Effect on Profit before Taxation 2016 \$'000	% Change in Currency Rate	Effect on Profit before Taxation 2015 \$'000
	2016		2015	
Currency:				
USD	+6%	393,382	+8%	366,883
GBP	+6%	3,579	+8%	5,811
CAN	+6%	2,140	+8%	3,402
EURO	+6%	(1,123)	+8%	(201)
USD	-1%	(65,564)	-1%	(45,860)
GBP	-1%	(597)	-1%	(726)
CAN	-1%	(357)	-1%	(425)
EURO	-1%	187	-1%	25

Company				
	% Change in Currency Rate	Effect on Profit before Taxation 2016 \$'000	% Change in Currency Rate	Effect on Profit before Taxation 2015 \$'000
	2016		2015	
Currency:				
USD	+6%	199,600	+8%	230,260
GBP	+6%	(33)	+8%	(97)
CAN	+6%	378	+8%	-
EURO	+6%	-	+8%	(142)
USD	-1%	(33,267)	-1%	(28,783)
GBP	-1%	6	-1%	12
CAN	-1%	(63)	-1%	-
EURO	-1%	-	-1%	18

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(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk

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 and Investment Committees.

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 2016:							
Assets							
Cash and deposits	4,844,448	1,472,961	-	-	-	5,959,238	12,276,647
Investment securities and pledged assets	5,950,118	3,051,031	5,666,743	12,476,099	10,118,178	2,031,504	39,293,673
Loans receivable	354,924	4,532,882	1,064,389	8,304,625	11,508,068	163,169	25,928,057
Trade and other receivables	-	-	-	-	-	11,510,595	11,510,595
Total financial assets	11,149,490	9,056,874	6,731,132	20,780,724	21,626,246	19,664,506	89,008,972
Liabilities							
Deposits	19,507,412	5,839,221	5,291,894	15,361	-	-	30,653,888
Securities sold under agreements to repurchase	7,824,770	1,513,897	200,073	2,804,692	-	-	12,343,432
Bank loans	2,757,872	3,781,867	4,025,766	1,852,603	823,929	-	13,242,037
Trade payables	-	-	-	-	-	17,561,983	17,561,983
Total financial liabilities	30,090,054	11,134,985	9,517,733	4,672,656	823,929	17,561,983	73,801,340
Total interest repricing gap	(18,940,564)	(2,078,111)	(2,786,601)	16,108,068	20,802,317	2,102,523	15,207,632

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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 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	-	-	-	-	-	9,620,927	9,620,927
Total financial assets	7,971,829	7,858,157	5,019,071	23,282,336	13,703,487	17,150,297	74,985,177
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	-	-	-	-	-	14,493,330	14,493,330
Total financial liabilities	22,724,206	9,898,197	10,378,307	2,479,016	1,356,796	14,493,330	61,329,852
Total interest repricing gap	(14,752,377)	(2,040,040)	(5,359,236)	20,803,320	12,346,691	2,656,967	13,655,325

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	Company						
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non-rate Sensitive \$'000	Total \$'000
At 31 December 2016:							
Assets							
Cash and deposits	451,998	1,252,320	-	-	-	896,493	2,600,811
Investment securities	-	1,106,518	1,762,220	1,529,364	2,303,659	59,848	6,761,609
Loans receivable	-	281,169	1,418,694	630,000	-	845,320	3,175,183
Trade and other receivables	-	-	-	-	-	1,248,298	1,248,298
Subsidiaries	-	-	-	-	-	479,762	479,762
Total financial assets	451,998	2,640,007	3,180,914	2,159,364	2,303,659	3,529,721	14,265,663
Liabilities							
Bank loans	1,790,092	1,547,695	1,106,220	2,632	-	-	4,446,639
Trade payables	-	-	-	-	-	2,600,965	2,600,965
Subsidiaries	-	-	-	-	-	2,784,294	2,784,294
Total financial liabilities	1,790,092	1,547,695	1,106,220	2,632	-	5,385,259	9,831,898
Total interest repricing gap	(1,338,094)	1,092,312	2,074,694	2,156,732	2,303,659	(1,855,538)	4,433,765

	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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

Interest rate sensitivity

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

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

Group					
Change in basis points: 2016	Effect on Profit before Taxation 2016	Effect on Other Components of Equity 2016	Change in basis points: 2015	Effect on Profit before Taxation 2015	Effect on Other Components of Equity 2015
JMD / USD	\$'000	\$'000	JMD / USD	\$'000	\$'000
-100 / -50	49,980	300,303	-150/-50	(30,617)	226,436
+100 / +100	(167,834)	(578,804)	+100/+100	(89,183)	(381,434)

Company					
Change in basis points: 2016	Effect on Profit before Taxation 2016	Effect on Other Components of Equity 2016	Change in basis points: 2015	Effect on Profit before Taxation 2015	Effect on Other Components of Equity 2015
JMD / USD	\$'000	\$'000	JMD / USD	\$'000	\$'000
-100 / -50	(7,190)	62,678	-150/-50	(10,785)	68,201
+100 / +100	7,190	(108,736)	+100/+100	7,190	(106,578)

Price Risk

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

The impact of a 10% (2015: 20%) change in the quoted prices for these equities would be an increase or decrease in the carrying value of \$1,230,000 (2015: \$1,000,000) in income and \$35,329,000 (2015: \$66,739,000) in other comprehensive income.

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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 regulators of the insurance markets within which the companies 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 is managed and monitored at the insurance subsidiaries' level by management, the Audit Committee and the Board of Directors. In addition, the companies seek to maintain internal capital adequacy at levels higher than the minimum level of regulatory capital required.

The primary measure used to assess capital adequacy for the Jamaican based general insurance subsidiary is the Minimum Capital Test (MCT). This information is required to be filed with the Financial Services Commission (FSC) on an annual basis. The minimum standard recommended by the regulators for companies is a MCT of 250% (2015: 250%).

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 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 entity 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 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.

GraceKennedy Limited

Notes to the Financial Statements

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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 2016, the Group's strategy, which was unchanged from 2015, was to maintain a debt to equity ratio not exceeding 100%. The debt to equity ratios at 31 December 2016 and 2015 were as follows:

	Group	
	2016 \$'000	2015 \$'000
Total borrowings (Note 15)	13,242,037	13,936,107
Owners equity	42,063,925	38,047,441
Gearing ratio	31.5%	36.6%

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.

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4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

Key sources of estimation uncertainty

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

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2 (g). The assessment of goodwill impairment involves the determination of the value in use. Determination of value in use involves the estimation of future cash flows from the business taking into consideration the growth rates, inflation rates and the discount rates. Any changes in these variables would impact the value in use calculations. A 1% increase in the discount rate would result in a reduction in the value in use by \$2,322,523,000, 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. The Group has recognised deferred tax assets on tax losses carried forward as it anticipates making future taxable income to offset these losses.

(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 subsidiaries 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 subsidiaries' 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 subsidiaries' 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 subsidiaries 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.

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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.

(vii) Fair value of financial instruments

In the absence of quoted market prices, the fair values of a significant portion of the Group's financial instruments were determined using generally accepted alternative methods. The values derived from applying these methods are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instruments in an arm's length transaction.

(viii) Impairment losses on loans

The Group reviews its loan portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in arriving at net profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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5. Cash and Deposits

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	9,665,440	8,317,401	1,348,491	614,039
Deposits	2,611,207	1,584,016	1,252,320	1,191,202
	12,276,647	9,901,417	2,600,811	1,805,241

Included in deposits is interest receivable of \$7,959,000 (2015: \$5,325,000) and \$6,150,000 (2015: \$4,716,000) for the Group and company, respectively. The weighted average effective interest rate on deposits was 3.17% (2015: 3.91%) and 3.69% (2015: 4.19%) 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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	9,665,440	8,317,401	1,348,491	614,039
Deposits	2,611,207	1,584,016	1,252,320	1,191,202
	12,276,647	9,901,417	2,600,811	1,805,241
Bank overdrafts (Note 15)	(1,965,846)	(2,827,358)	(1,054,809)	(937,205)
	10,310,801	7,074,059	1,546,002	868,036

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6. Investment Securities and Pledged Assets

(a) Investment securities

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Available-for-sale:				
Quoted equities	353,294	333,695	59,514	121,549
Bank of Jamaica	10,587,210	7,626,134	-	-
Government of Jamaica securities	17,883,313	14,312,520	3,531,448	3,346,102
Foreign government securities	799,671	406,839	-	-
Corporate bonds	6,720,538	6,774,021	1,608,075	1,387,559
Other debt securities	2,845,341	3,403,254	1,562,237	1,461,686
Other	5,779	5,779	335	335
	39,195,146	32,862,242	6,761,609	6,317,231
Financial assets at fair value through profit or loss:				
Derivative financial instruments (Note 38)	86,223	-	-	-
Quoted equities	12,304	5,000	-	-
	98,527	5,000	-	-
Total	39,293,673	32,867,242	6,761,609	6,317,231
Less: Pledged assets (Note 6b)	(15,419,427)	(11,107,139)	-	-
Investment securities in the statement of financial position	23,874,246	21,760,103	6,761,609	6,317,231

Included in investment securities is interest receivable of \$502,858,000 (2015: \$451,236,000) and \$95,233,000 (2015: \$96,128,000) for the Group and the company respectively.

