GraceKennedy
GROUP

ANNUAL REPORT
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GraceKennedy
GROUP

ANNUAL REPORT 2018

EXCELLENCE THROUGH GREAT PEOPLE

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2018

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Excellence Through Great People

Appearing on the cover of this Annual Report, along with Group CEO, Don Wehby, are six of our GREAT people. These team members represent the multi-talented, diverse and driven workforce within GraceKennedy. We asked them to tell us what this year's theme, 'Excellence through Great People', means to them.

Sheldon Jackson

Meat Supervisor, Hi-Lo Food Stores

"Excellence Through Great People means achieving the goals set through good leadership and by the milestones you set to get there, mixed in with good work attitude and teamwork."

Sheldon Jackson has been working at Hi-Lo Food Stores for over five years, developing his potential along that journey. Sheldon started out as a Meat Attendant and was promoted to Senior Meat Cutter, then to his present position as Meat Supervisor.

Suzaine Duncan

Regional Compliance Officer, GKRS Ltd.

"Excellence Through great people means, allowing individuals with unique strengths to coexist and grow in a space that fosters creativity and professional development. Listening to the opinions of individuals from all levels of the organization. Being transparent."

Suzaine Duncan has been with the GraceKennedy Group for all of 22 years. A self-described kind, diligent and dependable person, she started her career with GKL as a summer employee. Over the years, her various positions have included that of Customer Service Representative, Operations Supervisor, Compliance Officer – International Markets, and Risk Manager. She is currently Regional Compliance Officer, overseeing the business in the Eastern Caribbean, Trinidad & Tobago and Guyana.

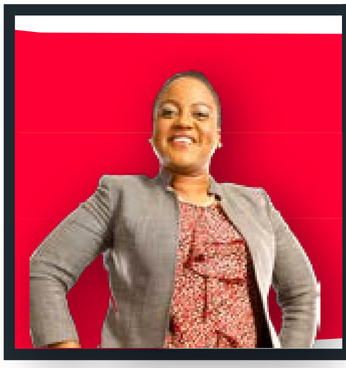
Todd Johnson

Plant Engineer, Dairy Industries (Ja.) Ltd.

"Excellence Through great people means the achievement of ground-breaking goals and initiatives through remarkable leadership, with emphasis on exceptional talent development, coaching and teamwork."

Todd has been at Dairy Industries (Jamaica) Limited for the past seven years. Since joining team Dairy, he has developed in his chosen career and has been promoted through the positions of Cadet Engineer and Reliability Engineer to his current position. It has been a great journey for this confident, genuine, highly motivated team player who loves what he does. He is truly appreciative of the great responsibilities entrusted in him by his coaches and mentors on the job.

Excellence Through Great People

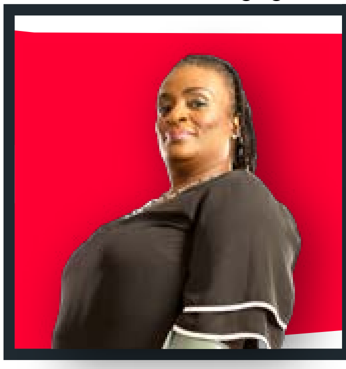


Rachel McKenley

Senior Brand & Customer Engagement Officer, GK Insurance

"When a team works together, things get done; but a team that is focused, has high standards, great synergy built on trust, and the right experience and knowledge, they become the standard of excellence."

Rachel McKenley joined the GraceKennedy family in 2012, fresh from the University of the West Indies, Mona Campus in Kingston, Jamaica. She started her first job as the Marketing Officer for what was then known as Jamaica International Insurance Company Ltd. (JIIC). It has been a progressive journey for her, as she has since been promoted to Senior Marketing Officer and more recently to Senior Brand & Customer Engagement Officer.

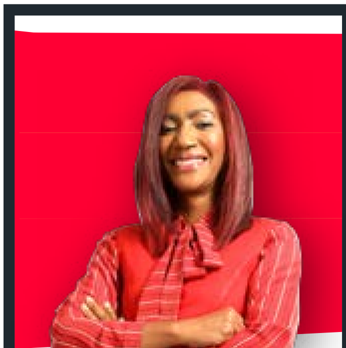


Angella Powell Edwards

Facility Information Officer, Executive Office

"Excellence is descriptive of anything that is above ordinary, symbolizes greatness or is of the very best."

Angella Powell Edwards' voice greets most persons who call GK Headquarters through the Company switchboard. She started working at GraceKennedy in 1981, as a summer employee at the Grace Cooperative Credit Union during the tenure of the late S Carlton Alexander. Today she is the Facilities Information Officer. With this new role, she supervises the functions of the switchboard, Receptionist and Mailing Desk in addition to performing her telephone operating duties. Angella is jovial, free-spirited, broadminded, down to earth and deeply spiritual. She puts God first in everything she does.



Erica Hayden

Receptionist, Executive Office

"Excellence through great people means achieving success through people who have done extremely well on the job; being honest, working hard and performing well in whatever they do."

Erica Hayden has been at GraceKennedy since 1985. She started as a promoter and was appointed on 1 August 1990 as the Receptionist for the Executive Office. Hers is the friendly familiar face one sees in the receptionist area of GraceKennedy's Headquarters. Erica is an extrovert who loves life. She enjoys dealing with, serving and helping people. Her middle name is Joy and joy is what she aims to bring to life.

OUR MISSION

"To deliver the taste and experience of Jamaican and other multi-cultural foods to the world, and leading financial services to our region."

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."

INTERVIEW WITH DON

What kind of year was 2018 for GK?

2018 was a good year for the GraceKennedy Group. It was challenging, but we came out better for it. Our revenues grew significantly, as did our profits. We're very happy about what we were able to accomplish and we are a lot stronger going into 2019. As a company, we have a lot to look forward to.

What's in store for GK into 2019?

I'd like to look beyond 2019. As we approach our 100th Anniversary in 2022, we must remember that we are a company of Honesty, Integrity and Trust, and a company that really cares about our stakeholders, our people and Jamaica. We built a new building from the ground up, which represents a renaissance for the GraceKennedy Group. It's about us becoming more agile, more autonomous, really reaching out to the world to show that a relatively small company - by global standards - can be the best in the world. That is really my ambition for the Group – to be seen by the world as a great company, a great Jamaican company and a great Caribbean company. And you know, with the team we have in place, I sincerely believe that we can achieve that mission.

Our companies are doing well. Our strategic plans are in place. All we need to do now, is execute on those plans in 2019 for the benefit of all stakeholders; I am very confident that we will.

What has been the secret to GK's success?

As a company, you can have the greatest strategic plans but without the right team, you won't achieve what you need to. That's something I really believe in, hence our theme this year, "Excellence Through Great People". Our success has everything to do with the great people in the GraceKennedy Group who regularly go beyond the call of duty to ensure that this great company continues to operate at the highest standards. I am thankful to and appreciative of them for what we were able to achieve in the year under review, and for what I know they will continue to accomplish. GK is blessed with the best team!

	'000 2018	'000 2017	'000 2016	'000 2015	'000 2014
Number of Shares (including treasury shares)	994,887	994,887	994,887	992,837	993,669
Stockholders' Equity	44,614,427	45,222,812	42,063,925	38,047,441	36,533,101
Percentage change over prior year	1.4%	7.5%	10.6%	4.1%	11.5%
Market Capitalisation	63,175,325	43,615,846	40,083,997	26,889,363	20,214,540
Total Borrowings	16,529,313	16,515,615	13,242,037	13,936,107	11,064,160
PROFIT AND LOSS ACCOUNT					
Revenues	97,544,731	92,475,652	88,267,589	79,742,230	70,839,886
Percentage change over prior year	5.5%	4.8%	10.7%	12.6%	5.3%
Profit before Taxation	6,963,025	5,819,562	6,103,330	4,303,813	4,588,432
Percentage change over prior year	19.6%	-4.6%	41.8%	-6.2%	-9.6%
Profit after Taxation	5,643,577	4,772,100	4,534,862	3,254,020	3,799,127
Percentage change over prior year	18.3%	5.2%	39.4%	-14.3%	0.1%
Net Profit Attributable to Stockholders	5,005,915	4,116,101	4,004,539	2,759,498	3,285,174
Percentage change over prior year	21.6%	2.8%	45.1%	-16.0%	2.0%
Dividends paid to Stockholders	1,339,783	1,121,519	1,010,423	820,030	770,239
Percentage change over prior year	19.5%	11.0%	23.2%	6.5%	5.9%
IMPORTANT RATIOS					
Return on Equity %	11.1%	9.4%	10.0%	7.4%	9.5%
Profit before Taxation / Sales %	7.1%	6.3%	6.9%	5.4%	6.5%
Profit after Taxation / Sales %	5.8%	5.2%	5.1%	4.1%	5.4%
Dividend Payout Ratio %	26.8%	27.2%	25.2%	29.7%	23.4%
Earnings per Stock Unit - basic ($)	5.05	4.15	4.04	2.78	3.30
Productivity per Employee (US$'000)	21.74	17.01	16.46	11.80	14.19
Number of Employees	1,789	1,894	1,940	1,996	2,080
Debt to Equity Ratio	37.0%	36.5%	31.5%	36.6%	30.3%
Shareholders Equity per Stock Unit (excluding treasury shares): JA$	44.98	45.56	42.39	38.36	36.79
Closing Stock Price - JSE : JA$	63.50	43.84	40.29	27.08	20.34
Closing Stock Price - TTSE : TT$	2.90	3.00	2.67	1.35	1.22
Price-Earnings Ratio	12.57	10.56	9.97	9.73	6.16

'000 2013	'000 2012	'000 2011	'000 2010	'000 2009
1,000,977	1,005,957	996,990	995,133	995,118
32,765,684	30,702,837	28,601,255	26,697,805	23,697,642
6.7%	7.3%	7.1%	12.7%	19.7%
18,374,601	16,769,303	20,936,790	16,917,261	13,434,093
11,571,790	10,338,328	11,808,923	13,764,164	17,227,287
PROFIT AND LOSS ACCOUNT				
67,257,502	61,340,268	58,216,732	55,318,408	57,406,415
9.6%	5.4%	5.2%	-3.6%	7.4%
5,075,199	4,102,404	4,032,443	3,259,648	3,653,867
23.7%	1.7%	23.7%	-10.8%	47.4%
3,794,064	3,786,332	2,992,473	2,396,256	2,722,823
0.2%	26.5%	24.9%	-12.0%	52.9%
3,221,634	3,478,888	2,748,813	2,250,176	2,574,955
-7.4%	26.6%	22.2%	-12.6%	53.8%
727,660	665,937	494,874	445,007	378,838
9.3%	34.6%	11.2%	17.5%	0.1%
IMPORTANT RATIOS				
10.2%	11.7%	9.9%	8.9%	11.8%
7.5%	6.7%	6.9%	5.9%	6.4%
5.6%	6.2%	5.1%	4.3%	4.7%
22.6%	19.1%	18.0%	19.8%	14.7%
3.22	3.47	2.78	2.28	2.61
17.48	21.13	17.56	14.03	15.76
1,827	1,850	1,823	1,841	1,844
35.3%	33.7%	41.3%	51.6%	72.7%
32.91	30.57	28.69	26.83	23.81
18.36	16.67	21.00	17.00	13.50
1.15	1.18	1.43	1.20	1.00
5.70	4.80	7.55	7.46	5.17

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the **Annual General Meeting** of GraceKennedy Limited will be held at the GraceKennedy Headquarters, 42-56 Harbour Street, Kingston, Jamaica on Wednesday, **29 May 2019 at 2:00 p.m.** for the following purposes:-

1. **To receive the Audited Group Accounts for the year ended 31 December 2018 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 2018 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 2018, 26 September 2018 and 13 December 2018 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 2018, 26 September 2018 and 13 December 2018 *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.**

   (1) In accordance with Article 108 of the Company's Articles of Incorporation, Mr Andrew Messado, Dr Indianna Minto-Coy and the Hon Peter Moses, having been appointed to the Board since the last Annual General Meeting, will retire from office and, being eligible, offer themselves for election.

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

   Resolution No. 3 (a)

   "THAT Mr Andrew Messado be and is hereby elected a Director of the Company."

   Resolution No. 3 (b)

   "THAT Dr Indianna Minto-Coy be and is hereby elected a Director of the Company."

   Resolution No. 3 (c)

   "THAT the Hon Peter Moses be and is hereby elected a Director of the Company."

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

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

Resolution No. 3 (d)

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

Resolution No. 3 (e)

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

4. **To fix the fees of the Directors.**

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

Resolution No. 4

"THAT the amount shown in the Accounts of the Company for the year ended 31 December 2018 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

Gail Moss-Solomon

Corporate Secretary

Dated: 28 February 2019

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.

STOCKHOLDERS' REPORT 2018

The financial year 2018 continued to be a multi-year transformational journey for the GraceKennedy Group leading up to our 100th anniversary in 2022. The year saw the Group restructuring its operations, reviewing its organizational design, cost structure and business processes and reinvesting in business segments, building the company's capacity to adapt and setting a strong foundation for future growth. Our operational strategy for 2018 was focused on investing in our growth areas and brands, putting in the infrastructure needed for cross-selling between our businesses, accelerating the introduction of digital products and channels and executing our financial inclusion strategy.