Included in Government of Jamaica securities are instruments which mature between 3 months and 12 months or which the Group intends to realise within 12 months and have an effective interest rate of 5.06% (2015: 6.26%) and 2.75% (2015: 4.00%) for the Group and the company respectively.

Included in Bank of Jamaica securities is \$4,131,173,000 (2015: \$2,847,553,000) held at the Bank of Jamaica under Section 14(1) of the Banking Act, 1992, representing the required ratio of 12% (2015: 12%) for Jamaican dollar cash reserves and 12% (2015: 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 \$11,669,552,000 (2015: \$7,391,270,000) and company \$1,653,278,000 (2015: \$1,554,840,000) which matures within the next 12 months.

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6. Investment Securities and Pledged Assets (Continued)

(b) Pledged assets

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

	Group			
	Asset		Related Liability	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Total in the statement of financial position (Note 6a)	15,419,427	11,107,139	14,766,833	10,841,069

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	
	2016 \$'000	2015 \$'000
Pledged assets with right to sell or repledge	15,419,427	11,107,139

(c) Available-for-sale securities

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 1 January	32,862,241	30,037,508	6,317,231	5,430,199
Exchange differences	1,802,804	516,137	267,141	171,178
Additions	6,462,944	6,261,565	316,802	1,742,204
Disposals	(2,401,725)	(3,919,436)	(233,155)	(1,029,024)
Net transfer to/(from) equity	468,882	(33,532)	93,590	2,674
At 31 December	39,195,146	32,862,242	6,761,609	6,317,231
Less non-current portion	(27,525,594)	(25,470,972)	(5,108,331)	(4,762,391)
Current portion	11,669,552	7,391,270	1,653,278	1,554,840

The Group recognised net gains of \$65,396,000 (2015: \$124,940,000) and the company recognised net losses of \$11,435,000 (2015: \$5,140,000) in the income statement, being reclassified from other comprehensive income on sale.

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7. Receivables

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Trade receivables, less provision for impairment	8,749,890	7,200,503	1,176,549	1,223,571
Insurance receivables, less provision for impairment	1,810,590	1,332,894	-	-
Reinsurers' portion of unearned premiums	1,221,096	1,067,149	-	-
Deferred policy acquisition costs	222,430	212,154	-	-
Receivable from associates (Note 35e)	33,678	5,631	29,228	3,451
Prepayments	734,116	678,338	103,810	79,680
Other receivables	916,437	1,081,899	42,521	37,840
	13,688,237	11,578,568	1,352,108	1,344,542

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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Raw materials and spares	644,427	575,079	-	-
Finished goods	2,357,647	2,214,927	-	-
Merchandise	6,286,664	5,882,683	1,885,505	1,741,902
Goods in transit	2,172,545	1,368,507	804,138	646,709
	11,461,283	10,041,196	2,689,643	2,388,611

The inventory write-down recognised as an expense amounted to \$264,110,000 (2015: \$322,711,000) and \$119,122,000 (2015: \$111,885,000) for the Group and the company respectively.

9. Loans Receivable

(a) Loans receivable comprise:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Finance leases, less deferred profit	418,938	231,133	-	-
Loans and receivables:				
Loans to subsidiaries (Note 35e)	-	-	3,012,013	2,944,443
Loans to others	25,509,119	22,364,445	163,170	189,302
Other receivables	-	13	-	-
	25,928,057	22,595,591	3,175,183	3,133,745

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

Included in loans receivable is interest receivable of \$160,718,000 (2015: \$201,469,000) and \$13,968,000 (2015: \$9,611,000) for the Group and company, respectively.

Included in loans receivable is \$6,606,753,000 (2015: \$6,386,376,000) and \$895,054,000 (2015: \$843,544,000) which matures in the next 12 months for the Group and the company respectively.

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9. Loans Receivable (Continued)

(b) Finance lease receivables:

	Group	
	2016	2015
	\$'000	\$'000
Gross receivables from finance leases:		
Not later than 1 year	212,485	144,724
Later than 1 year and not later than 5 years	291,298	123,982
	503,783	268,706
Unearned future finance income on finance leases	(84,845)	(37,573)
Net investment in finance leases	418,938	231,133
The net investment in finance leases is analysed as follows:		
Not later than 1 year	166,141	123,690
Later than 1 year and not later than 5 years	252,797	107,443
Total	418,938	231,133

10. Investments in Associates

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
At beginning of year	1,492,080	1,266,605	49,698	49,698
Amounts recognised in the income statement	441,151	316,191	-	-
Amounts recognised in other comprehensive income	104,649	86,238	-	-
Dividends paid	(293,896)	(176,954)	-	-
Amounts recognised in the statement of financial position	1,743,984	1,492,080	49,698	49,698
	Group			
	2016	2015		
	\$'000	\$'000		
Dairy Industries (Jamaica) Limited			859,721	729,856
CSGK Finance Holdings Limited			801,186	708,422
Immaterial associated companies			83,077	53,802
Amounts recognised in the statement of financial position			1,743,984	1,492,080

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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 2016 and 31 December 2015 is as follows:

Summarised statement of financial position

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current				
Cash and cash equivalents	193,526	94,818	1,625,470	2,780,817
Other current assets (excluding cash)	1,911,272	1,458,606	257,027	98,803
Total current net assets	2,104,798	1,553,424	1,882,497	2,879,620
Financial liabilities (excluding trade payables)	250,000	-	11,923,449	11,015,651
Other current liabilities (including trade payables)	665,329	559,324	364,643	437,997
Total current liabilities	915,329	559,324	12,288,092	11,453,648
Non-current				
Assets	797,833	692,369	12,408,559	10,345,082
Non-financial liabilities	267,861	226,758	-	-
Total non-current liabilities	267,861	226,758	-	-
Net assets	1,719,441	1,459,711	2,002,964	1,771,054

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10. Investments in Associates (Continued)

Summarised income statement

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Revenue	3,597,260	3,234,416	1,241,476	1,144,267
Depreciation	(42,043)	(39,917)	(12,077)	(16,289)
Interest income - non-financial services	9,288	9,876	-	-
Interest expense - non-financial services	(13,147)	(12,097)	-	-
Profit before income tax	961,439	644,200	289,119	281,722
Taxation expense	(240,361)	(163,585)	(80,438)	(76,258)
Profit after tax	721,078	480,615	208,681	205,464
Other comprehensive income	48,652	(20,475)	120,467	232,426
Total comprehensive income	769,730	460,140	329,148	437,890
Dividends received by the Group from associate	255,000	150,000	38,897	26,952

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

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Summarised financial information				
Opening net assets at 1 January	1,459,711	1,299,571	1,771,054	1,400,544
Profit for the period	721,078	480,615	208,681	205,464
Other comprehensive income	48,652	(20,475)	120,467	232,426
Dividends paid	(510,000)	(300,000)	(97,238)	(67,380)
Closing net assets	1,719,441	1,459,711	2,002,964	1,771,054
Interest in associates (%)	50	50	40	40
Interest in associates (J\$)	859,721	729,856	801,186	708,422
Carrying value	859,721	729,856	801,186	708,422

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

	Group	
	2016	2015
	\$'000	\$'000
Profit or loss from continuing operations	(2,860)	(6,303)
Other comprehensive income	32,136	3,506
Total comprehensive income	29,276	(2,797)

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11. Intangible Assets

	Brands and Customer Relationships \$'000	Goodwill \$'000	Computer Software \$'000	Policy Contracts \$'000	Total \$'000
	Group				
Cost					
At 1 January 2015	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
Additions	-	-	390,751	-	390,751
Retirement of asset	-	-	(663)	-	(663)
Exchange differences	53,999	6,156	6,595	-	66,750
At 31 December 2016	2,773,264	1,717,499	2,949,645	589,088	8,029,496
Accumulated Amortisation					
At 1 January 2015	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
Amortisation charge for the year	186,176	-	352,767	39,273	578,216
Retirement of asset	-	-	(663)	-	(663)
Exchange differences	28,352	-	3,305	-	31,657
At 31 December 2016	1,217,863	308,490	2,046,874	431,997	4,005,224
Net Book Amount					
31 December 2016	1,555,401	1,409,009	902,771	157,091	4,024,272
31 December 2015	1,715,930	1,402,853	861,497	196,364	4,176,644

Included in amortisation charges are amounts in respect of discontinued operations of \$Nil (2015: \$2,490,000).

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.

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11. Intangible Assets (Continued)

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

	2016 \$'000	2015 \$'000
Food Trading		
- Jamaica operations	16,854	16,854
- United Kingdom operations	435,271	488,431
- United States operations	956,884	897,568
	1,409,009	1,402,853

For the year ended 31 December 2016, 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	9.22%	3.14%	0.00%	12.46%
- United Kingdom operations	12.28%	5.53%	1.12%	11.10%
- United States operations	10.22%	3.01%	2.01%	9.57%

	Computer Software \$'000
Company	
Cost	
At 1 January 2015	697,931
Additions	116,944
At 31 December 2015	814,875
Additions	65,343
At 31 December 2016	880,218
Accumulated Amortisation	
At 1 January 2015	582,379
Amortisation charge for the year	108,965
At 31 December 2015	691,344
Amortisation charge for the year	58,860
At 31 December 2016	750,204
Net Book Amount	
31 December 2016	130,014
31 December 2015	123,531

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12. Fixed Assets

	Freehold Land and Buildings \$'000	Leasehold Buildings and Improvements \$'000	Plant, Equipment, Fixtures & Vehicles \$'000	Capital Work in Progress \$'000	Total \$'000
	Group				
Cost					
At 1 January 2015	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
Additions	32,221	187,880	811,197	896,927	1,928,225
Revaluation adjustment	342,476	-	-	-	342,476
Transfers	23,859	199,913	568,279	(792,051)	-
Disposals	-	(61,479)	(290,714)	-	(352,193)
Exchange differences	60,480	(24,313)	(60,744)	1,578	(22,999)
At 31 December 2016	5,844,749	1,666,760	7,638,409	683,432	15,833,350
Accumulated Amortisation					
At 1 January 2015	-	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
Charge for the year	102,187	138,188	648,198	-	888,573
Revaluation adjustment	(218,703)	-	-	-	(218,703)
On disposals	(53)	(36,454)	(254,129)	-	(290,636)
Exchange differences	1,789	(15,354)	(37,438)	-	(51,003)
At 31 December 2016	-	898,289	4,823,390	-	5,721,679
Net Book Amount					
31 December 2016	5,844,749	768,471	2,815,019	683,432	10,111,671
31 December 2015	5,270,933	552,850	2,143,632	576,978	8,544,393

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12. Fixed Assets (Continued)

	Freehold Land and Buildings \$'000	Leasehold Buildings and Improvements \$'000	Plant, Equipment, Fixtures & Vehicles \$'000	Capital Work in Progress \$'000	Total \$'000
Company					
Cost					
At 1 January 2015	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
Additions	-	4,763	102,266	2,207	109,236
Revaluation adjustment	7,000	-	-	-	7,000
Transfers	-	-	9,917	(9,917)	-
Disposals	-	-	(9,019)	-	(9,019)
At 31 December 2016	74,000	106,056	952,606	210	1,132,872
Accumulated Amortisation					
At 1 January 2015	-	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
Charge for the year	1,305	4,151	60,805	-	66,261
Revaluation adjustment	(2,610)	-	-	-	(2,610)
On disposals	-	-	(7,981)	-	(7,981)
At 31 December 2016	-	78,881	754,707	-	833,588
Net Book Amount					
31 December 2016	74,000	27,175	197,899	210	299,284
31 December 2015	65,695	26,563	147,559	7,920	247,737

- (a) The tables above include carrying values of \$81,862,000 (2015: \$13,408,000) and \$1,377,000 (2015: \$4,714,000) 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 \$Nil (2015: \$51,005,000).

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12. Fixed Assets (Continued)

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cost	4,288,983	4,232,904	41,123	41,123
Accumulated depreciation	494,506	424,023	10,888	9,860
Net Book Value	3,794,477	3,808,881	30,235	31,263

(c) The Group's land and buildings were revalued during 2016 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).

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 1/3% for regulated companies.

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
At beginning of year	(87,670)	(195,382)	(880,836)	(1,038,498)
Income statement (charge)/credit (Note 28)	(1,545)	(35,063)	162,927	74,939
Tax (charge)/credit relating to components of other comprehensive income (Note 28)	(514,295)	209,560	(263,184)	82,723
Disposal of subsidiary	-	(82,353)	-	-
Exchange differences	6,861	15,568	-	-
At end of year	(596,649)	(87,670)	(981,093)	(880,836)

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13. Deferred Income Taxes (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. Subject to agreement with the taxation administration in the relevant jurisdictions, the Group has recognised tax losses of \$1,929,322,000 (2015: \$2,321,146,000) and recognised tax credits of \$148,175,000 (2015: \$214,080,000) to carry forward indefinitely against future taxable income. The Group also has unrecognised tax losses of \$1,048,252,000 (2015: \$894,671,000) in respect of some subsidiaries.

Deferred income tax liabilities of \$196,096,000 (2015: \$334,384,000) 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 \$784,384,000 (2015: \$1,337,537,000).

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

	Group					
	Fixed Assets \$'000	Fair Value Gains \$'000	Unrealised Foreign Exchange Gains \$'000	Pension Plan Assets \$'000	Other \$'000	Total \$'000
Deferred tax liabilities						
At 1 January 2015	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
(Credited)/charged to the income statement	(6,209)	4,375	(9,297)	(72,607)	192,451	108,713
Charged to other comprehensive income	130,147	84,660	-	266,982	-	481,789
Exchange differences	-	-	-	-	1,274	1,274
At 31 December 2016	426,511	326,120	14,455	1,535,521	592,147	2,894,754
	Fixed Assets \$'000	Fair Value Losses \$'000	Unutilised Tax Losses and Credits \$'000	Employee Benefit Obligations \$'000	Other \$'000	Total \$'000
Deferred tax assets						
At 1 January 2015	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
Credited/(charged) to the income statement	57,438	-	(186,151)	108,186	127,695	107,168
(Charged)/credited to other comprehensive income	-	(75,247)	-	42,741	-	(32,506)
Exchange differences	(4,671)	-	13,686	-	(880)	8,135
At 31 December 2016	185,231	-	755,475	1,198,871	158,528	2,298,105

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13. Deferred Income Taxes (Continued)

	Company					
	Fixed Assets \$'000	Fair Value Gains \$'000	Unrealised Foreign Exchange Gains \$'000	Pension Plan Assets \$'000	Other \$'000	Total \$'000
Deferred tax liabilities						
At 1 January 2015	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
Credited to the income statement	(1,985)	-	(3,865)	(72,607)	(959)	(79,416)
Charged to other comprehensive income	2,076	23,398	-	266,982	-	292,456
At 31 December 2016	8,318	61,609	-	1,535,521	8,466	1,613,914
		Fixed Assets \$'000	Unutilised Tax Losses and Credits \$'000	Employee Benefit Obligations \$'000	Other \$'000	Total \$'000
Deferred tax assets						
At 1 January 2015		15,634	-	352,502	15,038	383,174
Credited/(charged) to the income statement		7,785	10,932	21,722	(767)	39,672
Credited to other comprehensive income		-	-	97,192	-	97,192
At 31 December 2015		23,419	10,932	471,416	14,271	520,038
Credited to the income statement		11,509	24,506	40,131	7,365	83,511
Credited to other comprehensive income		-	-	29,272	-	29,272
At 31 December 2016		34,928	35,438	540,819	21,636	632,821

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13. Deferred Income Taxes (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	801,008	1,019,904	-	-
Deferred tax liabilities	(1,397,657)	(1,107,574)	(981,093)	(880,836)
	(596,649)	(87,670)	(981,093)	(880,836)

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	2,139,577	2,108,348	611,185	505,767
Deferred tax assets to be recovered within 12 months	158,528	106,960	21,636	14,271
	2,298,105	2,215,308	632,821	520,038

Deferred tax liabilities:

Deferred tax liabilities to be settled after more than 12 months	(1,962,032)	(1,643,719)	(1,543,839)	(1,349,373)
Deferred tax liabilities to be settled within 12 months	(932,722)	(659,259)	(70,075)	(51,501)
	(2,894,754)	(2,302,978)	(1,613,914)	(1,400,874)
Deferred tax liabilities net	(596,649)	(87,670)	(981,093)	(880,836)

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 \$248,811,000 (2015: \$253,135,000) and \$47,683,000 (2015: \$37,990,000) 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 Proven Fund Managers Limited.

In the event of a plan surplus the Group is able to take a contribution holiday, while a funding deficiency will require the Group to make additional contributions to adequately fund the plan.

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

Pension benefits

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

	Group and Company	
	2016 \$'000	2015 \$'000
Present value of funded obligations	22,330,364	19,868,745
Fair value of plan assets	(28,472,442)	(25,233,328)
Asset in the statement of financial position	(6,142,078)	(5,364,583)

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

	Group and Company	
	2016 \$'000	2015 \$'000
Beginning of year	19,868,745	16,410,579
Current service cost	668,160	568,621
Interest cost	1,663,989	1,549,862
	2,332,149	2,118,483
Remeasurements -		
Loss from change in demographic assumptions	-	1,133,131
Loss from change in financial assumptions	756,423	709,665
Experience gains	(209,576)	(39,519)
	546,847	1,803,277
Members' contributions	230,487	235,726
Benefits paid	(647,864)	(699,320)
End of year	22,330,364	19,868,745

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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 and Company	
	2016	2015
	\$'000	\$'000
Beginning of year	25,233,328	21,847,695
Interest income on plan assets	2,116,694	2,061,518
Return on plan assets, excluding amounts included in interest income	1,614,772	1,861,118
Members' contributions	230,487	235,726
Employers' contributions	740	750
Benefits paid	(647,864)	(699,320)
Administration costs	(75,715)	(74,159)
End of year	28,472,442	25,233,328

The amounts recognised in the income statement are as follows:

	Group and Company	
	2016	2015
	\$'000	\$'000
Current service cost	668,160	568,621
Interest income (net)	(452,705)	(511,656)
Administration costs	75,715	74,159
Total, included in staff costs (Note 27)	291,170	131,124

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately \$12,421,257,000 (2015: \$11,188,440,000) relating to active employees, \$2,387,981,000 (2015: \$1,966,034,000) relating to deferred members and \$7,521,126,000 (2015: \$6,714,271,000) relating to members in retirement.