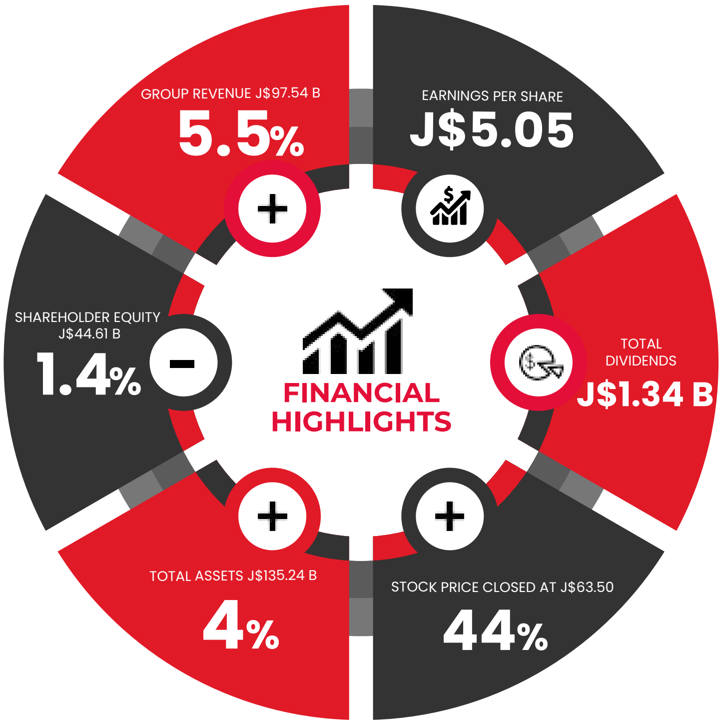
Net profit for 2018 was J$5.64 billion, an 18.3% or J$871.5 million increase over 2017. As previously reported, in 2017 the Group recorded non-recurring gains in the amount of J$455.0 million in relation to the acquisition of a company and the dissolution of non-operating subsidiaries. In 2018 the Group had further non-recurring gains of J$1.06 billion from the dissolution of a non-operating subsidiary, as we continue to improve efficiency. We realised additional non-recurring gains of J$74.7million on the successful acquisition of Globe Finance Inc. by our associated company in Barbados, CSGK Finance Holdings Limited, through its subsidiary Signia Financial Group Inc. Excluding these gains in 2017 and 2018, net profit for the current period would have been higher than the corresponding period by J$192.3 million. The Company's results were also impacted by 1) the recognition of tax credits of J$427.7 million under Jamaica's Urban Renewal (Tax Relief) Act coming from the construction of GraceKennedy's new headquarters; and 2) separation costs of approximately J$150 million and related expenses of J$86 million associated with the Group's restructuring exercise.

The table below summarizes the impact on net profit of the non-recurring gains on liquidation and acquisition:

	12 months to 31/12/2018 $'000	12 months to 31/12/2017 $'000	Change $'000	Change %
Net Profit After Tax, excluding non-recurring gains	4,509,423	4,317,082	192,341	4.5%
Non-recurring gain on liquidation of non-operating subsidiaries and acquisition of subsidiary	1,134,154	455,018	679,136	149.3%
Net Profit After Tax, as reported	5,643,577	4,772,100	871,477	18.3%

FINANCIAL HIGHLIGHTS:

- Group Revenue for 2018 was J$97.54 billion, representing an increase of J$5.07 billion or 5.5% over 2017 (J$92.48 billion).
- Net profit attributable to the shareholders of the company was J$5.01 billion for 2018 compared with J$4.12 billion for 2017, a J$889.8 million increase. Earnings per share was J$5.05 in 2018 compared with J$4.15 in 2017, a 21.7% increase.
- Effective 1 January 2018 the Group adopted new accounting standards, IFRS 9 and IFRS 15, with respect to the recognition, classification and measurement of financial instruments and the recognition of revenue from contracts with customers. The effect of adopting these standards is a reduction in shareholders' equity at the start of the year of J$0.96 billion. Shareholders' equity at the end of the year decreased by 1.4% or J$608.39 million moving from J$45.22 billion in 2017 to J$44.61 billion in 2018.
- Total assets grew by 4.0% or J$5.25 billion from J$129.99 billion in 2017 to J$135.24 billion in 2018. As a result of a reduction in the discount rate applied under IAS 19, as advised by the Institute of Chartered Accountants of Jamaica, the pension plan asset recognized on the statement of financial position declined by J$3.04 billion.
- Dividends totaling J$1.34 billion or J$1.35 per share were paid in 2018 compared with J$1.12 billion or J$1.13 per share in 2017, an increase of 19.5%.
- At the end of 2018, the GraceKennedy stock price closed at J$63.50. This represented a 44.8% increase over prior year outperforming the Jamaica Stock Exchange's (JSE) Main Index return of 31.7%.



The Food Trading segment grew in both revenue and profitability when compared to 2017. This performance was primarily driven by our Jamaican distribution businesses.

The growth in our Foods business in Jamaica was supported by growth in sales of key products such as corned beef, vienna sausages and Tropical Rhythms beverages all of which experienced double-digit growth. The commencement of the distribution of Catherine's Peak Pure Spring Water in July 2018 and the continued good performance of the Procter & Gamble portfolio also contributed significantly to the growth. Our Jamaican chain of supermarkets, Hi-Lo Food Stores, experienced higher revenues when compared to 2017, notwithstanding the impact of ongoing road works around our supermarkets located in Manor Park and Barbican, St. Andrew. Following the completion of the road works in Barbican our store in that location experienced an increase in revenue and customer count. We are delighted to report that our investments in our factories earned us five out of six awards at the Bureau of Standards Jamaica National Quality Awards for 2018. Two of our factories were recognized for excellence during the year: Dairy Industries, producers of "This is Really Great Yogurt" and "Tastee Cheese" was recognized as the overall winner for the Bureau of Standards Jamaica National Quality Awards for 2018 with sectional prizes for Human Resource and Customer Focus while Grace Food Processors (Canning), producers of Grace Tropical Rhythms and Grace Tomato Ketchup was awarded sectional prizes for Organizational Focus and Process Management.

The National Quality Awards Programme is Jamaica's premier awards programme, recognizing local companies that demonstrate high standards using quality systems, in the production of goods, and the delivery of services.

Our international food companies also recorded growth over 2017. GraceKennedy Foods (USA) LLC, our United States distribution company, experienced growth in revenue for the Grace and La Fe brands. New products contributed significantly to this growth led primarily by Grace Patties and Grace Jerk Wings. During the last quarter of 2018, GraceKennedy announced that it would be acquiring a forty nine percent (49%) stake in United States based patty company, Majesty Foods LLC, the current manufacturer of Grace Patties. As a part of the agreement, GraceKennedy Foods (USA) LLC will now outsource the production of its portfolio of frozen Hispanic and Caribbean products to Majesty Foods, allowing for further operational improvements. Grace Foods Canada Inc. continued its expansion drive with revenue from Western Canada delivering double digit growth for 2018. We continue to experience good growth in major supermarket chains such as Loblaws, Walmart and Sobeys.

Although Grace Foods UK saw a decline in revenue due to the loss of a third-party brand, the Grace brand showed double digit growth driven mainly by Grace Chips with the Nurishment brand showing some recovery in the last half of 2018.

The GraceKennedy Financial Group reported growth in revenue and marginal growth in profit. Our newest initiative, GKONE, was launched in six locations islandwide during 2018. GKONE locations provide access to affordable financial products and services to an underserved segment of the market. These services include remittance, bill payment, micro lending, insurance, commercial banking and in some locations, cambio services.

Our Insurance segment reported strong double-digit growth in revenue and profit compared to 2017. GK Insurance's property, engineering and motor revenue lines outpaced prior year.

GKGOnline, our digital insurance offering, is a key contributor to our motor portfolio growth and continues to reflect increase in business from our existing and new customers, with quotations and sales being significantly higher than 2017. While property claims were significantly lower when compared with claims in 2017, associated with hurricanes Irma and Maria, we experienced an increase in motor claims.

STOCKHOLDERS' REPORT 2018

The Banking and Investments segment reported a decline in revenue but growth in profit when compared to 2017. First Global Bank (FGB) experienced a decline in its loan portfolio when compared to 2017, which, combined with lower interest rates impacted the segment's performance. The bank is poised for growth as it executes strategies to increase its loan and deposit portfolios by leveraging technology, introduing innovative new products and delivering on our financial inclusion strategy. FGB continued to build on the relationship with our customers and expand our financial inclusion strategy with the opening of Jamaica's first Bank Agent. FGB continued its network expansion in Jamaica by adding three mini branches in Linstead in St. Catherine, May Pen in Clarendon, and Hopewell in Hanover during 2018. The Bank remains focused on operational efficiency and as such also piloted its loan automation system for retail loans. GK Capital Management and GK Investments generated strong results in 2018 with the main drivers of growth coming from equity brokerage, securities trading, net interest income and portfolio management for clients.

The Money Services segment reported a decline in both revenue and profit. This was due mainly to a reduction in transaction volumes in our remittance businesses in Jamaica and Trinidad and Tobago. The implementation of enhanced compliance measures has led to increased oversight for the protection of our customers throughout our network of agencies. While these strengthened compliance measures have resulted in a temporary reduction in transaction volumes, it is anticipated that the segment will benefit from increased competitive advantage through a stronger network of agencies. The performance of both the remittance and currency trading operations of our Trinidadian subsidiary was negatively impacted by challenges in the foreign exchange market. During the year, the segment had strong growth from remittance operations in Guyana and the foreign currency trading operations in Jamaica. Following a review of the viability of our Antigua and Barbuda operations, and in keeping with our long-term strategic goal to improve efficiencies and foster sustainable growth, the decision was taken to withdraw our services in this territory in September 2018. Expansion into new markets, however, remains a major part of our strategy. The Privy Council awarded costs to the Company in the Paymaster claim. We received these costs in 2018, bringing this matter to a close.

GraceKennedy Limited announced the retirement of Hon Douglas Orane CD, JP, (Hon) LLD and Joseph Esau from GraceKennedy's Board of Directors effective 30 May and 18 November 2018 respectively. Mr Orane and Mr Esau have both made invaluable contributions to the governance and strategic direction of the GraceKennedy Group. Mr Esau will continue to serve as Chairman of the Board of Grace Foods UK Limited and Mr Orane will remain Chairman of the Board of Trustees of the GraceKennedy Pension Funds.

The appointment of Dr Indianna Minto-Coy, PhD and Hon Peter Moses OJ, CD to its Board of Directors, was announced effective 26 June 2018. Dr Minto-Coy is Senior Research Fellow at the Mona School of Business and Management at the University of the West Indies, Mona Campus and is renowned for her research on diaspora and migration. Mr Moses is Chairman of the Board of First Global Bank Limited, and has had a distinguished career in banking, having served as the head of Citibank N.A., Jamaica. The addition of two directors at this time is in keeping with our plans for orderly succession planning, maintaining an appropriate balance of skills and experience, and strengthening the Board in areas of competence required to support new opportunities in our domestic and international markets.

During the year, GraceKennedy was delighted to have won the 2017 Jamaica Chamber of Commerce's Best of Chamber Award in the Extra-Large Category. The award is presented to an outstanding member company that has displayed the highest levels of sector performance and best practices in the areas of corporate leadership, product and service quality, human resource development, marketing innovation, corporate citizenship and sustained growth. GraceKennedy was again recognized by the Private Sector Organisation of Jamaica as the First Runner-up in the category for the PSOJ/JSE Corporate Governance Award. This award recognizes companies that demonstrate and practise outstanding corporate governance.

We continue to contribute actively to the development of our communities in the areas of education, sports and the environment through our two foundations. For the fifth successive year, GraceKennedy Limited, in association with the Jamaica Household Workers' Union, honoured household workers for their outstanding performance, through the staging of the GraceKennedy/Heather Little-White Household Workers Awards in December 2018.

The construction of GraceKennedy's new corporate headquarters has progressed well with plans in place for occupancy in the second quarter of 2019 signaling our commitment to the redevelopment of downtown Kingston with our investment of over J$3.25 billion.

STOCKHOLDERS' REPORT 2018

As our Company continues to streamline its structure in alignment with our 100th Anniversary objectives, changes were made at the Senior Management level, which will take effect on 1 April 2019. The changes form part of our ongoing process of change management and transformation announced by the company in August 2018. In this constantly changing operating environment, our goal is to create an agile, efficient and high performing company in order to deliver on our vision of becoming a Global Consumer Group.

This is a very positive and exciting time in GraceKennedy's history, and we continue to work hard to ensure the company is well-poised to take its operations to the next level in the years ahead, delivering improved value to you our shareholders and our other stakeholders. We are optimistic about the future of this great company, and are confident that we have the right strategy, resources and most importantly, the people to achieve our goal of being a J$100 billion company by 2022, always remaining true to our values of Honesty, Integrity and Trust.

Prof Gordon V. Shirley, OJ
Chairman

Don G. Wehby, CD
Group Chief Executive Officer

March 1, 2019

MD&A

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Jamaican Trading Group

Performance Driven Organisation
- Accountability and Execution culture
- Align all employees with the Strategy and Vision
- Build expertise to support global expansion
- Effective feedback and reward system aligned with strategy & performance
- Develop effective leaders and staff at all levels through professional development
- Create an environment conducive to Innovation

Consumer Centricity & Innovation
- Transform the Company into a marketing-led organisation
- Develop global market research capabilities
- Design solutions rooted in consumer needs, attitudes, and behaviours
- Seek cross-product synergies and technological solutions
- Ensure high levels of consumer satisfaction
- Create digital platform for GK Group

Growth & Sustainability
- Transform the Company into a marketing-led organisation
- Grow GraceKennedy-owned brands
- Grow our international food business
- Develop strategic partnerships
- Mobilise financial resources
- Grow domestic & regional financial & money services

Operational Excellence
- Develop Project Management Skills in the Group
- Leverage IT platforms and improve efficiency
- Manage Capital Effectively
- Enhance Risk Management and internal controls
- Standard Operating Procedures across the Group
- Optimise Group structure
- Target International benchmarking for operational excellence

Globally Rationalise Operations
- Optimise IT platforms
- Internationalise policies and procedures to ensure compliance in all jurisdictions

Global Consumer Group

Caribbean Financial Services Group

Rebalance Jamaica vs International
- Internationalise systems
- Globally Mobile Human Resource Pool

DISCLOSURES

The management of GraceKennedy Limited 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 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 14 February 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. The Food Trading segment operates in Jamaica, the Caribbean, Central America, North America, Africa, the United Kingdom (UK), and several European countries.

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

OUR VISION

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

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

- **Our staff**: We will promote teamwork, mutual respect, care, open communication, empowerment and accountability.

- **Our customers and consumers**: We will maintain high product and service standards as we honour our commitments.

- **Our shareholders**: We will provide our shareholders with competitive rates of return over the medium-to long-term.

- **Our communities**: We will be a socially responsible, caring and environmentally conscious corporate citizen.

- **Our creed**: We will operate with Honesty, Integrity and Trust.

OUR MISSION

Our Mission is "To deliver the taste and experience of Jamaican and other multi-cultural foods to the world, and leading financial services to our region."

PERFORMANCE MEASUREMENT

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

- **Learning and Growth:** Our team is critical to our success. This segment of the Balanced Scorecard, monitors the relationship with our team. We therefore monitor retention and development of the team, as well as staff 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.
- **Customer:** Crucial 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 assesses 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.

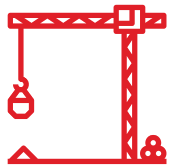
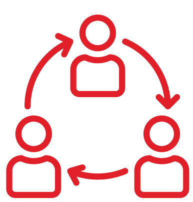
KEY EXPECTATIONS FOR 2018 – STATUS REPORT

During 2018, we embarked on several strategic initiatives aimed at leveraging and strengthening our existing brands, as well as expanding and investing in new products and distribution channels. A summary of our status is below.

2018 REPORT CARD

GOALS	STATUS
Executing a cross-selling strategy geared at marketing our wide range of products and services to existing and potential customers.	For a Group as dynamic as GraceKennedy, cross-selling has always been an important element in ensuring that our customers' needs are being met. To give even stronger strategic focus to opportunities that arise from cross-selling, a senior manager was appointed to head business intelligence and cross-selling for the GraceKennedy Group in May 2018. To test the parameters of the Group's new cross-selling programme, four pilots were conducted within the GraceKennedy Financial Group. Cross-functional teams from different business units were charged with designing new and/or enhanced product and service offerings that addressed customer needs.
Investing in the Grace-owned brands, including La Fe, to solidify our current standing in the local market and provide a platform for marketing efforts in other territories.	Our global Foods operations invested in its major food campaign for 2018, "Flava with A Beat". This campaign garnered positive responses from the public, especially our younger group of consumers. The refresh of the La Fe and Grace brands commenced in 2018, with the updating of the labelling for numerous Grace and La Fe products. There were also targeted efforts to reenergise our marketing websites and electronic product catalogues for our portfolio of global brands including Grace, Dunn's River, Nurishment, Grace Aloe, Encona, La Fe and Caribbean Choice.
Executing our financial inclusion strategy through GKONE, agency banking, and GK MPay to target the unbanked and underbanked. **Introducing new products and channels within the Financial Division and extending our financial services reach in the Caribbean through entry into new countries.**	GraceKennedy Financial Group (GKFG) has now opened a total of six GKONE locations islandwide. These locations provide access to affordable financial products and services to underserved segments of the market. These services include Remittance, Bill Payment, Micro Lending, Insurance, Commercial Banking and in some locations Cambio services. In 2018, First Global Bank (FGB) opened Jamaica's first Agency Bank in pursuit of its financial inclusion strategy. FGB continued with its network expansion in 2018 by adding three mini branches to its network under the First Global Money Link brand, increasing its total mini branches to five. GK MPay, GraceKennedy Money Services' mobile money product has not met our expectations. Given the feedback received from our customers and stakeholders, we will be reintroducing the product with expanded features and offerings. GraceKennedy Money Services (GKMS) in partnership with GK Capital Management launched GK Proxim, a quick and simple micro-lending product. This is now offered in 15 GKMS locations across Jamaica. The business also welcomed new strategic alliances with the Bank of Jamaica for coin redemption, utilising GKMS' Coin Xchange machines across the island.
Deploying new digital products and channels and increasing the services offered through current digital channels to improve customer experience.	In April 2018, Jamaica became the first territory to deploy westernunion.com in the Caribbean and Latin America. This website, deployed by GraceKennedy and Western Union, provides consumers with 24/7 access to send funds electronically to over 200 countries. GKGOnline, our digital insurance offering, is a key contributor to our motor portfolio growth and continues to reflect an increase in business from our existing and new customers, with quotations and sales being significantly higher than 2017.

2018 REPORT CARD

GOALS	STATUS
 **Completion of the construction of the GraceKennedy Headquarters in downtown Kingston, Jamaica and the realisation of further benefits under Jamaica's Urban Renewal (Tax Relief) Act.**	The construction of our new GraceKennedy Headquarters is expected to be completed in the first quarter of 2019. The building, which is ten stories high, brings together the Group's Executive Office, the GK Financial Group Divisional office and the GK Money Services Group. In addition, the Headquarters will include a parking garage, retail spaces and special facilities for our employees. Under the Urban Renewal Act (URA), GraceKennedy was able to receive tax incentives in 2017 and 2018 for investing in the construction of the new building in downtown Kingston, which was previously declared a special development area. The Group has invested over $3.25 billion in this project and remains committed to the redevelopment of this area which we have been a part of for nearly a century.
 **Achieving greater operational efficiency throughout the GraceKennedy Group through the use of technology and the implementation of cost transformation programmes, to ensure an agile, efficient and high-performing corporate structure.**	GKMS automated several back office processes in 2018 which led to increased productivity and an improvement in service delivery to our customers. In Grace Foods UK, the team began the implementation of the enterprise resource planning (ERP) SAP software. The Foods division will now be able to operate from a unified ERP platform and reap increased synergies. First Global Bank also began the upgrade of its banking platform, including the mobile banking interface, to improve the customer experience and add new functionalities. In 2018, GraceKennedy Limited announced a round of restructuring activities as one of the strategic steps aimed at optimising the Group's structure for improved performance. GraceKennedy contracted a third party consulting group to do a review of the support functions across the entire business. GraceKennedy also engaged a Change Management partner, Prosci, to provide the Company with the necessary tools to successfully manage the human element of the change. We are confident that this journey will assist the Company in repositioning itself for future growth and keep us at the forefront in the Food Trading and Financial Services markets around the world.
 **Executing on the results of our Employee Engagement survey: Total Rewards, Meaningful Work, People Management, Positive Work Environment, Growth Opportunity and Trust in Leadership.**	Informed by the prior year survey results, we continued to focus on our employee engagement initiatives. Some employees benefitted from career counselling, job rotations and participation in projects which provided new challenges and growth opportunities. Team members were trained in critical skill areas including Lean Six Sigma, Project Management and Strategic Thinking & Critical Analysis, while we continued to develop our leaders through our customized GK-Leadership Development Programmes. In support of work/life balance, and as a response to the impact of widespread ongoing road construction on our people which has lengthened travel time to and from work, there was a renewed thrust for our employees to access the flexible work arrangements available through our Policy which was implemented in 2014. Employees have the option to work staggered hours, a compressed or an extended work week. Additionally, as we seek to remain an employer of choice, we continued our job evaluation exercise and rewards and recognition programmes to ensure that we retain our highly skilled and competent employees.

2018 FINANCIAL PERFORMANCE

Revenue grew by 5.5% to total $97.54 billion for the year. Pre-tax profits showed an increase of 19.7%, primarily due to non-recurring gains of $1.06 billion from the dissolution of a non-operating subsidiary, recognition of foreign exchange gains and improved performance of the Food Trading and Insurance segments. Net Profit for the Group increased by 18.3%. The Group recognised tax credits of $427.7 million under Jamaica's Urban Renewal (Tax Relief) Act, related to the construction of the Group's Corporate Headquarters in downtown Kingston. Non-controlling interest for the year decreased by 2.8%, representing a change from $656.00 million in 2017 to $637.66 million in 2018, while profit attributable to shareholders increased from $4.12 billion to $5.01 billion, representing a 21.6% increase.

Total assets grew by 4.0% or $5.25 billion, moving from $129.99 billion in 2017 to $135.24 billion in 2018. During the year, the Group's liabilities grew by 6.7% moving from $82.98 billion in 2017 to $88.55 billion in 2018. Capital comprised shareholders' equity of $44.61 billion and non-controlling interest of $2.07 billion. Return on equity for 2018 was 11.1% compared to 9.4% for 2017, while earnings per share increased from $4.15 to $5.05.

HOW WE EARNED

The Group's revenue growth was driven by increases in revenue from the Food Trading and Insurance segments while the Banking & Investments and Money Services segments reported declines in revenue. The Insurance segment reported the highest growth rate of 15.5%, followed by Food Trading, which showed a growth rate of 6.2%. The Banking & Investment and the Money Services segments reported declines in revenue of 3.5% and 2.0% respectively.

Other income increased by 67.0% during the year, due to higher non-operating gains and foreign exchange gains.

STATEMENT OF FINANCIAL POSITION REVIEW

During 2018, the increase in the Group's asset base was attributable to capital expenditure relating to the construction of our new Corporate Headquarters in downtown Kingston, factory upgrades, and the expansion of our Distribution Centre in St. Catherine. Investments in associates and joint ventures increased by $1.17 billion due to investments in new companies and businesses such as Catherine's Peak Bottling Company, producers of Catherine's Peak Pure Spring Water, Jamaica's leading brand of spring water.

The Group's use of debt in 2018 remained flat when compared to prior year. The debt to equity ratio was 37.0% compared to 36.5% in 2017.

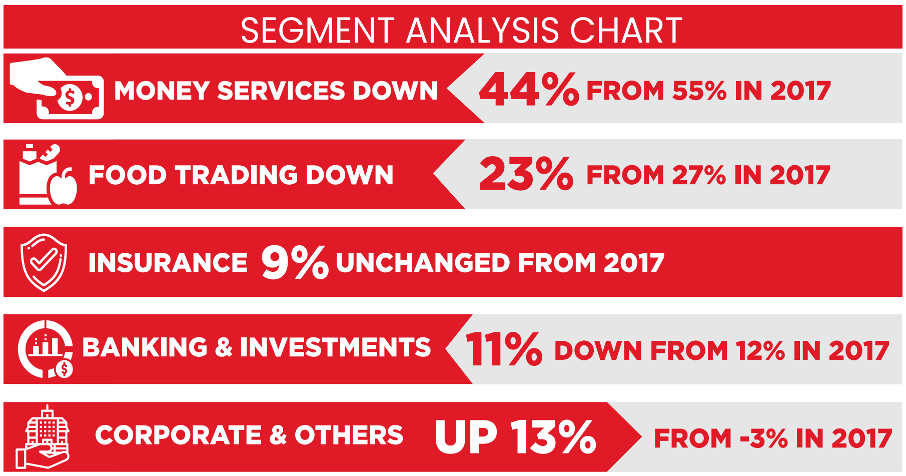
Effective 1 January 2018 the Group adopted new accounting standards, IFRS 9 and IFRS 15, with respect to the recognition, classification and measurement of financial instruments and the recognition of revenue from contracts with customers. The effect of adopting these standards was a reduction in shareholders' equity at the start of the year of $0.96 billion. Shareholders' equity at the end of the year decreased by 1.4% or $608.39 million, moving from $45.22 billion in 2017 to $44.61 billion in 2018.

SHAREHOLDER RETURN

GraceKennedy's stock price recorded a 44.8% increase on the Jamaica Stock Exchange (JSE) during 2018, closing at $63.50 on 31 December 2018 ($43.84 on 31 Decembe 2017). The Group also increased its dividend payment during the period by 19.5% with a dividend pay-out of approximately $1.34 billion.

The stock, as at 31 December 2018, traded at a price-earnings multiple of 12.57 times on the JSE, an increase over the 2017 multiple of 10.56 times. The stock, as at 31 December 2018, traded at 141% of its book value per share of $44.98, compared with a price-to-book ratio of 96% at the end of 2017.

Segment Analysis



The GraceKennedy Group earns in four major segments: Food Trading, Banking & Investments, Insurance and Money Services. The summary segment performance is as follows:

- Our Food Trading segment increased by 3.8% in pre-tax profit, due primarily to growth in revenue from our key products as well as new products and businesses.
- The Banking & Investments segment experienced an increase of 11.2% in pre-tax profit, due primarily to acquisition gains as well as higher unrealised and realised gains on investment securities.
- The Insurance segment experienced an increase of 17.9% in pre-tax profit, due to improved performance of GK Insurance's property, engineering and motor revenue lines.
- The Money Services segment reported a decline of 4.0% in pre-tax profit driven by lower transaction volumes from our Money Services business in Jamaica and Trinidad and Tobago

Overall, the Food Trading segment generated the largest share of revenue, accounting for 79.0%, compared with 78.5% in 2017. Pre-tax profit was earned in the following proportions:

- Money Services : 44%, down from 55% in 2017
- Food Trading : 23%, down from 27% in 2017
- Insurance : 9%, unchanged from 2017
- Banking & Investments : 11%, down from 12% in 2017
- Corporate and other: 13%, up from -3% in 2017

FOOD TRADING

The Food Trading segment experienced improvement in both revenue and pre-tax profit. Revenue was primarily driven by our Jamaican, Canadian and USA food distribution businesses.

Jamaica

We currently operate in the Jamaican market through our Distribution business units - Grace Foods & Services, Consumer Brands Limited (CBL) and World Brands Services (WBS), and our Retail business unit, Hi-Lo Food Stores. These businesses are supported by our Manufacturing business unit, which has factories located across Jamaica: Grace Food Processors, Grace Food Processors (Canning), National Processors, Grace Agro Processors (GAP) and Dairy Industries (Jamaica) Limited. Our recently acquired factory in Denbigh, Clarendon is expected to be fully operational in 2019.

Our Jamaican Food Trading subsidiaries reported growth in performance for 2018. We maintained market leadership in the majority of our core products and experienced increased sales for Grace Vienna Sausages, Grace Frankfurters, Grace Baked Beans and Grace Coconut products. Our Grace Corned Beef experienced a recovery of sales during 2018, following a temporary ban on the sale and importation of corned beef from Brazil during 2017. Our major promotional campaign, “Flava with a Beat”, garnered positive responses from our customers. One of the objectives of the campaign was to ensure that we catered to current attitudes and trends and kept the Grace brand fresh and relevant within the hearts of our customers. We continue to focus on brand building and awareness to attract the millennial group of consumers, as well as retain and grow our entire consumer base. The distribution of Catherine’s Peak Pure Spring Water, which began during the year, contributed positively to the performance of our local business and has created opportunities in the new channel of homes and offices.

WBS’ growth was partly attributable to the expansion of the van sales fleet through three new routes. This strategy has allowed us to increase the number of touch points across the island and reach additional customers. All our strategic brands showed growth when compared to 2017.

CBL contributed to both improved revenue and pre-tax profit for the Food Trading segment. The acquisition of CBL has been successful and continues to achieve financial targets. The Procter & Gamble (P&G) portfolio has also experienced growth over 2017. The expanded distribution of products through van sales also contributed to positive performance. CBL was recognised as the “Distributor of the Year” for the Caribbean region by principal P&G.

Hi-Lo Food Stores’ revenue was flat compared to prior year. This performance was mainly due to lower than expected performance from our Manor Park and Barbican locations in the parish of St. Andrew, and Negril location in the parish of Westmoreland. Both Manor Park and Barbican were affected by reduced access to the locations due to major road works during the year. The Barbican location showed signs of recovery and experienced an increase in sales and customer count in the latter part of the year. Revenue growth continues to be the focus for the chain, coupled with extensive margin management and cost saving initiatives. Hi-Lo remains focused on providing our customers with a great shopping experience, and extensive promotional activities are planned.