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

Pension benefits (continued)

The plan assets are comprised of:

	Group and Company			
	2016 \$'000	%	2015 \$'000	%
Equity	9,497,567	34%	5,860,835	23%
Debt	4,328,400	15%	3,289,439	13%
Real estate	2,492,811	9%	2,468,400	10%
Government securities	10,385,674	36%	11,261,858	45%
Other	1,767,990	6%	2,352,796	9%
	28,472,442	100%	25,233,328	100%

The pension plan assets include the company's ordinary stock units with a fair value of \$1,809,915,000 (2015: \$1,257,073,000) and buildings occupied by Group companies with fair values of \$1,047,558,000 (2015: \$1,040,588,000).

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 2017 are \$565,000. The actual return on plan assets was \$3,731,466,000 (2015: \$3,922,637,000).

The principal actuarial assumptions used were as follows:

	2016	2015
Discount rate	9.0%	8.5%
Long term inflation rate	6.0%	5.0%
Future salary increases	6.0%	6.0%
Future pension increases	6.0%	5.0%

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:

	2016	2015
Male	27.24	27.18
Female	28.17	28.13

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

Pension benefits (continued)

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

Group and Company							
Impact on post-employment obligations							
	Change in Assumption		Increase in Assumption			Decrease in Assumption	
			2016	2015		2016	2015
Discount rate	1%	Decrease by	15.1%	15.2%	Increase by	19.7%	19.9%
Future salary increases	1%	Increase by	4.7%	5.2%	Decrease by	4.2%	4.5%
Expected pension increase	1%	Increase by	13.5%	13.2%	Decrease by	11.1%	10.9%

Group and Company							
Impact on post-employment obligations							
			Increase in Assumption by One Year			Decrease in Assumption by One Year	
			2016	2015		2016	2015
Life expectancy		Increase by	2.2%	2.1%	Decrease by	2.4%	2.3%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Other post-employment obligations

The Group operates a number of post-employment benefit schemes, principally in Jamaica. The benefits covered under the schemes include group life, insured and self-insured health care, gratuity and other supplementary plans. Funds are not built up to cover the obligations under these retirement benefit schemes. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for the pension schemes, the main actuarial assumption is a long term increase in health costs of 7.5% per year (2015: 6.5% per year).

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

Other post-employment obligations (continued)

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Present value of unfunded obligations	4,406,015	3,848,433	2,163,271	1,885,663

Movement in the defined benefit obligation is as follows:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Beginning of year	3,848,433	3,228,905	1,885,663	1,410,009
Current service cost	202,480	165,515	67,296	52,670
Interest cost	320,424	298,306	156,316	129,408
Past service cost - vested benefits	41,311	(29,112)	44,746	14,707
	564,215	434,709	268,358	196,785
Remeasurements -				
Loss from change in demographic assumptions	111,562	528,841	52,553	219,494
Loss from change in financial assumptions	178,316	377,223	64,564	146,073
Experience (gains)/losses	(110,655)	(32,932)	(33)	23,201
	179,223	873,132	117,084	388,768
Benefits paid	(185,856)	(210,046)	(107,834)	(109,899)
Disposal of subsidiary	-	(478,267)	-	-
End of year	4,406,015	3,848,433	2,163,271	1,885,663

The amounts recognised in the income statement were as follows:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current service cost	202,480	165,515	67,296	52,670
Interest cost	320,424	298,306	156,316	129,408
Past service cost	41,311	(29,112)	44,746	14,707
Total included in staff costs (Note 27)	564,215	434,709	268,358	196,785

The total charge was included in administration expenses.

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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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Gratuity Plan	648,103	621,764	345,460	308,445
Group Life Plan	687,066	632,219	329,009	291,214
Insured Group Health	1,333,251	1,091,819	517,431	421,221
Self Insured Health Plan	1,203,801	983,581	551,646	458,974
Supplementary Pension Plan	533,794	519,050	419,725	405,809
Liability in the statement of financial position	4,406,015	3,848,433	2,163,271	1,885,663

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	
			2016	2015		2016	2015
Discount rate	1%	Decrease by	15.0%	14.6%	Increase by	19.3%	18.7%
Medical inflation rate	1%	Increase by	19.4%	18.9%	Decrease by	15.3%	15.0%

		Company					
Impact on post-employment obligations							
	Change in Assumption		Increase in Assumption			Decrease in Assumption	
			2016	2015		2016	2015
Discount rate	1%	Decrease by	13.5%	13.1%	Increase by	17.1%	16.5%
Medical inflation rate	1%	Increase by	17.2%	16.7%	Decrease by	13.7%	13.4%

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.

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

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

Changes in bond yields

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

Inflation risk

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

Life expectancy

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

The Board of Trustees is ultimately responsible for the establishment and oversight of the plan's risk management framework, 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 2016 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 for the plan's financial position 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. Regular contributions, which are based on service costs, will be assessed following the upcoming valuation to determine if any increase is required.

The average duration of the post-employment obligations is as follows:

Plans	Years
Gratuity Plan	9.7
Group Life Plan	15.2
Insured Group Health	20.9
Pension Plan	18.0
Self Insured Health Plan	14.2
Superannuation plan	7.7

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15. Bank and Other Loans

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Secured on assets	3,715,816	3,649,231	-	-
Unsecured	9,526,221	10,286,876	4,446,639	4,735,644
	13,242,037	13,936,107	4,446,639	4,735,644

- (a) Unsecured loans of subsidiaries are supported by letters of comfort from the parent company. Interest rates on these loans range between 2.25% - 12.0% (2015: 2.5% - 12.0%).

- (b) Bank and other loans comprise:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Bank overdrafts (Note 5)	1,965,846	2,827,358	1,054,809	937,205
Bank borrowings	8,440,040	7,078,993	2,622,262	3,008,526
Finance leases	78,153	10,931	7,171	16,800
Other loans	2,757,998	4,018,825	762,397	773,113
Total borrowings	13,242,037	13,936,107	4,446,639	4,735,644

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 \$94,115,000 (2015: \$99,481,000) and \$27,964,000 (2015: \$38,228,000) for the Group and the company, respectively.

Included in bank borrowings and other loans is \$7,898,778,000 (2015: \$7,937,404,000) and \$3,284,030,000 (2015: \$3,176,052,000) 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 6.10% (2015: 5.81%) and are within level 2 of the fair value hierarchy.

- (c) Finance lease liabilities – minimum lease payments:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	29,513	3,914	5,037	10,989
Later than 1 year and not later than 5 years	55,502	7,793	2,740	7,777
	85,015	11,707	7,777	18,766
Future finance charges on finance leases	(6,862)	(776)	(606)	(1,966)
Present value of finance lease liabilities	78,153	10,931	7,171	16,800

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15. Bank and Other Loans (Continued)

(c) Finance lease liabilities – minimum lease payments (continued):

The present value of finance lease liabilities is as follows:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	27,135	3,501	4,539	9,629
Later than 1 year and not later than 5 years	51,018	7,430	2,632	7,171
	78,153	10,931	7,171	16,800

16. Payables

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Trade payables	8,349,067	7,040,201	1,167,893	1,044,529
Payable to associates (Note 35 e)	539,325	434,506	326,782	333,221
Accruals	3,556,639	2,922,272	669,846	468,946
Claims outstanding	2,971,434	2,556,668	-	-
Insurance reserves	2,763,198	2,722,933	-	-
Other payables	2,145,518	1,539,683	436,444	357,406
	20,325,181	17,216,263	2,600,965	2,204,102

All payables balances are due within the next 12 months.

17. Provisions

Provisions comprise warranties as follows:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
At beginning of year	-	6,221	-	6,221
Unused amounts reversed	-	(6,221)	-	(6,221)
At end of year	-	-	-	-

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 in the prior year (Note 40) and the probability of the Group being required to honour any future claims is remote.