Our Jamaican manufacturing business unit reported mixed results. Grace Agro Processors (GAP) was affected by severe weather conditions and operational challenges. Strong demand for Grace Vienna Sausages, Grace Tropical Rhythms and Tastee Cheese had a positive impact on the business unit’s performance. Investments in our factories earned us five out of six awards at the Bureau of Standards Jamaica National Quality Awards for 2018. Two of our factories were recognized by the Bureau for excellence during the year: Dairy Industries, producers of “This is Really Great Yogurt” and “Tastee Cheese”, and Grace Food Processors (Canning), producers of “Grace Tropical Rhythms” and “Grace Tomato Ketchup”. The National Quality Awards Programme is Jamaica’s premier awards programme, recognising local companies that demonstrate high standards using quality systems, in the production of goods, and the delivery of services.

International Market

The International Food Trading subsidiaries delivered mixed results for 2018 with Canada achieving new milestones for its business.

GraceKennedy Foods (USA) LLC recorded growth in the Grace and La Fe brands and third-party lines. New products contributed significantly to this growth, led by products such as Grace Patties and Grace Jerk Wings. The chain store focus which continued in 2018 resulted in new listings across the business. The business experienced growth of over 40% in the Winn Dixie chain stores. A performance improvement plan was implemented during the year which saw reduction in administration expenses during the year.

During the last quarter of 2018, GraceKennedy announced that it would be acquiring a 49% stake in US patty company, Majesty Foods, the current manufacturer of Grace Patties. As part of the agreement, GraceKennedy Foods (USA) LLC will now outsource the production of its portfolio of frozen Hispanic and Caribbean products to Majesty Foods. The consolidation of these two entities will create a stronger and better capitalised business through various synergies, allowing Majesty Foods to provide an enhanced service offering to all its customers. We are confident that through continued investment and focused effort, our growth objectives for the North American market will be realized.

Grace Foods Canada Inc. saw revenue from its Western Canada expansion initiative recording double digit growth for 2018. Supermarket chains now account for close to 65% of overall revenue and are a significant driver of the positive growth being seen in the business. The Grace brand retained its position as the number one jerk brand in Canada based on AC Neilson's data, showing growth over prior year. Grace Coconut Water also showed double digit growth in volumes over prior year and retained its number one coconut water position based on volumes. The Company also further leveraged its category advisor relationship with Walmart, delivering a 25% increase in sales and leading the growth in the Ethnic Food Category in Walmart.

Our Food operations in the United Kingdom experienced a decline in revenue due to the loss of a third party brand. The Company reported growth in revenue for the Grace brand, driven mainly by strong sales of our Grace Chips. Major brands, Nurishment and Encona showed some recovery in the last quarter of 2018. The business continues to expand the distribution of its products through new listings of Grace and third-party brands in co-ops and chains. Despite the loss of a principal brand, competitive pressures across key products and channels, the outlook for the future is positive. The European expansion continues to be a focus area and 2018 delivered double digit growth in Europe, fuelled by the organic and coconut product ranges, Grace Aloe drinks and the Rio Pacific food service range in France.

Revenue from our operations in Africa showed a decline for 2018. A decision was taken to review the business model of our operations in Africa, following which it was decided to partner with a distributor in the market to maintain a presence there. We are in the process of reviewing our growth plans for Africa, with a view of executing on same in the medium to long term.

GK Belize grew its revenues by just over two percent despite a relatively sluggish economy. The performance was affected by low supplies of key products including Grace Condensed Milk, Grace Ketchup, Grace Porktails, Roma Cocoa and Canned Fish. There was improved performance of a number of key strategic partner brands over the period, which effectively balanced the portfolio.

GF LACA, our business unit responsible for food distribution in the rest of the Caribbean and Latin America, performed creditably in 2018, with positive improvements in our margin position. Profitability of the business was affected by low supply of key products including Grace Ackee, Grace Hot Pepper Sauce and Grace Jerk, as well as slower than expected growth in our Latin American business. The business experienced higher sales for Grace Tuna, as well as the rebound of our Grace Tropical Rhythms.

As a Group we have created a healthy food roadmap which will focus on providing alternatives with reduced sugar and sodium. This will expand our healthy alternative product portfolio which already includes Catherine's Peak Spring Bottled Water, Grace Low Sodium Corned Beef, Grace No MSG Cock Soup mix and our line of coconut products. Our primary focus is to meet the needs of our consumers, wherever they may be, by providing convenient food solutions and healthy food alternatives.

FINANCIAL SERVICES SEGMENTS
(INSURANCE, BANKING & INVESTMENTS & MONEY SERVICES)

The GraceKennedy Financial Group (GKFG) reported growth in pre-tax profit over the comparable period last year. Pre-tax profit for all three segments showed a marginal increase of 1.1%, moving from $4.42 billion in 2017, to $4.47 billion in 2018. This increase in profit was due to the performance of both the Insurance and Banking & Investments segments. Revenue showed an overall increase of 2.9% over 2017.

Under our GKONE initiative launched in 2017, GKFG opened a total of six locations islandwide. The GKONE locations provide access to affordable financial products and services to an underserved segment of the market. These services include remittance, bill payment, micro lending, insurance, commercial banking and in some locations, cambio services. GKFG will continue to expand its presence in 2019 via the opening of more GKONE locations across Jamaica.

Insurance

The Insurance segment reported an increase in both revenue and pre-tax profit over 2017. GK General Insurance Company Limited ended the year with strong performance against 2017. The property, engineering and motor lines of the business outpaced prior year and contributed significantly to the year's results. GKGOnline, the segment's digital channel, remains a key contributor to our motor portfolio growth with quotations and sales from new and existing customers significantly higher than prior year. GK Insurance continues to lead the insurance services on many of the infrastructure development projects across Jamaica. The three major hurricanes that impacted the Caribbean region in 2017 resulted in a hardening of the insurance rates for property business in 2018, which resulted in higher premiums.

GK Insurance Eastern Caribbean (GKI-EC) ended 2018 with significant growth in premiums, compared to 2017. The Company increased its market presence moving from being the sixth to the third largest general insurer in the Eastern Caribbean region.

Allied Insurance Brokers (AIB) Limited continued its focus on increasing new business and has targeted particular sectors and markets, while leveraging the GraceKennedy network.

Banking & Investments

The Banking & Investments segment experienced a decline in revenue but an increase in pre-tax profit over prior year. The loan portfolio experienced a decline due to increased competition. FGB was able to reposition itself during the last quarter of 2018, a trend that is expected to continue in 2019. Our deposit portfolio showed growth over 2017 as we continue to build on the relationship with our customers and expand on our financial inclusion strategy. FGB introduced agency banking to Jamaica through its financial inclusion strategy, continuing with its network expansion in 2018 by adding three mini branches. The Bank continues to be focused on operational efficiency, and as such also piloted its loan automation system for retail loans. This resulted in increased provisioning for loans, credit cards and investment securities. FGB received a number of awards in 2018, which included the "Best Innovation in Retail Banking, Jamaica" by International Banker for Agency Banking and "Project of the Year" for our Network Expansion.

GK Capital Management Limited (GKCM) generated strong results in 2018 and achieved successful growth in revenue and profit. GKCM showed improvements in all business lines with the main drivers of revenue growth coming from Corporate finance fees (debt and equity raises), equity brokerage, securities trading and net interest income. A critical component of the company's 2018 revenue line was income generated from initial public offerings activities, as well as other capital raises throughout the year. GKCM saw positive results on its principal investments as well as increased revenues coming from the launch of the GK Proxim loan programme.

Money Services

The Money Services segment experienced a decline in both revenue and pre-tax profit when compared to prior year. This was due mainly to a reduction in transaction volumes in our remittance businesses in Jamaica and Trinidad. The implementation of enhanced compliance measures has led to increased oversight for the protection of our customers. While these strengthened compliance measures have resulted in a reduction in transaction volumes, it is anticipated that the business will benefit from increased competitiveness through a stronger network of agencies. The protection of our customers has been and continues to be the top priority for the Money Services segment. As such, in 2018, the business focused on encouraging two-way communication with the deployment of a new customer feedback portal allowing us to better assess and provide timely responses to our customers. This, along with other initiatives employed to foster increased communication and engagement with our customers has had a positive impact on overall performance.

Another priority has been sustaining the strength and reach of our agent network in Jamaica. Through increased investment in training, support, technology and strategic development of our network, we saw a positive shift in our share of the remittance market in Jamaica. The performance of both the remittance and foreign exchange trading operations of our Trinidadian subsidiary was impacted by challenges in that foreign exchange market. During the year, the segment had strong growth from remittance operations in Guyana and the foreign currency trading operations in Jamaica.

Following the review of the viability of GKMS' Antigua and Barbuda operations, and in keeping with GraceKennedy's long-term strategic goal to improve efficiencies and foster sustainable growth, the decision was taken to withdraw our services from that territory in September of 2018. Expansion into new markets, however, remains a major part of our strategy.

Our Money Services businesses have worked closely with our joint venture partner, Western Union, to develop an enhanced compliance programme. We remain vigilant in establishing strong measures and putting in place the right processes, technology and infrastructure to strengthen our network. We are committed to meeting all our regulatory responsibilities, following best practices and market standards in areas of accountability, transparency and business ethics. International consultancy firm, Ernst & Young has been commissioned to conduct a review of GKMS' Compliance & Risk Programme in order to provide the business with recommendations for improvements that will support GKMS' plan to build an enterprise-wide best-in-class Compliance & Risk Management Framework.

The Money Services segment continued to focus on providing a wide range of innovative solutions to meet our customers' needs across the Caribbean. In April 2018, Jamaica became the first territory to deploy westernunion.com in the Caribbean and Latin America region. The website, deployed by GraceKennedy and Western Union, provides consumers with 24/7 access to send funds online to over 200 countries. In the first year of operation, there was strong consumer interest, which was reflected in the volume of transactions processed through the site.

GKMS, in partnership with GK Capital, also launched GK Proxim, a quick and simple, micro-lending product, which has been rolled out in 15 locations across Jamaica, thereby enhancing our suite of offerings to the Jamaican consumer. The business also welcomed new strategic alliances with the announcement of a Bank of Jamaica/GKMS partnership for coin redemption utilizing GKMS' Coin Xchange machines across the island. The Money Services segment saw strong year-over-year revenue growth from these new product lines.

WHERE WE EARN

Revenue by Geographical Area (J$ Millions)	2014	2015	2016	2017	2018	2018 % Contribution to Revenue
Jamaica	37,497	40,248	45,344	47,657	51,777	53.1%
North America	14,205	19,744	22,218	24,023	24,801	25.4%
Europe including U.K	14,282	14,290	14,058	13,862	13,838	14.2%
Other Caribbean Countries	4,538	5,248	6,339	6,673	6,941	7.1%
Africa	183	96	164	125	29	0.0%
Other Countries	134	116	145	135	159	0.2%
Total	70,840	79,742	88,268	92,476	97,545	100%

GraceKennedy's vision of being a Global Consumer Group includes achieving 60% of our revenue outside Jamaica. For 2018, our Group generated 47% of its revenue outside Jamaica, compared to 49% in 2017.

North America accounted for a smaller share of our revenue - 25.4% in 2018 compared to 26.0% in 2017 due to a faster rate of growth by our Jamaican operations.

Revenue from the European (including U.K.) markets accounted for 14.2% of revenue in 2018, compared to 15.0% in 2017. This is primarily due to lower sales from our Grace Foods UK operations, stemming from the loss of a third party brand.

CORPORATE SOCIAL RESPONSIBILITY

GraceKennedy's core values are grounded in the firm commitment to be a socially responsible, caring and environmentally conscious corporate citizen. As a corporate citizen, GraceKennedy believes that its own success must be matched by the growth of its staff, the people of the communities in which its businesses are located, and also in the economic growth of its home base, Jamaica.

GraceKennedy Foundation

The GraceKennedy Foundation (GKF) is committed to supporting the parent company as a corporate citizen by creating environmentally sustainable programmes, promoting healthy lifestyles and increasing access to education. In keeping with its mission, the Foundation focuses on the following activities in these main areas:

Environmental Programmes

James Moss-Solomon Snr. Chair in Environmental Management

In 2018, the holder of the James Moss-Solomon Snr. Chair, Professor Mona Webber, made critical contributions to research, innovation, teaching and outreach for the enhancement of the Jamaican environment. Much of the work focused on the rehabilitation and protection of various aspects of the coastal and marine environment, including the island's mangrove stock. These initiatives are all aimed at increasing the island's resilience to natural disasters and the impacts of climate change.

International Coastal Clean-up Day

In observation of International Coastal Clean-up Day, on 15 September 2018, the GKF coordinated a massive clean-up of Buccaneer and Gun Boat beaches located on the Palisadoes strip. The effort, led by Foundation Chairman, Dr Fred Kennedy, saw the involvement of over 250 volunteers which consisted of GraceKennedy employees, members of the Campion College's Green Generation Club, the St. George's College Environmental Club, the Kingston Church of Christ Teen Ministry, as well as students and parents from Hopefield Preparatory School and the staff of the Mona GeoInformatics Institute. In just two hours, they collected more than 2,000 kilograms of garbage and plastics. GraceKennedy continues to be the leading corporate collector for this event.

The recycling programme which was introduced in the GraceKennedy Group in 2014 continues to engage the interest and dedication of the staff. In 2018, the 11 subsidiary companies involved in the programme collected over 6,000 kilograms of plastic. Since 2014, over 28,000 kilograms of plastic have been collected among the subsidiaries. Students at nine educational institutions at the secondary and tertiary levels have also been trained as part of the programme and are coordinating recycling initiatives at their respective schools. GraceKennedy is in full support of the ban on single use plastic bags which was introduced by the Jamaican government effective 1 January 2019. Our Hi-Lo chain of Foods stores was the first supermarket chain to commence the sale of reusable grocery bags.

Clean Kingston Harbour Project

GKF spearheaded discussions with public and private entities to establish a project aimed at a long term solution to the pollution entering the Kingston Harbour. The project will aim to reduce pollution at source through the development of innovative solutions to prevent and trap waste going into gullies.

Promoting Healthy Lifestyles

Stroke Foundation of Jamaica

The Foundation signed a Memorandum of Understanding with the newly established Stroke Foundation of Jamaica to partner on initiatives that would provide education, resources and support for persons who have suffered a stroke.