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18. Share Capital

	2016 '000	2015 '000	2016 \$'000	2015 \$'000
Authorised -				
Ordinary shares	1,200,000	1,200,000		
Issued and fully paid -				
Ordinary stock units	994,887	992,837	623,546	585,878
Treasury shares	(2,508)	(917)	(89,297)	(18,089)
Issued and outstanding	992,379	991,920	534,249	567,789

- (a) On 11 July 2016, at an extraordinary general meeting of the company, the shareholders approved the subdivision of each ordinary share into three ordinary shares with effect from 11 August 2016. To facilitate this subdivision of shares, the maximum number of shares that the company is authorised to issue was increased from 400,000,000 to 1,200,000,000. As a result of the stock split, all prior period stock data presented in the financial statements have been adjusted to reflect the subdivision.
- (b) During the year, the company issued 2,050,000 (2015: 54,000) shares to its employees for cash of \$37,668,000 (2015: \$879,000). 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 Nil (2015: 885,000) units at a fair value of \$Nil (2015: \$18,799,000).
- (c) During the year, the company through its employee investment trust sold 324,000 (2015: Nil) units of its own shares at a fair value of \$13,418,000 (2015: \$Nil), purchased 5,447,000 (2015: 171,000) units at a fair value of \$205,952,000 (2015: \$2,824,000) and transferred 3,532,000 (2015: Nil) units to employees at a fair value of \$146,669,000 (2015: \$Nil). The total number of treasury shares held by the company at the end of the year was 2,508,000 (2015: 917,000) at a cost of \$89,297,000 (2015: \$18,089,000).
- (d) At the Annual General Meeting held on 29 May 2003, the stockholders passed a resolution for 30,000,000 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	8,796,024

The options were granted at a subscription price of \$16.94, 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.

	2016 '000	2015 '000
Movement on this option:		
At 1 January	6,636	6,984
Granted	420	-
Exercised	(5,882)	(54)
Forfeited	-	(294)
At 31 December	1,174	6,636

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18. Share Capital (Continued)

- (e) 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 and 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.

On 3 January 2011, under the rules of the Stock Offer Plan, the following allocation was made:

	No. of Shares
Directors	1,085,184

The options were granted at a subscription price of \$16.75, 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.

	2016	2015
Movement on this option:	'000	'000
At 1 January	678	678
Exercised	(542)	-
At 31 December	136	678

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

	No. of Shares
Directors and senior executives	3,408,480

The options were granted at a subscription price of \$20.40, 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.

	2016	2015
Movement on this option:	'000	'000
At 1 January	3,213	3,213
Exercised	(1,879)	-
At 31 December	1,334	3,213

- (f) In 2016, the company commenced operating a Long Term Incentive (LTI) Scheme administered by a committee of the Group's Board of Directors. The scheme is governed by the provisions of the 2009 Stock Offer Plan and includes the offer of restricted stock grants and stock options to executive directors and other senior executives. Participating executives are eligible to receive awards of restricted stock grants once certain predetermined Group performance objectives are met. These awards are earned annually following achievement of the performance objectives and are subject to a two year holding period from the end of the performance year after which the stock grants will vest and the executive will be entitled to receive the stock units. The stock option portion of the LTI scheme is granted annually and vesting is dependent on a time-based criterion.

On 12 May 2016 the following allocation of stock options was made:

	No. of Shares
Directors and senior executives	2,551,665

The options were granted at a subscription price of \$28.00, 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. The total of the grant to each director and senior executive will fully vest on the third anniversary of the grant. After vesting executives will have up to five years to exercise the stock options.

	2016	2015
Movement on this option:	'000	'000
Granted	2,552	-
At 31 December	2,552	-

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18. Share Capital (Continued)

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

	2016		2015	
Movement on this option:	Average exercise price in \$ per share	Options '000	Average exercise price in \$ per share	Options '000
At 1 January	17.99	10,527	17.95	10,875
Granted	26.44	2,972	-	-
Exercised	17.71	(8,303)	16.94	(54)
Forfeited	-	-	16.94	(294)
At 31 December	23.26	5,196	17.99	10,527

Shares totalling 2,643,000 (2015: 10,527,000) 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:

	2016		2015
	Exercise price in \$ per share	Options '000	Options '000
2016	16.93	-	7,314
2017	20.40	2,644	3,213
2023	28.00	2,552	-
		5,196	10,527

- (h) The fair value of options granted determined using the Black-Scholes valuation model was \$157,411,000. The significant inputs into the model were the weighted average share prices ranging from \$17.00 to \$28.00 at the grant dates, exercise prices ranging from \$16.94 to \$28.00, standard deviation of expected share price returns ranging from 29.2% to 33.2%, option life of six and eight years and risk-free interest rates ranging between 5.82% to 7.48%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the term of the options. The fair value of potential restricted stock grants to be earned is \$105,865,000.

The expense recognised in the income statement for share-based payments was \$23,816,000 (2015: \$Nil).

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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
	2016				2015			
	\$'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	46,164	-	-	46,164	46,750	-	-	46,750
Realised gain on sale of shares	109,107	-	-	109,107	83,764	-	-	83,764
Profits capitalised by Group companies	2,154,855	-	-	2,154,855	2,157,313	-	-	2,157,313
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	-	2,278,152	2,278,152	-	-	1,817,336	1,817,336
Fair value gains, net of deferred taxes	-	-	446,565	446,565	-	-	137,403	137,403
Loan loss reserve	-	620,016	-	620,016	-	741,794	-	741,794
Catastrophe reserve	12,270	-	-	12,270	12,270	-	-	12,270
Other	35,187	-	-	35,187	33,391	-	-	33,391
	2,460,321	620,016	2,724,717	5,805,054	2,436,226	741,794	1,954,739	5,132,759

	Company					
	Capital Reserve	Fair Value Reserves	Total	Capital Reserve	Fair Value Reserves	Total
	2016			2015		
	\$'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	-	37,229	37,229	-	29,695	29,695
Fair value gains, net of deferred taxes	-	294,562	294,562	-	199,027	199,027
	24,507	331,791	356,298	24,507	228,722	253,229

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20. Banking Reserves

Banking reserves represent both those reserves required to be maintained by the banking subsidiary, First Global Bank Limited (FGB), in compliance with the Jamaica Banking Services Act; as well as additional reserves that the Banking Services 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

	Group		Company	
	Foreign Currency Translation \$'000	Share-based Payments \$'000	Total \$'000	Share-based Payments \$'000
Balance at 1 January 2015	3,582,479	-	3,582,479	-
Equity holders' share of other comprehensive income	204,688	-	204,688	-
Balance at 31 December 2015	3,787,167	-	3,787,167	-
Equity holders' share of other comprehensive income	(278,818)	-	(278,818)	-
Transfer from retained earnings	-	233,991	233,991	202,266
Share-based payment expense	-	23,590	23,590	12,774
Transfer of treasury shares to employees	-	(146,669)	(146,669)	(146,669)
Balance at 31 December 2016	3,508,349	110,912	3,619,261	68,371

(a) The reserve for foreign currency translation represents foreign exchange differences arising on translation of the Group's foreign operations to the presentation currency, Jamaican dollars.

(b) The reserve for share-based payments represents stock options and restricted stock units granted under the various equity compensation plans as described in Note 18.

22. Non-Controlling Interests

	2016 \$'000	2015 \$'000
Beginning of year	1,325,621	1,711,871
Share of total comprehensive income:		
Share of net profit of subsidiaries	530,323	494,522
Revaluation surplus	-	(3,279)
Remeasurement of post-employment benefit obligations	(1,684)	(41,283)
Other	12,207	15,495
	540,846	465,455
Addition of non-controlling interest	-	818
Disposal of non-controlling interest	-	(595,878)
Transfer of non-controlling interest	(1,983)	-
Employee share option scheme: value of services received	226	-
Dividends paid	(390,027)	(256,645)
End of year	1,474,683	1,325,621

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22. Non-Controlling Interests (Continued)

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 \$1,474,683,000 of which \$1,436,439,000 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.

In 2016, the Group increased its shareholdings in EC Global Insurance Company Limited from 80% to 89.3% through the purchase of additional shares issued by that company. This intra-Group transaction resulted in the dilution of non-controlling interests shown in the table above as a transfer of \$1,983,000.

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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current				
Assets	-	-	7,269,826	6,830,097
Liabilities	-	-	(1,998,794)	(2,010,073)
Total current net assets	-	-	5,271,032	4,820,024
Non-current				
Assets	-	-	889,296	702,534
Liabilities	-	-	(414,573)	(348,927)
Total non-current net assets	-	-	474,723	353,607
Net assets	-	-	5,745,755	5,173,631

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22. Non-Controlling Interests (Continued)

Summarised income statement

	Hardware & Lumber Limited		GraceKennedy Money Services Caribbean SRL	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Revenue	-	7,442,223	7,849,485	6,580,118
Profit before income tax	-	199,171	3,005,995	2,408,184
Taxation expense	-	(9,848)	(916,643)	(738,915)
Profit after tax	-	189,323	2,089,352	1,669,269
Other comprehensive income	-	(83,787)	39,752	17,518
Total comprehensive income	-	105,536	2,129,104	1,686,787
Total comprehensive income allocated to non-controlling interest	-	44,220	532,276	421,697
Dividends paid to non-controlling interest	-	(36,921)	(388,790)	(219,724)

Summarised cash flows

	Hardware & Lumber Limited		GraceKennedy Money Services Caribbean SRL	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Cash generated from operations	-	326,569	2,098,155	3,452,897
Interest paid	-	(23,060)	6,253	-
Income tax paid	-	(33,672)	(711,899)	(693,033)
Net cash generated from operating activities	-	269,837	1,392,509	2,759,864
Net cash generated from/(used in) investing activities	-	(46,389)	(393,874)	19,961
Net cash used in financing activities	-	(172,598)	(1,555,610)	(879,608)
Net increase/(decrease) in cash and cash equivalents	-	50,850	(556,975)	1,900,217
Cash and cash equivalents at the beginning of year	-	150,009	5,020,008	3,034,340
Exchange gains on cash and cash equivalents	-	317	83,835	85,451
Disposal of subsidiary	-	(201,176)	-	-
Cash and cash equivalents at end of year	-	-	4,546,868	5,020,008

The information above represents amounts before intercompany eliminations.