GK Campus Connect Food Bank

As part of GraceKennedy's efforts to support students in a multifaceted way at the tertiary level, the GraceKennedy Foundation is partnering with Grace Foods, Hi-Lo Food Stores and the Guild of Undergraduate Students at The University of the West Indies (UWI) Mona Campus to open a food bank on the University's Mona campus. This is to address one of the critical issues affecting some tertiary level students, particularly those from lower socio-economic groupings. These University students are often hard-pressed to eat healthy meals, as any financial assistance they may receive is usually geared towards covering tuition, books and other educational-related expenses. Once it becomes operational, the GK Campus Connect Food Bank will serve as a collection point for food donations that will be redistributed to needy students. GraceKennedy's Scholars will use their volunteer hours to man the food bank.

Education

The Foundation continues to support public education and discourse, as well as tertiary and secondary level training in the following ways:

Grant Funding

In 2018, the Foundation awarded five grants totalling $3 million. These grants focused on early childhood education, Science, Technology, Engineering, Arts and Mathematics (STEAM) education and the environment. The early childhood STEAM project report and curriculum have been reviewed by the Early Childhood Commission which has expressed an interest in using it as a model for early childhood practitioners.

Annual Lecture Series

The 2018 GraceKennedy Lecture was delivered by Dr Parris Lyew-Ayee Jr, Director of Mona GeoInformatics Institute and a Director of GraceKennedy Limited. He presented on the topic, "Tech Charge: Smart Homes, Smart Businesses, Smart Nations" and explored the impact of technology on today's society and how it influences most spheres of modern life. The lecture generated an intense and vibrant discussion as members of the audience sought to learn more about 'teching' charge of their lives while embracing technology.

Professorial Chairs & Executive-In-Residence

The Foundation funds two professorial chairs at UWI – The James Moss-Solomon Snr Chair in Environmental Management held by Professor Mona Webber and the S. Carlton Alexander Chair in Management held by Professor Ian Boxill. Both have successfully fostered partnerships locally, regionally and internationally in critical economic and social areas like the environment, tourism, manufacturing and community development. In August 2018, Professor Boxill was promoted to Deputy Principal of the UWI Mona Campus and with these added responsibilities stepped down as the Chair. The Board of the GKF thanks him for his outstanding contribution to national development.

Director of the GraceKennedy Foundation, Mr James Moss-Solomon Jr has been seconded to the Mona School of Business and Management (MSBM) as Executive-in-Residence for the past six years. In this role, he provides leadership and business expertise to students in the MBA programmes and works closely with the MSBM to maximise its capacity by engaging in a wide scope of activities and capacity building strategies.

GraceKennedy Jamaican Birthright Programme

The GraceKennedy Jamaican Birthright Programme has provided the opportunity for forty-five second and third generation Jamaican university students living in the USA, UK and Canada to better understand their proud Jamaican heritage. Introduced in 2004, by then CEO of GraceKennedy, Douglas Orane, the concept was to strengthen the bonds between the diaspora and Jamaica by introducing children of Jamaican parentage or grand parentage to their Jamaican roots. This is accomplished through professional internships within the GraceKennedy Group, and excursions to experience the culture.

The 2018 Birthright Interns Anastacia Davis, a master's student at Full Sail University, USA, Kayla Green, a senior at Binghamton University, USA, Joshua Tulloch, sophomore at Oxford University, England and Keean Nembhard, a senior at Carleton University, Canada, visited Jamaica between 28 June and 7 August 2018.

Scholarship Programme

In 2018, the Foundation invested $20 million in scholarships to the children of employees through the Carlton Alexander Memorial Awards and to students attending The University of the West Indies Mona Campus, the University of Technology Jamaica, the Edna Manley College of Visual and Performing Arts and the Caribbean Maritime University. This included the newly established Jamaica Institute for Excellence in Education/ GraceKennedy Scholarship, awarded to a final year student at the University of Technology.

GK Campus Connect

In October 2018, the Foundation launched GK Campus Connect where tertiary scholarship recipients serve as Campus Ambassadors for GraceKennedy brands including Grace Foods, First Global Bank (FGB), GK Insurance, GK Money Services and Hi-Lo Food Stores. The students gained hands-on experience in business processes, marketing and sales. Scholarship recipients are also required to open First Global Bank accounts and give back 30 hours of volunteer service.

Grace and Staff Community Development Foundation

The Grace and Staff Community Development Foundation continued its commitment to contribute to nation building by supporting community development through partnerships in education and empowerment activities, and utilising the voluntary support of GraceKennedy's staff and affiliates.

The education support programme grew with over 520 students receiving tuition and bursary support. The Homework Centres served as places of learning, growth and development within the communities.

Engagement of our beneficiaries, parents and the wider community was realised through individual and group counselling, seminars, workshops and recreational activities. A collaboration with the 'Women in Maritime Association Caribbean' saw the successful staging of a Jamaica Social Investment Fund (JSIF) sponsored Underwater Robotics Camp. The Scientific Research Council (SRC) continued to be a constant partner, which resulted in the third annual collaborative staging of the STEM Camp. Over 100 students from Spanish Town and Kingston benefitted from the summer camps.

The annual Christmas Outreach continued to touch the lives of over 1,000 seniors, children and teachers in inner city communities.

As we move towards achieving our target of supporting 1000 students by 2022 – the year GraceKennedy celebrates its 100th anniversary - Grace and Staff continues to work hard at developing communities - one student, one parent, one person at a time.

Sports

GraceKennedy continued our sponsorship of the largest secondary school sporting event in the Caribbean, the ISSA/GraceKennedy Boys' and Girls' Championship. We have committed to remain as title sponsors for another seven years, up to 2025, with a commitment of over US$4 million for the life of the sponsorship. We are proud of our contribution, which speaks to our investment in sport, youth and nation building. We also continued with our sponsorship of cricket, mainly through our sponsorship of the school cricket competition, "The ISSA Grace Shield".

RISK MANAGEMENT & INTERNAL CONTROLS

Risk Management Framework

GraceKennedy engages in several activities which necessitate risk-taking. The Group's business activities span diverse industries, cultures and geographies and to mitigate these risks, the Group maintains a comprehensive risk management strategy inclusive of a Board-approved framework, regular reviews, policies, standards and testing. The sections below detail GraceKennedy's governance structure around risk management.

GraceKennedy Limited began its Enterprise-Wide Risk Management (ERM) journey in 2012. Since then, the risk management framework (RMF) has been continuously reviewed and strengthened. In its current form it provides a common basis for the identification, assessment, management, monitoring and reporting of risk on a continuous basis. Elements of the RMF include:

- An approved 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 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 and at the subsidiary level, a risk appetite statement defining the acceptable level of risk;
- A governance framework that supports formal reporting by company executives on topical risk and control issues, control self-assessments and the results of internal and external audit reports;
- Monitoring mechanisms that help provide assurance to the Audit Committee and Board about the maintenance of internal controls;
- The Risk Assessment Reporting Standard that identifies the mandatory requirements relating to risk assessment and mitigation;
- The Risk Assessment Guidelines that outline how all areas of the business must identify, evaluate, manage, monitor, and report on risks on an on-going basis;
- Tools and methodologies that allow for the nimble identification and reporting of material risks to the GraceKennedy Executive Committee, the Business Unit Audit Committees, the Group Audit Committee, and the Board of Directors;
- Self-Audit Guidelines and accompanying tool kit that has been designed to encourage the Company's business and support units to proactively identify and act quickly on process and control weaknesses;
- Continuous risk and compliance training and reinforcement at the board, executive, and strategic business units (SBU).

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 at least four times per year and inquires of management and assurance providers about significant risks or exposures. It also assesses the steps management has taken to minimise the risks to the GraceKennedy Group. The Group operates within the Three Lines of Defence operating model and through this ensures adequate processes are in place across the Group to capture, measure and assess risk data.

The Three Lines of Defence

GraceKennedy's first line of defence in managing risk is its management team. Managers are responsible for identifying, assessing, quantifying, reporting, and managing all risks within their lines of business. They are ac ountable to the Board for designing, implementing, and monitoring of the risk policy and the process of risk management and integrating it into the day-to-day activities of the Group. They ensure alignment of business strategy with corporate culture, appetite, and policy.

The Company's risk management and compliance team provides the second line in defence and is responsible for creating a framework in which the management and staff can deliver on the Group's strategy, while still managing the risks that accompany the opportunities available. The Enterprise Risk Management Committee is chaired by the Group Chief Risk Officer and its mandate is to provide oversight of the implementation and operation of the Company's risk management framework. The ERM Committee meets four times a year and monitors the progress of the Group's ERM programme.

The third line of defence is the Group Internal Audit unit, which is charged with providing independent, objective assurance by delivering an objective evaluation of the risk and internal control framework of the Group. Group Internal Audit's assessment of internal controls is based on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control framework, and all audits are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Milestones and Challenges in 2018

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. In 2018, the Company embarked on an efficiency exercise which focused on the support functions across the Group. This allowed for:

- Capacity-building of the Risk and Compliance team across the Group, specifically around emerging risks, effective control testing, self-audit techniques and root cause analysis;
- Engagement across the Group to proactively communicate with all members of staff about their roles and responsibilities in managing risk and to conduct on-going training of staff in the use of the risk management tools;
- Streamlining risk and compliance processes across the Group for greater focus.

Key Risks

GraceKennedy operates in various geographical regions across several industries. The Group monitored the following external risks quite carefully throughout 2018:

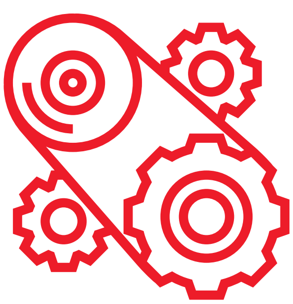
- The increasingly complex compliance environment globally;
- The effect terrorism, mass migration and climate change may have on supply chain management and expansion plans;
- Changing consumer needs/preferences around healthy food products and digital channels for its financial products.

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 food manufacturing and distribution. These areas have their own unique risk considerations. The major risks affecting the Group are strategic, operational, insurance, credit, liquidity, market risks, currency risk and Interest rate risk. These are briefly defined below:

STRATEGIC RISK

As the Group pursues its strategic objectives, both internal and external forces could prevent the achievement of these overall strategic imperatives. Risks which could impede GraceKennedy's ability to achieve its strategic objectives are referred to as strategic risks. The management of same is critical to the enterprise-wide risk management effort, as successful strategic risk management protects shareholder value by ensuring the business has properly assessed potential pitfalls to the Group Strategy. Risk management is a valuable partner in the Group's annual strategic planning sessions, both at the subsidiary and Group levels, and conducts regular assessment's throughout the year to ensure continued relevance.

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. 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.

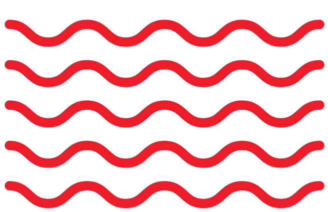
INSURANCE RISK

Within the GraceKennedy Group, 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. The insurance segment is also diversifying risk through regional expansion.

CREDIT RISK

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

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



LIQUIDITY RISK

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Research and Treasury departments which 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 UK 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. As interest rates remain depressed globally, effective management of interest rate risk will be critical to maximise profits.

The Way Forward

Following the efficiency exercise in 2018, the risk and compliance framework was enhanced to allow for greater focus. By rationalising functions and removing duplicated activities, it paved the way for moving forward with greater agility. The focus for 2019 will be on risk and compliance as a value-creator for GraceKennedy Ltd.

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 Department and its activities are guided by its Charter as approved by the GraceKennedy Limited Board, to whom it reports independently, through the Audit Committee, on the effectiveness of the governance structure and risk management framework. In addition, Group Internal Audit provides reasonable assurance by delivering an independent and 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 six times in 2018.

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. 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.

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

i) Reliability and integrity of the accounting principles and practices, financial statements and other financial reporting;

ii) Internal audit functions of the Company and the Group;

iii) Risk management functions and processes of the Company and the Group;

iV) Qualification, independence and performance of the external auditors of the Company;

V) System of internal control and procedures established by Management and reviewing their effectiveness;

Vi) Group's compliance with legal and regulatory requirements.

GraceKennedy's commitment to internal controls, ethics and integrity is reinforced through our GraceKennedy Code of Ethics, Anti-Fraud and Whistleblowing policies and use of our whistleblowing hotline. Group Internal Audit, in conjunction with Group Security, continue to promote this hotline as a method of facilitating the anonymous reporting of suspicious activities across the Group.

Significant Activities and Milestones

Internal Audit continued to improve its quality and effectiveness during 2018 with a focus on continuous improvement, greater use of technology to drive efficiency and continued client support and relationship building. The activities in 2018 included on-going internal quality assurance and peer reviews as well as programmes of continuous education and exposure for the department.

Other significant activities of 2018 included *inter alia*:

- Formulated and agreed with the Audit Committee, 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; and
- 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 and Board;
- Reviewed means of safeguarding the Group's assets;
- Coordinated audit efforts with and provided support to the external auditors;
- Provided consultative support to management prior to and post major system and other project implementations, to evaluate the extent to which adequate controls have been incorporated in the respective systems/processes;
- Continued training and certification of Group Internal Audit team;
- 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;
- Facilitated rotation of Internal Auditors in the business to increase business knowledge;
- Increased use of technology to increase department efficiency and widen scope of areas reviewed.

At the end of 2018, Group Internal Audit conducted 69 audits, with significant focus on Compliance, IT Security, Business Continuity and Recovery capabilities, Food Safety and the general control environment.

The focus of 2019 for the Internal Audit Department continues to be:

- Continuous Risk Assessment, Enhancing Risk Management and Governance practices;
- Addressing Key Stakeholder Priorities;
- Increased focus on Compliance across the Group;
- Optimising Internal Audit Processes and Resources;
- Continued Training of Team to Meet New Challenges in the Environment;
- Leveraging Technology Efficiently.

OUR PEOPLE

Organisational Transformation

We embarked on a multi-year transformational journey, aimed at optimising the Group's structure for improved performance and shareholder value. The overall organisational design, at all levels, was reviewed to achieve sustainable efficiency, greater agility and revenue growth. A consulting group was contracted to review the support functions across the entire group including Human Resources, Information Technology, Finance, Audit, Corporate Secretariat and Legal, Risk and Compliance, Corporate Communication, and other corporate services. Resulting from the exercise, the Financial Division transitioned to a shared services model for several of the support areas, similar to what obtains in the Foods Division. Approximately 70 persons were separated from the Group.

Change Management

We engaged Prosci, leaders in change management, to provide us with the necessary tools to manage and guide us through the transformation process. Focus was given to developing Change Management expertise in our people. A cross section of leaders and employees were trained, including a specially selected team who were certified as Change Management Champions. This model was adopted to ensure that we embed the change management principles in all future projects and change initiatives.

Employee Engagement

Informed by the prior year survey results, we continued to focus on our employee engagement initiatives centred on the pillars of Meaningful Work, Positive Work Environment and Growth Opportunities. Some employees benefitted from career counselling, job rotations and participation in projects which provided new challenges and growth opportunities. Team members were trained in critical skill areas including Lean Six Sigma, Project Management, and Strategic Thinking & Critical Analysis, while we developed our Leaders through customised GK-Leadership Development Programmes. In support of work/life balance, and as a response to the impact of the road construction on our people, there was a renewed thrust for employees to access the flexible work arrangements available through our policy which was implemented in 2014. Employees are therefore able to work staggered hours, and a compressed or an extended work week. Additionally, as we seek to remain an employer of choice, we continued our job evaluation exercise and Rewards and Recognition programmes to ensure that we retain` highly skilled and competent employees.

As GraceKennedy approaches its 100th birthday, we continue to stand by our unwavering commitment to developing our greatest assets, our people.

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 2018, the GraceKennedy Group executed on its theme of delivering value to its stakeholders through innovative solutions. Strategic initiatives included First Global Bank (FGB) opening the first Agency Bank location in Jamaica, GK Money Services launching its micro-lending solution - GK Proxim, and GK Insurance Eastern Caribbean's expansion into the Antiguan market. GK Foods (USA) LLC also launched Grace Jerk Wings and La Fe Fruityurt and the Foods Division introduced our 'Flava with a Beat' campaign, which successfully engaged our consumers across all market segments. Our outlook for the future remains aligned with our vision of becoming a Global Consumer Group and a Regional Financial Group. To build on our long-term success, in 2019 we will be making further strategic investments across the following four business perspectives:

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

Growth and Sustainability

Plans for the continued growth of the Group are in line with our mission of delivering our foods to the world and leading financial services to the Caribbean. In Jamaica, our Foods Business will seek to strengthen its current standing in the market through increased distribution, making our products accessible to all customers in every segment. Throughout our marketing and distribution companies, the team will focus on supplying new channels and forming strong partnerships, which will provide additional avenues for the sale of our products. In the international market, GraceKennedy Foods (USA) LLC will continue the roll-out of the new packaging for its La Fe products and engage customers through exciting promotional activities. Another major initiative is increasing the listings of both Grace and La Fe products in US chains throughout the country. Further expanding our distribution to Canada's western provinces is a chief objective for 2019 and we are partnering with additional retailers to extend our reach in that region. In the East, Africa remains an important market for the GraceKennedy Group and our team is currently reviewing the best options to improve distribution and sustainably serve our consumers on that continent. Grace Foods UK will pursue opportunities to bolster its presence in the European market, building on new distribution contracts to grow the supply of our products to those countries.

As the GraceKennedy Financial Group (GKFG) seeks to solidify its presence in Jamaica and regionally, the goal of expanding our reach will be pursued throughout the year. A key initiative is the opening of more GKONE locations across Jamaica. GKONE allows customers to conveniently conduct bill payment, insurance, banking, investment, remittance and cambio services in one location. It is aimed at promoting financial inclusion in Jamaica, increasing accessibility to our customers, and encouraging cross-selling activities among our financial companies. GK Capital Management's plan includes offering innovative products to attract more clients and maintaining an attractive pipeline of investment and advisory opportunities. GraceKennedy Money Services (GKMS) will strengthen and leverage its relationship with its strategic partner, the Western Union Group, as it seeks to maintain its dominance in the retail trade by efficiently growing the network.

Customer Centricity and Innovation

GraceKennedy remains committed to satisfying the diverse needs of our customers by providing them with the best products and services. This commitment is evident in Grace Foods' thrilling Grace 'Winna House' Promotion where individuals will be vying to win the grand prize of a two-bedroom house. The campaign will include great in-store deals, spot prizes, other giveaways, Grace Days, and much more. In terms of innovation, the frozen line at our Denbigh Plant is aimed at manufacturing products that will meet the market's need for easy, convenient and healthier foods. Furthermore, the Foods team has a robust pipeline of products to be launched in the upcoming months, and will also focus on brand building and engagement efforts through advertising and promotions under the 'Flava with a Beat' global campaign.

The Financial Division's objectives centre on providing our clients with simple solutions to meet their needs. To this end, work is being done to increase the use of digital channels in our operations. GK Money Services which launched WU.com in Jamaica in 2018, a first for the Latin American and Caribbean region, will be introducing this digital service to other GKMS territories in the Caribbean. The team intends to also introduce its consumer lending solution to other markets in the region. Additionally, plans are in place to expand the services of the Bill Express online portal and develop a mobile application as an alternative. The GraceKennedy Financial Group will also continue work on a cohesive mobile application that will give customers access to the services offered within the Group including banking, insurance and money services, all tied together through the GK Value Rewards Programme.

Operational Excellence

Across our Foods and Financial Divisions, we will be employing various strategies geared at delivering increased productivity and efficiency in our businesses. Initiatives include the continuation of the GK Money Services project, to redesign and automate critical business processes to further improve service delivery and eliminate back-office inefficiencies. FGB's entry into agency banking also presents an opportunity for the Company to provide its clients with convenient locations, without the usual capital outlay associated with a full branch. With the expansion of our Distribution Centre, the Foods Division will see an improvement in the efficiency of the dissemination of our products into the various distribution channels. Throughout our Manufacturing business unit, we will be re-tooling current machinery and implementing new technology to meet future production demands and maintain our international competitiveness while reducing costs.

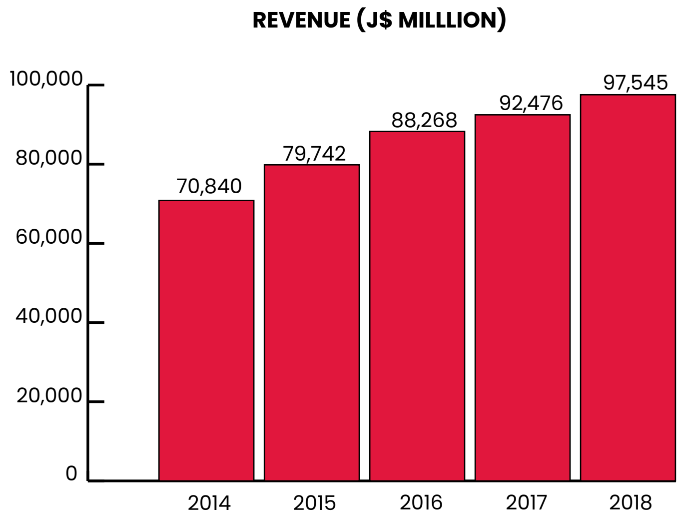
Performance Driven Organisation

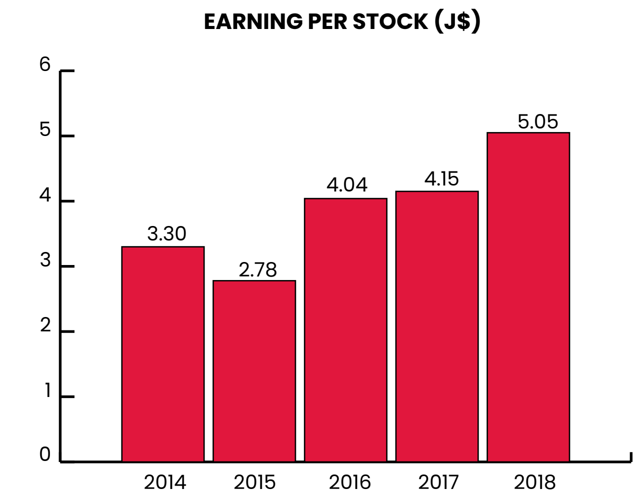
GraceKennedy recognises that our people are our greatest asset as we strive to become a Global Consumer Group. We will execute on our plans to further engage employees by focusing on areas such as total rewards, meaningful work, and providing a positive work environment. We are committed to investing in the necessary resources to ensure that we can develop excellent leaders at all levels within the organisation. Across the Group, succession management will be key and an emphasis will be placed on career development through rotations and talent and leadership development programmes. Change management practices are also being shared with employees to assist them in achieving the expected results and outcomes from projects implemented throughout the businesses. We will continue to build this capacity for 2019 as we execute the GraceKennedy Group's 2019 theme "Excellence through great people."

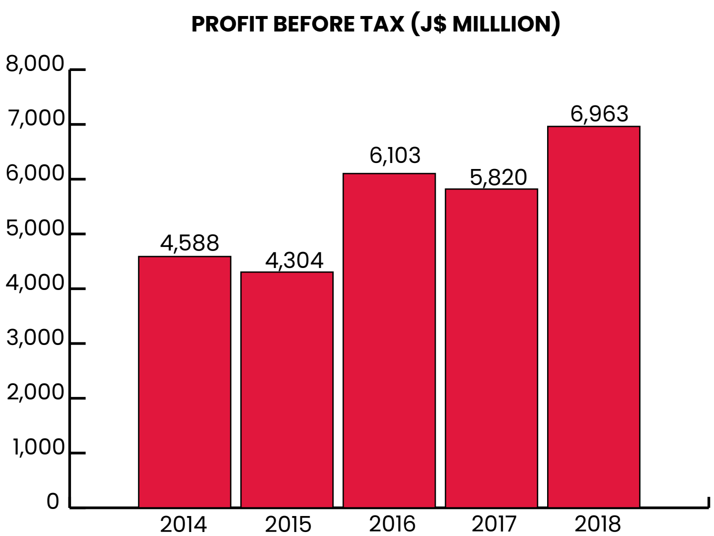
Key Expectations for 2019

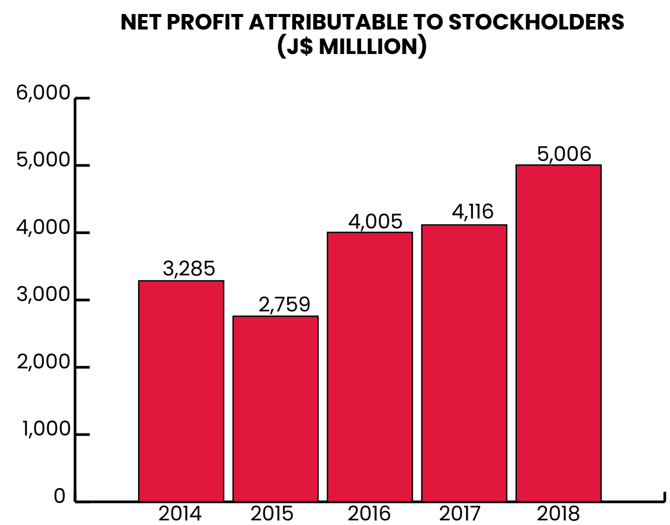
- Investing in the Grace and Grace-owned brands to solidify our current standing in all markets through increased customer engagement, introduction of additional products, and improvements to our distribution centres;
- Deploying new digital products/channels and increasing the services offered through current digital channels to improve customer experience;
- Improving earnings from the International Foods Division and the increased distribution of our products in these overseas markets;
- Accelerating the growth of recently launched products and services across the Group, while flawlessly executing on ideas for innovation;

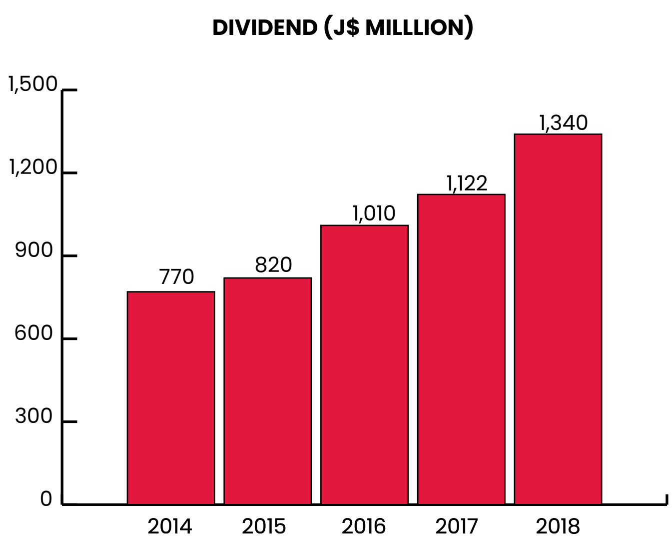
- Executing our financial inclusion and cross-selling strategy through GKONE and agency banking, to target the unbanked and underbanked;
- Achieving greater operational efficiency within the GraceKennedy Group through the use of technology to ensure an agile, efficient and high performing corporate structure;
- Continued enhancement to our risk & compliance framework to build an enterprise-wide best-in-class framework;
- Strengthening the Group's talent pool through employee engagement, rotations, and talent and leadership development programmes.