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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

	2016					
	Food Trading	Banking & Investments	Insurance	Money Services	Unallocated/ Elimination	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE						
External sales	68,807,268	5,581,914	6,028,922	7,849,485	-	88,267,589
Inter-segment sales	264,683	41,013	337,495	-	(643,191)	-
Total Revenue	69,071,951	5,622,927	6,366,417	7,849,485	(643,191)	88,267,589
Operating results	1,434,989	350,640	780,200	3,068,975	32,800	5,667,604
Unallocated income	-	-	-	-	299,155	299,155
Profit from operations	-	-	-	-	-	5,966,759
Finance income	4,862	61,782	20,537	24,887	260,208	372,276
Finance expense	(473,856)	(117,871)	(8,723)	(24,616)	(51,790)	(676,856)
Share of results of associates	360,539	83,472	(2,860)	-	-	441,151
Profit before taxation	1,326,534	378,023	789,154	3,069,246	540,373	6,103,330
Taxation						(1,568,468)
Net Profit						4,534,862
Operating assets	41,473,433	60,499,830	12,354,853	7,952,217	(4,912,493)	117,367,840
Investment in associates	859,721	801,186	72,944	10,133	-	1,743,984
Unallocated assets	-	-	-	-	7,367,325	7,367,325
Total assets	42,333,154	61,301,016	12,427,797	7,962,350	2,454,832	126,479,149
Operating liabilities	22,029,278	50,602,324	7,091,048	1,762,221	(4,920,333)	76,564,538
Unallocated liabilities	-	-	-	-	6,376,003	6,376,003
Total liabilities	22,029,278	50,602,324	7,091,048	1,762,221	1,455,670	82,940,541
Other segment items						
Additions to non-current assets ^(b)	1,585,246	321,135	55,331	395,907	-	2,357,619
Depreciation	(633,070)	(125,104)	(51,718)	(78,681)	-	(888,573)
Amortisation	(221,346)	(167,887)	(95,138)	(93,845)	-	(578,216)

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23. Segment Information (Continued)

Operating segments (continued)

	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 expense	-	-	-	-	(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 from continuing operations						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)

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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	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total for reportable segments	5,562,957	4,138,957	124,024,317	107,496,489	81,484,871	69,805,189
Inter-segment eliminations	-	-	(4,912,493)	(5,767,358)	(4,920,333)	(5,752,404)
Unallocated amounts:						
Corporate central office results	1,232,978	521,887	-	-	-	-
Post-employment benefits	(668,789)	(355,037)	-	-	-	-
Share-based payments	(23,816)	-	-	-	-	-
Discontinued operations	-	(1,994)	-	-	-	-
Taxation recoverable	-	-	424,239	579,836	-	-
Deferred tax assets	-	-	801,008	1,019,904	-	-
Pension plan asset	-	-	6,142,078	5,364,583	-	-
Taxation	-	-	-	-	572,331	311,600
Deferred tax liabilities	-	-	-	-	1,397,657	1,107,574
Other post-employment obligations	-	-	-	-	4,406,015	3,848,433
Total unallocated	540,373	164,856	7,367,325	6,964,323	6,376,003	5,267,607
Total per financial statements	6,103,330	4,303,813	126,479,149	108,693,454	82,940,541	69,320,392

Geographical information

	Revenue ^(a)		Non-current assets ^(b)	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Jamaica	45,343,688	40,247,727	10,746,282	9,105,104
United Kingdom	12,577,499	13,054,799	1,249,059	1,513,761
United States of America	16,895,671	14,984,473	3,149,046	2,927,806
Canada	5,322,251	4,759,937	23,654	20,292
Other Caribbean countries	6,339,280	5,247,979	1,295,886	1,178,154
Other European countries	1,480,462	1,234,891	-	-
Africa	164,128	96,290	-	-
Other countries	144,610	116,134	-	-
Total	88,267,589	79,742,230	16,463,927	14,745,117

^(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.

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24. Revenues

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Sales of products	68,807,268	62,666,671	16,974,486	16,039,438
Sales of services	7,849,479	6,574,916	-	-
Financial services income	7,502,590	6,858,861	-	-
Interest income on investments classified as –				
Available-for-sale securities	1,095,713	990,408	-	-
Interest income on loans receivable	3,012,539	2,651,374	-	-
Total revenue from continuing operations	88,267,589	79,742,230	16,974,486	16,039,438

25. Expense by Nature

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration	199,821	139,614	21,566	11,601
Advertising and marketing	3,045,966	2,647,657	1,369,234	1,031,249
Amortisation of intangibles	578,216	610,994	58,860	108,965
Commissions and other money services costs	1,785,563	1,562,155	-	-
Cost of inventory recognised as expense	47,624,588	43,422,079	12,843,296	12,157,521
Depreciation	888,573	803,944	66,261	67,478
Insurance	605,524	559,782	99,336	95,189
Interest expense and other financial services expenses	4,994,848	4,394,311	-	-
Legal, professional and other fees	3,010,186	2,564,840	539,041	475,634
Occupancy costs - Lease rental charges, utilities, etc.	2,949,203	2,747,151	560,004	518,712
Repairs and maintenance expenditure	674,540	604,213	27,653	25,519
Staff costs (Note 27)	13,525,639	12,513,067	3,440,691	2,880,999
Transportation	1,764,565	1,498,553	381,081	344,428
Other expenses	3,037,331	2,880,828	979,401	840,372
	84,684,563	76,949,188	20,386,424	18,557,667

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26. Other Income

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Dividend income	17,235	16,970	2,136,935	2,131,892
Net foreign exchange gains	785,385	531,763	343,196	204,189
Change in fair value of investment properties	13,357	46,807	-	-
Change in value of investments – fair value through profit or loss	1,780	-	-	-
Gain on disposal of investments	610,574	9,177	40,388	409,667
(Loss)/gain on disposal of fixed assets	(18,659)	(1,306)	2,744	(175)
Fees and commissions	309,950	322,445	2,230,133	1,937,507
Interest income – available-for-sale securities	327,391	343,602	-	-
Rebates, reimbursements and recoveries	159,325	157,204	34,914	31,676
Miscellaneous	177,395	144,470	10,707	19,399
	2,383,733	1,571,132	4,799,017	4,734,155

27. Staff Costs

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	9,689,561	9,499,010	2,161,240	1,912,549
Pension (Note 14)	291,170	131,124	291,170	131,124
Pension contributions to defined contribution scheme (Note 14)	248,811	253,135	47,683	37,990
Other post-employment benefits (Note 14)	564,215	434,709	268,358	196,785
Share-based payments	23,816	-	12,774	-
Statutory contributions	887,900	896,078	208,368	199,089
Other costs	1,820,166	1,879,114	451,098	403,462
	13,525,639	13,093,170	3,440,691	2,880,999
Less: Discontinued operations	-	(580,103)	-	-
	13,525,639	12,513,067	3,440,691	2,880,999

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28. Taxation

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current tax	1,686,038	1,436,657	6,841	29,836
Adjustment to prior year provision	(119,115)	(190,581)	-	(342)
Deferred tax (Note 13)	1,545	35,063	(162,927)	(74,939)
	1,568,468	1,281,139	(156,086)	(45,445)
Taxation expense is attributable to:				
Profit from continuing operations	1,568,468	1,271,291	(156,086)	(45,445)
Profit from discontinued operations	-	9,848	-	-
	1,568,468	1,281,139	(156,086)	(45,445)

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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Profit before tax from continuing operations	6,103,330	4,303,813	1,581,155	2,338,411
Profit before tax from discontinued operations	-	231,346	-	-
	6,103,330	4,535,159	1,581,155	2,338,411
Tax calculated at a tax rate of 25%	1,525,833	1,133,790	395,289	584,603
Adjusted for the effects of:				
Different tax rates in other countries	(12,532)	(83,059)	-	-
Different tax rate of regulated Jamaican companies	216,993	243,889	-	-
Income not subject to tax	(245,032)	(200,894)	(563,923)	(667,199)
Expenses not deductible for tax purposes	316,096	474,732	14,897	37,231
Adjustment to prior year provision	(119,115)	(190,581)	-	(342)
Share of profits of associates included net of tax	(110,288)	(79,048)	-	-
Employment tax credit	(2,441)	(13,944)	-	-
Recognition/utilisation of previously unrecognised tax losses	-	(4,056)	-	-
Other	(1,046)	310	(2,349)	262
Tax expense/(credit)	1,568,468	1,281,139	(156,086)	(45,445)

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28. Taxation (Continued)

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

	Group					
	2016			2015		
	Before tax \$'000	Tax charge \$'000	After tax \$'000	Before tax \$'000	Tax (charge)/ credit \$'000	After tax \$'000
<i>Items that will not be reclassified to profit or loss:</i>						
Revaluation surplus/(deficit)	561,179	(130,147)	431,032	(4,135)	(19,770)	(23,905)
Remeasurements of post-employment benefit obligations	888,702	(224,241)	664,461	(815,290)	217,732	(597,558)
Share of other comprehensive income of associated companies	24,327	-	24,327	(10,237)	-	(10,237)
	1,474,208	(354,388)	1,119,820	(829,662)	197,962	(631,700)
<i>Items that may be subsequently reclassified to profit or loss:</i>						
Foreign currency translation adjustments	(346,623)	-	(346,623)	123,576	-	123,576
Fair value gains/(losses)	468,572	(159,907)	308,665	(33,400)	11,598	(21,802)
Share of other comprehensive income of associated companies	80,322	-	80,322	96,475	-	96,475
	202,271	(159,907)	42,364	186,651	11,598	198,249
Other comprehensive income	1,676,479	(514,295)	1,162,184	(643,011)	209,560	(433,451)
Deferred tax (Note 13)	-	(514,295)	-	-	209,560	-
	Company					
	2016			2015		
	Before tax \$'000	Tax charge \$'000	After tax \$'000	Before tax \$'000	Tax credit/ (charge) \$'000	After tax \$'000
<i>Items that will not be reclassified to profit or loss:</i>						
Revaluation surplus	9,610	(2,076)	7,534	-	659	659
Remeasurements of post-employment benefit obligations	950,841	(237,710)	713,131	(330,927)	82,732	(248,195)
	960,451	(239,786)	720,665	(330,927)	83,391	(247,536)
<i>Items that may be subsequently reclassified to profit or loss:</i>						
Fair value gains	93,590	(23,398)	70,192	2,674	(668)	2,006
	93,590	(23,398)	70,192	2,674	(668)	2,006
Other comprehensive income	1,054,041	(263,184)	790,857	(328,253)	82,723	(245,530)
Deferred tax (Note 13)	-	(263,184)	-	-	82,723	-

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29. Net Profit Attributable to the owners of GraceKennedy Limited

Dealt with as follows in the financial statements of:

	2016	2015
	\$'000	\$'000
The company	1,737,241	2,383,856
Intra-group dividends, gain on disposal of subsidiaries within the Group and other eliminations on consolidation	(2,173,411)	(2,529,686)
Adjusted company loss	(436,170)	(145,830)
The subsidiaries	3,999,558	2,589,137
The associates	441,151	316,191
	4,004,539	2,759,498

30. Dividends

	2016	2015
	\$'000	\$'000
Paid,		
Interim – 26 cents per stock unit (2015 : 25 cents)	257,610	248,023
Interim – 34 cents per stock unit (2015 : 28 cents)	336,589	274,431
Final – 42 cents per stock unit (2015 : 30 cents)	416,224	297,576
	1,010,423	820,030

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.

	2016	2015
Net profit attributable to owners:		
From continuing operations (\$'000)	4,004,539	2,617,326
From discontinued operations (\$'000)	-	142,172
	4,004,539	2,759,498
Weighted average number of stock units outstanding ('000)	991,445	991,902
Basic earnings per stock unit:		
From continuing operations (\$)	4.04	2.64
From discontinued operations (\$)	-	0.14
	4.04	2.78

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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) 2,551,000 (2015: 3,891,000) ordinary stock units for the full year in respect of stock options for directors.
- (b) 2,645,000 (2015: 6,636,000) ordinary stock units for the full year in respect of the stock options for managers.

	2016	2015
Net profit attributable to owners:		
From continuing operations (\$'000)	4,004,539	2,617,326
From discontinued operations (\$'000)	-	142,172
	4,004,539	2,759,498
Weighted average number of stock units outstanding ('000)	991,445	991,902
Adjustment for share options ('000)	1,642	1,827
	993,087	993,729
Diluted earnings per stock unit:		
From continuing operations (\$)	4.03	2.64
From discontinued operations (\$)	-	0.14
	4.03	2.78

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32. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Net profit		4,534,862	3,254,020	1,737,241	2,383,856
Items not affecting cash:					
Depreciation	12	888,573	854,949	66,261	67,478
Amortisation	11	578,216	613,484	58,860	108,965
Change in value of investment properties		(13,357)	(46,807)	-	-
Change in value of investments		(1,780)	-	-	-
Loss/(gain) on disposal of fixed assets		18,659	1,133	(2,744)	175
Gain on disposal of investments		(610,574)	(41,352)	(40,388)	(409,667)
Share options – value of employee services expensed	18	23,816	-	12,774	-
Exchange (gain)/loss on foreign balances		(715,130)	291,748	(142,742)	(52,316)
Interest income – non financial services		(372,276)	(341,587)	(549,282)	(508,925)
Interest income – financial services		(4,435,643)	(3,985,384)	-	-
Interest expense – non financial services		676,856	736,842	355,206	386,440
Interest expense – financial services		1,026,603	882,805	-	-
Taxation expense	28	1,568,468	1,281,139	(156,086)	(45,445)
Unremitted equity income in associates		(147,256)	(139,238)	-	-
Pension plan surplus		290,430	130,374	290,430	130,374
Other post-employment obligations		378,359	224,663	160,524	86,886
		3,688,826	3,716,789	1,790,054	2,147,821
Changes in working capital components:					
Inventories		(1,420,086)	(1,177,149)	(301,032)	(316,892)
Receivables		(2,109,669)	(722,949)	(6,575)	(86,809)
Loans receivable, net		(3,152,875)	(4,295,150)	-	-
Payables		3,108,919	(328,388)	336,115	382,285
Deposits		5,403,177	2,593,269	-	-
Securities sold under repurchase agreements		3,362,298	958,551	-	-
Subsidiaries		-	-	707,017	(377,497)
Provisions		-	(6,221)	-	(6,221)
Total provided by operating activities		8,880,590	738,752	2,525,579	1,742,687

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32. Cash Flows from Operating Activities (Continued)

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

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash provided by operating activities	8,880,590	738,752	2,525,579	1,742,687
Interest received – financial services	4,423,952	4,040,037	-	-
Interest paid – financial services	(1,009,944)	(920,344)	-	-
Translation losses	(21,754)	(145,382)	-	-
Taxation paid	(1,150,594)	(1,222,566)	(51,514)	(28,681)
Net cash provided by operating activities	11,122,250	2,490,497	2,474,065	1,714,006

33. Commitments

(a) Future lease payments under operating leases at 31 December 2016 were as follows:

		\$'000
In financial year	2017	1,309,118
	2018	1,267,758
	2019	1,017,688
	2020	795,016
	2021	623,073
	2022 and beyond	1,238,355

(b) Prior to the authorisation of the financial statements, the Group had \$2,352,326,000 (2015: \$64,686,000) 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. Final leave to appeal to the Privy Council was granted and the hearing of the appeals has been listed for 24 October 2017, for one day.

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.

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35. Related Party Transactions and Balances

The following transactions were carried out with related parties:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(a) Sales of goods and services				
Sales of goods	2,478	5,457	437,596	410,215
Sales of services	94,814	87,500	2,095,000	1,891,577
(b) Purchase of goods and services				
Purchases of goods	2,812,682	2,647,001	6,782,851	6,200,748
Purchases of services	-	-	455,495	448,743
(c) Interest				
Interest income	637	1,081	199,234	192,379
Interest expense	9,543	9,489	103,753	86,817

Dividends received by the company from subsidiaries and associated companies were \$1,877,232,000 (2015: \$1,979,759,000) and \$255,000,000 (2015: \$150,000,000) 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Salaries and other short-term employee benefits	339,902	306,948	210,535	196,192
Fees paid to directors	36,291	39,678	29,207	35,740
Post-employment benefits	15,634	(2,220)	9,366	(3,051)
Share-based payments	16,157	-	11,852	-
	407,984	344,406	260,960	228,881

The following amounts are in respect of directors' emoluments:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Fees	36,291	39,678	29,207	35,740
Management remuneration	120,638	203,364	103,560	147,490
Post-employment benefits paid	35,809	34,448	7,072	6,607
	192,738	277,490	139,839	189,837

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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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Sale of goods and services –				
Sales of goods	493	758	493	758
Sales of services	3,120	2,374	-	-
Purchase of goods and services –				
Purchase of services	80	-	80	-
Interest earned and incurred –				
Interest income	1,826	1,703	-	-
Interest expense	6,673	10,072	-	-

Transactions with companies controlled by directors and other key management personnel

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Sale of goods and services –				
Sales of services	638	638	-	-

(e) Year-end balances with related parties

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash and deposits with subsidiaries	-	-	476,918	173,715
Investment securities with subsidiaries	-	-	387,516	368,917
Receivable from subsidiaries	-	-	479,762	1,273,308
Receivable from associates (Note 7)	33,678	5,631	29,228	3,451
Loans receivable from subsidiaries (Note 9)	-	-	3,012,013	2,944,443
Payable to subsidiaries	-	-	2,784,294	2,870,823
Payable to associates (Note 16)	539,325	434,506	326,782	333,221
Loans & leases payable to subsidiaries	-	-	288,887	222,465
Deposits payable to associates	464,754	97,944	-	-

(f) Loans to related parties

Loans receivable from subsidiaries are repayable in the years 2017 - 2021 and bear interest at 0% - 10.0% (2015: 0% - 10.0%). No provision was required in 2016 and 2015 for loans made to subsidiaries.