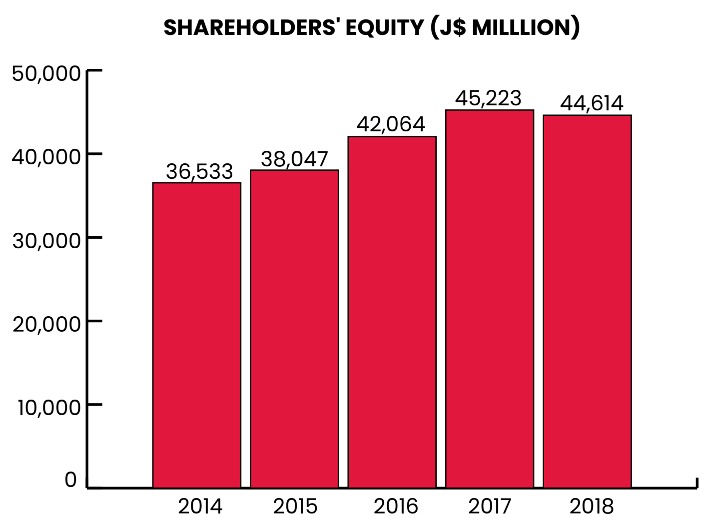

REVENUE (J$ MILLLION)
100,000
80,000
60,000
40,000
20,000
0
70,840
79,742
88,268
92,476
97,545
2014
2015
2016
2017
2018

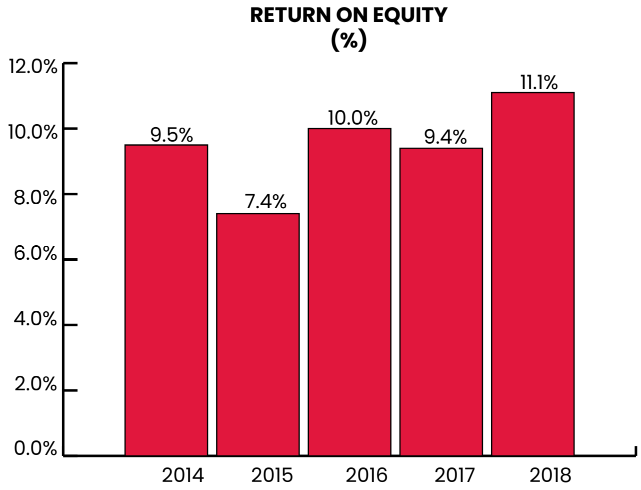

EARNING PER STOCK (J$)
6
5
4
3
2
1
0
3.30
2.78
4.04
4.15
5.05
2014
2015
2016
2017
2018

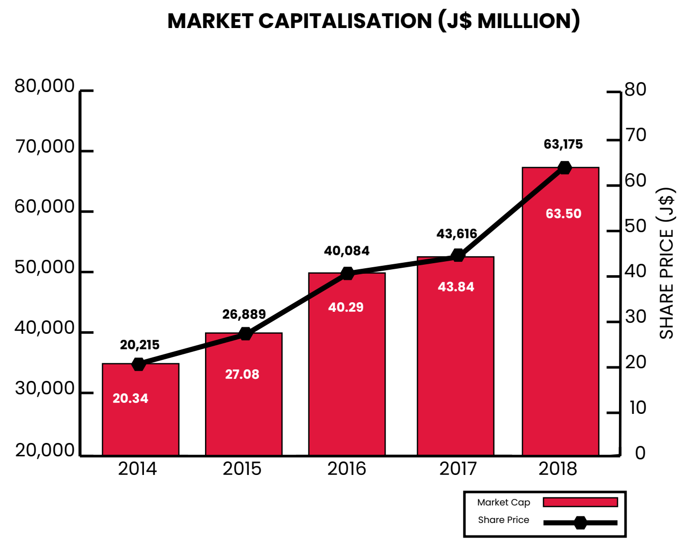

PROFIT BEFORE TAX (J$ MILLLION)
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
4,588
4,304
6,103
5,820
6,963
2014
2015
2016
2017
2018

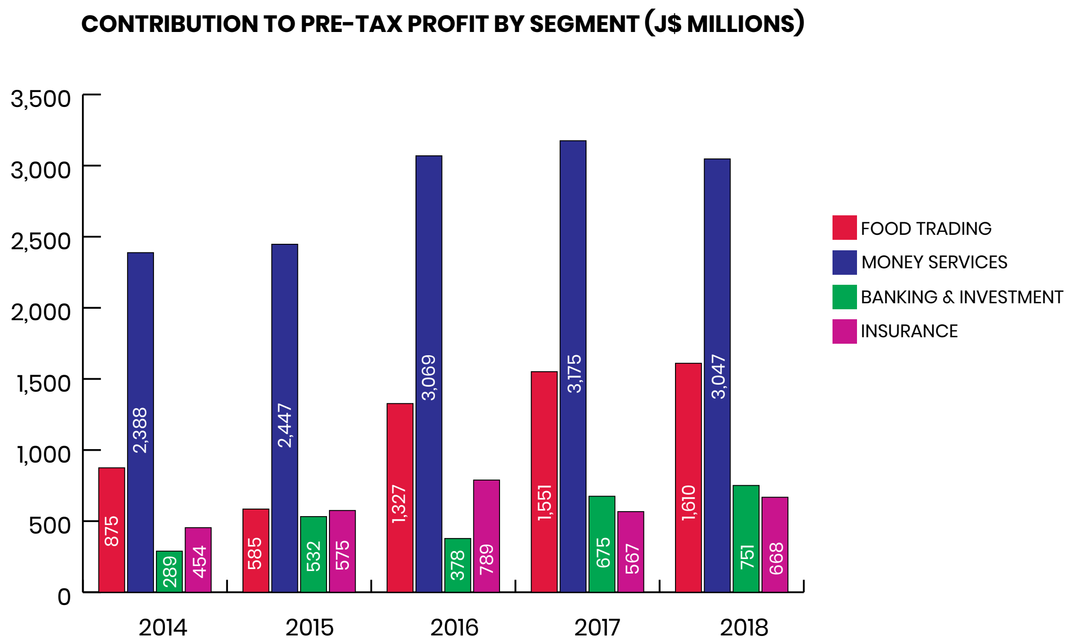

NET PROFIT ATTRIBUTABLE TO STOCKHOLDERS (J$ MILLLION)
6,000
5,000
4,000
3,000
2,000
1,000
0
3,285
2,759
4,005
4,116
5,006
2014
2015
2016
2017
2018


DIVIDEND (J$ MILLLION)
1,500
1,200
900
600
300
0
770
820
1,010
1,122
1,340
2014
2015
2016
2017
2018


SHAREHOLDERS' EQUITY (J$ MILLLION)
50,000
40,000
30,000
20,000
10,000
0
36,533
38,047
42,064
45,223
44,614
2014
2015
2016
2017
2018







Excludes Corporate & Other Unallocated Income

LT&CD

LEADERSHIP TEAM & CORPORATE DATA

BOARD OF DIRECTORS

As at 1 March 2019

Seated: L-R

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

- Don G. Wehby, CD
  GraceKennedy Group Chief Executive Officer

- Prof Gordon V. Shirley, OJ
  Chairman, GraceKennedy Limited. 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

- Mary Anne V. Chamber, O. Ont, MSM
  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

Standing: L-R

- Dr Parris A. R. 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

- Hon Peter H. Moses, OJ, CD
  Retired Bank Executive and a member of GraceKennedy's Audit Committee and Corporate Governance & Nomination Committee

- Dr Indianna D. Minto-Coy
  Senior Research Fellow at the Mona School of Business and Management (MSBM) at the University of the West Indies, Jamaica. A member of GraceKennedy's Audit Committee and Corporate Governance & Nomination Committee

- Frank A. R. James
  GraceKennedy Group Chief Financial Officer

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

DIRECTORS & CORPORATE DATA

AS AT 1 MARCH 2019

Directors

- Prof Gordon V. Shirley, OJ
  Chairman
- Don G. Wehby, CD
  Group Chief Executive Officer
- Mary Anne V. Chambers, O. Ont., MSM
- Frank A. R. James,
  Group Chief Financial Officer
- Dr Parris A. R. Lyew-Ayee, Jr
- Everton L. McDonald, OD
- Dr Indianna Minto-Coy
- Hon Peter Moses, CD, OJ
- 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

- Gail Moss-Solomon

Registered Office

73 Harbour Street
Kingston, Jamaica

Registrar & Transfer Office

- GraceKennedy Limited
  73 Harbour Street
  Kingston, Jamaica

Website

www.gracekennedy.com

GK
SENIOR
MANAGEMENT
TEAM

GK EXECUTIVE OFFICE

as at 1 March 2019

Don Wehby
Group Chief Executive Officer

Frank James
Group Chief Financial Officer

Gail Moss-Solomon
General Counsel & Chief Corporate Secretary

Naomi Holness
Chief Human Resources Officer

Andrew Messado
Group Comptroller

Lee-Anne Bruce
Chief Risk and Compliance Officer

Radcliffe Daley
Chief Audit Executive

Simone Clarke-Cooper
Chief Communication & Sponsorships Officer

Deidre Cousins
Chief Information Officer

Steven Whittingham
Chief Investment Officer

Cathrine Kennedy
Head of Business Intelligence & Cross Selling

Terry-Ann Graver
Senior Manager, Treasury & Corporate Finance

GK FOODS DOMESTIC

as at 1 March 2019

Ryan Mack
Chief Executive Officer

Debra Dodd
Divisional Chief Financial Officer

Dianne Robinson
Chief Supply Chain Officer

Zak Mars
Head of Innovation & Global Sourcing

Carl Barnett
Senior General Manager - Manufacturing

GRACE FOODS LIMITED
Angeline Gillings
Managing Director

DAIRY INDUSTRIES (JAMAICA) LIMITED
Simon Roberts
General Manager

GK FOODS & SERVICES LIMITED
Andrea Coy
Managing Director

GRACE FOOD PROCESSORS (CANNING) DIVISION
Andrew Wildish
General Manager

GRACE FOOD PROCESSORS DIVISION
Radcliffe Walker
General Manager

HI-LO FOOD STORES DIVISION
Renee Nathan
General Manager

NATIONAL PROCESSORS DIVISION
Dave Mitchell
General Manager

WORLD BRANDS SERVICES DIVISION
Tamara Garel Thompson
General Manager

CONSUMER BRANDS LIMITED
Tamara Garel Thompson
General Manager

GRACE AGRO PROCESSORS DIVISION
Taji Alleyne
General Manager

GK FOODS INTERNATIONAL

as at 1 March 2019

Andrea Coy
Chief Executive Officer

Danielle Longman
Head of Planning & Strategy

GRACEKENNEDY FOODS (USA) LLC.

Derrick Reckord
President & CEO

Oswald Lyn
Chief Financial Officer

Ricardo Bryan
Senior Vice President – Northern USA

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

Alberto Young
Vice President – Southern USA

GRACEKENNEDY (BELIZE) LIMITED

Luis Ugarte
Sales & Customer Service Manager

GRACE FOODS CANADA INC.

Lucky Lankage
President

Jack Zhu
Chief Financial Officer

GRACE FOODS LATIN AMERICAN AND CARIBBEAN (GF LACA)

Stephen Saddler
Regional Business Manager

GRACE FOODS UK LTD

Philip Cross
Managing Director

Brian Mitchell
CFO & Operations Director

GK FINANCIAL GROUP

as at 1 March 2019

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) LTD
Grace Burnett
Director

FIRST GLOBAL HOLDINGS LIMITED
Grace Burnett
Chief Executive Officer

FIRST GLOBAL BANK LIMITED
Mariame Robinson
CEO and President

GK CAPITAL MANAGEMENT
Steven Whittingham
Managing Director

GK INVESTMENTS
Steven Whittingham
Managing Director

GRACEKENNEDY PAYMENT SERVICES LIMITED
Michelle Allen
Chief Executive Officer

GRACEKENNEDY CURRENCY TRADING SERVICES LTD
Michelle Allen
Chief Executive Officer

GRACEKENNEDY REMITTANCE SERVICES LTD
Michelle Allen
Chief Executive Officer

GRACEKENNEDY REMITTANCE SERVICES (JAMAICA) LTD
Margaret Campbell
Country Manager

GRACEKENNEDY REMITTANCE SERVICES (GUYANA) LTD
Troy Williams
Country Manager

GRACEKENNEDY REMITTANCE (TRINIDAD & TOBAGO) LTD
Donald Edwards
Country Manager

GRACEKENNEDY MONEY SERVICES (CARIBBEAN) SRL
Michelle Allen
Chief Executive Officer

GRACEKENNEDY MONEY SERVICES (BVI) LTD
Conrad Nicely
Country Manager

GRACEKENNEDY MONEY SERVICES (ANGUILLA) LTD
Conrad Nicely
Country Manager

GRACEKENNEDY MONEY SERVICES (ANTIGUA & BARBUDA) LTD
Conrad Nicely
Country Manager

GRACEKENNEDY MONEY SERVICES (MONTSERRAT) LTD
Conrad Nicely
Country Manager

GRACEKENNEDY MONEY SERVICES (ST KITTS & NEVIS) LTD
Conrad Nicely
Country Manager

GRACEKENNEDY MONEY SERVICES (ST VINCENT) LIMITED
Conrad Nicely
Country Manager

GRACEKENNEDY MONEY SERVICES (CAYMAN) LTD
Donald Edwards
Country Manager

GRACEKENNEDY MONEY SERVICES (TURKS & CAICOS) LTD
Donald Edwards
Country Manager

GRACEKENNEDY MONEY SERVICES (BAHAMAS) LTD
Donald Edwards
Country Manager

SIGNIAGLOBE FINANCIAL GROUP INC *
Paul Ashby
Chief Executive Officer

- an associated company

EXECUTIVE MANAGEMENT

as at 1 March 2019

DON WEHBY
Group Chief
Executive Officer

GRACE BURNETT
Chief Executive Officer,
GraceKennedy Financial
Group

STEVEN WHITTINGHAM
Group Chief Investment
Officer

NAOMI HOLNESS
Chief Human Resources
Officer

ANDREA COY
Chief Executive Officer,
GK Foods International

FRANK JAMES
Group Chief Financial
Officer

MARIAME McINTOSH ROBINSON
President & CEO,
First Global Bank

RYAN MACK
Chief Executive Officer
GK Foods Domestic

GAIL MOSS-SOLOMON
General Counsel &
Chief Corporate Secretary

ORGANISATIONAL CHART

GK FOODS

- GK Foods (UK) Limited
- Grace Foods UK Limited
- Enco Products Limited
- Funnybones Food Service Limited
- Chadha Oriental Foods Limited
- GraceKennedy Ghana Limited
- Grace Foods Limited
- GraceKennedy Foods (USA) LLC
- GK Foods & Services Limited
- GraceKennedy (Belize) Limited
- Grace Foods Canada Inc.
- Consumer Brands Limited
- Dairy Industries (Ja.) Limited
- Gray's Pepper Products Limited
- Catherine's Peak Bottling Company Limited
- Majesty Foods LLC

GK FINANCIAL GROUP

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

- GraceKennedy Money Services (Turks & Caicos) Limited
- Allied Insurance Brokers Limited
- GK General Insurance Company Limited
- GK Insurance Brokers Limited
- GK Insurance (Eastern Caribbean) Limited
- Knutsford Re
- First Global Holdings Limited
- First Global Bank Limited
- GK Capital Management Limited
- GK Investments Limited
- Greenfield Media Productions Limited
- GraceKennedy Properties Limited
- SigniaGlobe Financial Group Inc.