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35. Related Party Transactions and Balances (Continued)

(f) Loans to related parties (continued)

	Company	
	2016 \$'000	2015 \$'000
Loans to subsidiaries:		
At 1 January	2,944,443	3,102,352
Loans advanced during the year	182,795	1,954,595
Loan repayments received	(197,804)	(2,159,591)
Exchange differences	78,222	63,143
Interest charged	94,985	52,220
Interest received	(90,628)	(68,276)
At 31 December	3,012,013	2,944,443

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

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Receivables	864	175	217	175
Loans receivable	115,235	138,483	99,637	117,550
Deposits payable	296,304	266,800	-	-

(h) Loans to directors and other key management

The loans receivable attract interest at rates ranging between 0% - 10.5% (2015: 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 2016 and 2015 for the loans made to directors and senior managers.

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Loans to directors and other key management:				
At 1 January	138,483	137,114	117,550	118,869
Loans advanced during the year	5,479	12,410	4,608	7,729
Loan repayments received	(28,727)	(11,041)	(22,521)	(9,048)
Interest charged	1,826	1,703	-	-
Interest received	(1,826)	(1,703)	-	-
At 31 December	115,235	138,483	99,637	117,550

(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 2,551,000 (2015: 3,891,000).

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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			
	2016			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Available-for-sale securities:				
Quoted equities	353,294	-	-	353,294
Bank of Jamaica	-	10,587,210	-	10,587,210
Government of Jamaica securities	-	17,883,313	-	17,883,313
Foreign governments	-	799,671	-	799,671
Corporate bonds	-	6,719,569	969	6,720,538
Other debt securities	-	2,845,341	-	2,845,341
Other	-	5,779	-	5,779
Financial assets at fair value through profit or loss:				
Derivative financial instruments	-	86,223	-	86,223
Quoted equities	12,304	-	-	12,304
Total Assets	365,598	38,927,106	969	39,293,673

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36. Fair Values Estimation (Continued)

Financial Instruments (continued)

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

Company				
2016				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Available-for-sale securities:				
Quoted equities	59,514	-	-	59,514
Government of Jamaica securities	-	3,531,448	-	3,531,448
Corporate bonds	-	1,608,075	-	1,608,075
Other debt securities	-	1,562,237	-	1,562,237
Other	-	335	-	335
Total Assets	59,514	6,702,095	-	6,761,609

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36. Fair Values Estimation (Continued)

Financial Instruments (continued)

	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

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.

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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	
	2016 \$'000	2015 \$'000
At beginning of year	103,356	310,656
Acquisitions	227	51,629
Disposals	(102,614)	(258,929)
At end of year	969	103,356

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 2016. 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 \$5,844,749,000 (2015: \$5,270,933,000) and \$74,000,000 (2015: \$65,695,000) for the Group and company respectively. Included in Group's land and buildings is the Distribution Centre with a carrying value of \$3,285,000,000 (2015: \$2,978,398,000).

The carrying value of investment properties classified as level 3 is \$584,000,000 (2015: \$532,000,000).

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
	2016			2015		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	2,978,398	2,292,535	5,270,933	3,050,400	2,682,890	5,733,290
Additions and transfers in	1,638	54,442	56,080	4,368	145,695	150,063
Revaluation adjustment	381,334	179,845	561,179	-	(4,135)	(4,135)
Disposals and transfers out	-	53	53	-	(525,358)	(525,358)
Depreciation	(76,370)	(25,817)	(102,187)	(76,370)	(43,463)	(119,833)
Translation adjustment	-	58,691	58,691	-	36,906	36,906
Closing balance	3,285,000	2,559,749	5,844,749	2,978,398	2,292,535	5,270,933

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

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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 39 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 2016. 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 \$450 to \$500 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 2016 \$'000	Fair value at 31 December 2015 Valuation \$'000 technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs
Distribution centre	3,285,000	2,978,398 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 last valuation	2016: 10% - 12% 2015: 14% - 17%	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	2016: 10% - 12% 2015: 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	9%	The higher the rate of obsolescence the lower the fair value
	3,285,000	2,978,398			

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37. Financial Instruments by Category

	Group			
	Loans and receivables \$'000	Assets at fair value through profit or loss \$'000	Available for sale \$'000	Total \$'000
As at 31 December 2016:				
Cash and deposits	12,276,647	-	-	12,276,647
Investment securities and pledged assets	-	98,527	39,195,146	39,293,673
Loans receivable	25,928,057	-	-	25,928,057
Trade and other receivables	11,510,595	-	-	11,510,595
Total financial assets	49,715,299	98,527	39,195,146	89,008,972

	Group			
	Loans and receivables \$'000	Assets at fair value through profit or loss \$'000	Available 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	9,620,927	-	-	9,620,927
Total financial assets	42,117,935	5,000	32,862,242	74,985,177

	Group		
	Other financial liabilities at amortised cost \$'000		Total \$'000
As at 31 December 2016:			
Deposits		30,653,888	30,653,888
Securities sold under agreements to repurchase		12,343,432	12,343,432
Bank and other loans		13,242,037	13,242,037
Trade and other payables		17,561,983	17,561,983
Total financial assets		73,801,340	73,801,340

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37. Financial Instruments by Category (Continued)

	Group	
	Other financial liabilities at amortised cost	Total
	\$'000	\$'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	14,493,330	14,493,330
Total financial assets	61,329,852	61,329,852

	Company		
	Loans and receivables	Available for sale	Total
	\$'000	\$'000	\$'000
As at 31 December 2016:			
Cash and deposits	2,600,811	-	2,600,811
Investment securities and pledged assets	-	6,761,609	6,761,609
Loans receivable	3,175,183	-	3,175,183
Trade and other receivables	1,248,298	-	1,248,298
Subsidiaries	479,762	-	479,762
Total financial assets	7,504,054	6,761,609	14,265,663

	Company		
	Loans and receivables	Available 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

GraceKennedy Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

37. Financial Instruments by Category (Continued)

	Company	Other financial liabilities at amortised cost \$'000
As at 31 December 2016:		
Bank and other loans		4,446,639
Trade and other payables		2,600,965
Subsidiaries		2,784,294
Total financial assets		9,831,898

	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

GraceKennedy Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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			
	2016		2015	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Embedded put option issued by Government of Jamaica	86,223	-	-	-
Total	86,223	-	-	-

The Group holds certain Government of Jamaica debt securities which mature in February 2024. The terms of these securities contain an investor put option exercisable in February 2018 under which the holder may require the Government of Jamaica to redeem the securities at 100% of the principal value plus any accrued interest.

39. Investment Properties

	Group	
	2016 \$'000	2015 \$'000
At 1 January	532,000	484,000
Additions	38,643	1,193
Change in fair value	13,357	46,807
At 31 December	584,000	532,000

The following amounts have been recognised in the income statement:

	Group	
	2016 \$'000	2015 \$'000
Rental income arising from investment properties	25,859	22,028
Direct operating expenses arising from investment properties	10,904	12,760

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

GraceKennedy Limited

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

40. Disposal of Subsidiary

In the prior year, 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:

	2016 \$'000	2015 \$'000
Revenue	-	7,442,223
Expenses	-	(7,278,199)
Other income	-	53,851
Interest income	-	2,432
Interest expense	-	(21,136)
Profit before Taxation	-	199,171
Taxation	-	(9,848)
Net Profit of Discontinued Operations	-	189,323
Gain on disposal of subsidiary	-	32,175
Profit from Discontinued Operations	-	221,498

Cash flows from discontinued operations are as follows:

	2016 \$'000	2015 \$'000
Operating cash flows	-	269,837
Investing cash flows	-	(46,389)
Financing cash flows	-	(172,598)
Net increase in cash generated by the subsidiary	-	50,850

GraceKennedy Limited

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

40. 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

41. Subsequent Event

- (a) On 28 February 2017, the Board of Directors approved an interim dividend in respect of 2017 of 30 cents per ordinary stock unit. The dividend is payable on 18 May 2017 to shareholders on record as at 1 May 2017.
- (b) Effective 1 March 2017, the following changes to the Cash Reserves and Liquid Assets Ratio were announced by the Bank of Jamaica:
- (i) The cash reserves requirement of commercial banks with respect to foreign currency prescribed liabilities will be increased by two percentage points to fourteen percent (14%). The cash reserves requirement with respect to local currency prescribed liabilities will remain unchanged at twelve per cent (12%).
 - (ii) The liquid assets ratio applicable to foreign currency prescribed liabilities will be increased by two percentage points to twenty-eight per cent (28%), while the liquid assets ratio applicable to local currency prescribed liabilities will remain unchanged at twenty-six per cent (26%).

These changes will have the effect of increasing the cost of funds for the Group's commercial banking subsidiary.

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, 31 May 2017 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 _____ 2017

Signature

Signature

Signature

Place
Stamp
Here
J\$100

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.



73 Harbour Street
Kingston
876 922 3440
gracekennedy.com