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

GROUP CEO

BOARD OF DIRECTORS

SHAREHOLDINGS OF DIRECTORS
As at 31 December 2018

Ordinary Stock Units Of No Par Value	Total	Direct	Connected Parties	%ownership
Don Wehby	10,929,855	8,575,248	2,354,607	1.10%
Frank James	2,241,801	2,241,801	-	0.23%
Gordon Shirley	651,582	651,582	-	0.07%
Mary Anne Chambers	206,452	206,452	-	0.02%
Everton McDonald	209,020	209,020	-	0.02%
Gina Phillipps Black	159,265	159,265	-	0.02%
Parris Lyew-Ayee Jr	123,370	123,370	-	0.01%
Indianna Minto-Coy	5,150	5,150	-	0.00%
Peter Moses	5,150	5,150	-	0.00%
Total	**14,531,645**			

SHAREHOLDINGS OF EXECUTIVE COMMITTEE MEMBERS AND SENIOR OFFICERS
As at 31 December 2018

Ordinary Stock Units Of No Par Value	Total	Direct	Connected Parties	%ownership
Don Wehby	10,929,855	8,575,248	2,354,607	1.10%
Frank James	2,241,801	-	-	0.23%
Grace Burnett	622,218	-	-	0.06%
Andrea Coy	553,313	-	-	0.06%
Andrew Messado	421,059	-	-	0.04%
Mariame McIntosh Robinson	414,708	-	-	0.04%
Steven Whittingham	323,409	-	-	0.03%
Naomi Holness	58,939	-	-	0.01%
Radcliffe Daley	27,200	-	-	0.00%
Lee-Ann Bruce	3,600	-	-	0.00%
Gail Moss-Solomon	0	-	-	0.00%
Ryan Mack	0	-	-	0.00%
Terry-Ann Graver	0	-	-	0.00%
Total	**15,596,102**			

STOCKHOLDERS' PROFILE
As at 31 December 2018

	31/12/2018 Stock Units	%
Insurance Companies, Trust Companies & Pension Funds	318,127,953	31.98%
Private Individuals	294,977,675	29.65%
Investment Companies/Unit Trusts	184,607,624	18.56%
Others	86,900,452	8.73%
Private Companies	71,653,819	7.20%
Directors & Senior Managers	27,259,421	2.74%
Nominee Companies	10,743,408	1.08%
Public Listed Companies	616,540	0.06%
	994,886,892	**100.00%**

TOP TEN (10) STOCKHOLDERS
As at 31 December 2018

	ORDINARY STOCK UNITS	%
Sagicor Pooled Equity Fund	63,823,374	6.42%
NCB Insurance Co. Ltd. A/C WT109	54,412,956	5.47%
National Insurance Fund	46,090,036	4.63%
GraceKennedy Limited Pension Scheme	44,922,201	4.52%
JCSD Trustee Services Ltd - Sigma Equity	37,346,560	3.75%
ATL Group Pension Fund Trustees Nominee Ltd.	25,404,561	2.55%
Douglas Orane	20,557,188	2.07%
SJIML A/C 3119	20,019,439	2.01%
Michele Marie Kennedy	19,096,716	1.92%
FredKenn Limited	16,827,381	1.69%
		35.03%

PHILANTHROPY

PHILANTHROPY

GraceKennedy Foundation Scholarship Awardees at the 2018 Scholars Awards Ceremony on 18 October 2018

BOARD OF DIRECTORS

Fred Kennedy, Chairman

Allison McFarlane

Carol Gentles

Cathrine Kennedy

Chaluk Richards

Deidre Cousins

Hilary Wehby

James Moss-Solomon

U. Philip Alexander

Radley Reid

Caroline Mahfood, Secretary/Executive Director

PROMOTING ENVIRONMENTAL SUSTAINABILITY, HEALTHY LIFESTYLES AND ACCESS TO EDUCATION

The GraceKennedy Foundation (GKF) is committed to supporting the parent company as a corporate citizen by creating environmentally sustainable programmes, promoting healthy lifestyles and increasing access to education. In keeping with its mission, the Foundation focused on the following activities in these main areas:

ENVIRONMENTAL PROGRAMMES

James Moss-Solomon Snr. Chair in Environmental Management

In 2018, the holder of the James Moss-Solomon Snr. Chair, Prof. Mona Webber, made critical contributions to research, innovation, teaching and outreach for the enhancement of the Jamaican environment. Much of the work focused on the rehabilitation and protection of various aspects of the coastal and marine environment, including the island's mangrove stock. These initiatives are all aimed at increasing the island's resilience to natural disasters and the impacts of climate change.

International Coastal Cleanup Day

In observation of International Coastal Cleanup Day, on 15 September 2018, the GKF coordinated a massive cleanup of Buccaneer, and Gun Boat beaches, located on the Palisadoes strip. The effort, led by Foundation Chairman, Dr Fred Kennedy, saw the involvement of over 250 volunteers comprised of GraceKennedy employees; members of the Campion College's Green Generation Club, the St. George's College Environmental Club; the Kingston Church of Christ Teen Ministry; students and parents from Hopefield Preparatory School and the staff of the Mona GeoInformatics Institute. In just two hours they collected more than 4,500lbs of garbage and plastics! GraceKennedy continues to be the leading corporate collector for three years running at this event.

The recycling programme, which was introduced in the GraceKennedy Group in 2014, continues to engage the interest and dedication of the staff. In 2018, the 11 subsidiary companies involved in the programme collected over 13,870lbs of plastic. Since 2014, over 61,800lbs of plastic have been collected among the subsidiaries. Students of nine educational institutions at the secondary and tertiary levels have also been trained as part of the programme and are coordinating recycling initiatives at their respective schools.

CLEAN KINGSTON HARBOUR PROJECT

L-R: Dr Fred Kennedy, Chair of GK Foundation is joined by Grace Burnett, CEO of GraceKennedy Financial Group, Gina Phillipps-Black, GraceKennedy Ltd. Director, Chaluk Richards, Acting General Manager, GK Insurance and a GK Foundation Director along with Caroline Mahfood, Executive Director of GK Foundation at the 2018 Beach Cleanup activity coordinated by the Foundation and GK Group. The team of over 250 volunteers cleaned up Buccaneer and Gun Boat beaches.

The Foundation spearheaded discussions with public and private entities to establish a project aimed at a long term solution to the pollution entering the Kingston Harbour. The project will aim to reduce pollution at source through the development of innovative solutions to prevent and trap waste going into the gullies.

PROMOTING HEALTHY LIFESTYLES

Stroke Foundation of Jamaica

The Foundation signed a Memorandum of Understanding between the newly established Stroke Foundation of Jamaica to partner with them on initiatives that would provide education, resources and support for persons who have suffered a stroke.

As a part of GraceKennedy's efforts to support students at the tertiary level in a multifaceted way, the GraceKennedy Foundation is partnering with Grace Foods, Hi-Lo Food Stores and the Guild of Undergraduate Students to open a food bank at the UWI Mona Campus. This is to address one of the critical issues affecting some tertiary level students, particularly those from the lower socio-economic groupings. These university students are often hard-pressed to eat healthy, nutritious meals as any financial assistance they may receive is usually geared towards covering tuition, books and other education-related expenses. Once it becomes operational in March 2019, the GK Campus Connect Food Bank will serve as a collection point for food donations that will be redistributed to needy students. GraceKennedy Scholars will use their volunteer hours to man the food bank.

EDUCATION

The Foundation continues to support public education and discourse and tertiary and secondary level training in the following ways:

- Grant funding
- The Annual Lecture Series
- Funding of two Professorial Chairs and an Executive-In-Residence at the University of the West Indies
- The Birthright Programme
- Scholarships

Grant Funding

In 2018, five (5) grants totaling $3M were awarded. They focused on early childhood education, STEAM Education and the environment. The early childhood STEAM project report and curriculum have been reviewed by the Early Childhood Commission and they are interested in using it as a model for early childhood practitioners.

Annual Lecture Series

The 2018 GraceKennedy lecture was delivered by Dr Parris Lyew-Ayee Jr, director of Mona GeoInformatics Institute and a director of GraceKennedy Limited. He presented on the topic, "Tech Charge: Smart Homes, Smart Businesses, Smart Nations" and explored the impact of technology on today's society and how it influences most spheres of modern life. The lecture generated an intense and vibrant discussion as members of the audience sought to learn more about 'teching' charge of their lives while embracing technology.

Professorial Chairs & Executive-In-Residence

The Foundation funds two professorial chairs at the University of the West Indies (UWI) – The James S. Moss-Solomon Chair in Environmental Management held by Prof. Mona Webber and the S. Carlton Alexander Chair in Management held by Prof. Ian Boxill. Both have demonstrated passion, energy and leadership in their respective fields. They have successfully fostered partnerships locally, regionally and internationally in critical economic and societal areas like the environment, tourism, manufacturing and community development.

In August 2018, Prof. Boxill was promoted to Deputy Principal of the UWI Mona Campus and with these added responsibilities resigned as the Chair. Prof Boxill's brainchild - the UWI Film Project-has trained hundreds of young people, from underserved communities across Jamaica in film production, providing them with practical skills for employment. The Board of the GKF thanks him for his outstanding contribution to national development.

Executive-In-Residence

Director of the GraceKennedy Foundation, Mr James Moss-Solomon Jr has been seconded by the Mona School of Business and Management as Executive-in-Residence for the past six (6) years. In this role, he provides leadership and business expertise to the students in the MBA programmes as well as works closely with the MSBM to maximize its capacity by engaging in a wide scope of activities and capacity building strategies.

2018 GraceKennedy Jamaican Birthright Interns
(L-R) - Anastacia Davis (USA), Joshua Tolloch (UK), Kayla Green (USA) and Keean Nembhard (Canada)

Birthright Programme

The GraceKennedy Jamaican Birthright Programme, for the past 14 years, has provided the opportunity for 45 second and third generation Jamaican university students living in the USA, UK and Canada to better understand their proud Jamaican heritage. Introduced in 2004, by then CEO of GraceKennedy, Douglas Orane, the concept was to strengthen the bonds between the diaspora and Jamaica by introducing children of Jamaican parentage or grand parentage to their Jamaican roots. This is accomplished through professional internship within the GraceKennedy Group, and excursions to experience the culture.

Anastacia Davis, a master's student at Full Sail University; Kayla Green, a senior at Binghamton University, Joshua Tulloch, sophomore at Oxford University; and Keean Nembhard, a senior at Carleton University, were the 2018 Birthright interns, who visited Jamaica between 28 June and 7 August 2018.

Scholarship Programme

In 2018, the Foundation invested $20 million in scholarships to the children of employees through the Carlton Alexander Memorial Awards and to students attending the University of the West Indies, the University of Technology, The Edna Manley College of Visual and Performing Arts and the Caribbean Maritime University. This included the newly established Jamaica Institute for Excellence in Education/GraceKennedy Scholarship, awarded to a final year student at the University of Technology.

GK Campus Connect

In October 2018, the Foundation launched GK Campus Connect, where tertiary scholarship recipients serve as Campus Ambassadors for GraceKennedy brands including Grace Foods, First Global Bank (FGB), GK Insurance, GK Money Services and Hi-Lo Food Stores. The students gain hands-on experience in business processes, marketing and sales. This exposure helps to develop their soft skills including leadership, time management, communication and problem-solving, while building their self-confidence and inter-personal relationships. Scholarship awardees are required to open First Global Bank accounts and give back 30 hours of volunteer service.

GRACE & STAFF
COMMUNITY DEVELOPMENT
FOUNDATION
"Building a bridge of human care and understanding"

Peace Garden Labour Day project at Holy Family Primary School, Central Kingston

BOARD OF DIRECTORS

James Moss-Solomon, Chairman

L. Anthony Lawrence

U. Philip Alexander

Gail Moss-Solomon

Simon Roberts

Caroline Mahfood

Andrea Coy

Marsha Cope-Riley

Dave Mitchell

Rachel McKenley

Joan Marie Powell

Caryn Spencer

Tanketa Chance-Wilson, Secretary

CONTRIBUTING TO NATION BUILDING THROUGH EDUCATION AND EMPOWERMENT

Ladies enjoy their gifts at the 2018 Day of Care Luncheon

Grace Burnett, CEO of GraceKennedy Financial Group helps to deliver a Christmas package of groceries to a golden ager at the Learning Institute of Central Kingston (L.I.C.K) on 11 December 2018

Grace & Staff continues its commitment to contribute to nation building by supporting community development through partnerships in education and empowerment activities, and utilising the voluntary support of GraceKennedy staff and affiliates.

The education support programme grew with over 520 students receiving tuition and bursary support. Approximately $2.9 million was invested in the STEM programme while tertiary support stood at $10.5 million and secondary payments at $4.408 million. The Homework Centres remain a place of learning, growth and development within the communities and $8.795 million was spent in 2018 to cover the operations of the six centres across the island. An additional $1.6 million was used to cover additional student costs.

The usual engagement of our beneficiaries, parents and the wider community was realised through individual and group counselling, seminars, workshops and recreational activities. A collaboration with the Women in Maritime Caribbean saw the successful staging of a Jamaica Social Investment Fund (JSIF) - sponsored Underwater Robotics Camp. The Scientific Research Counsel (SRC) remains a constant partner, resulting in the third annual collaborative staging of the STEM Camp. Over one hundred students from Spanish Town and Kingston benefitted from the summer camps. The Labour Day initiative was particularly special this year as major sponsors GraceKennedy Insurance and GraceKennedy Capital joined forces to complete a Peace Garden at the Holy Family Primary School. The Garden is the brainchild of Unity and Peace, another stakeholder in the Parade Gardens community. The space exists in memory of a student who died in 2016.

The annual Christmas Outreach allowed for GraceKennedy's staff and Executive to fellowship and share with over 1000 seniors, children and teachers. The All Saints Infant School was the 2018 Children's Treat beneficiary.

The outreach activities included food and sanitary package distribution, treats for teachers and students and awarding of gift packages.

As we move towards achieving our target of supporting 1000 students by 2022 – the year GraceKennedy celebrates its 100th anniversary, Grace and Staff continues to work hard at developing communities - one student, one parent, one person at a time.

IN THE US, GRACE & LA FE HELP FIGHT FOR THE CURE

In 2018, the Grace and La Fe brands in the United States started a "Pay It Forward" initiative, donating 10 cents from the sales of specific Grace Products during Publix Supermarkets' Caribbean and Hispanic Heritage Month, to fight cancer. The beneficiary was the 'Susan G. Komen Foundation', the boldest community fueling the best science and making the biggest impact in the fight against breast cancer.

In an effort to create in-store awareness of this initiative, Publix allowed the Grace-La Fe brands special gondola displays in over 100 Publix stores, with header banners, as well as inclusion in their flyers during the period.

GraceKennedy USA VP Sales, Southern USA, Alberto Young, presenting donation to Susan G. Komen Foundation.

PLANTING PEACE & FUN IN SCHOOLS

In May of 2018, The Grace & Staff Community Development Foundation, along with 40 team members from GK Insurance and GK Capital Management, came together at the Holy Family Infant & Primary School in Kingston, Jamaica, to finish a peace garden in memory of Taysha Hughes, a student who had lost her life in that community a year earlier.

In addition to the garden, the team worked to enhance the school's grounds by painting the exterior of one of the bathrooms, the perimeter wall and the walls of the Grade Six Block. The project took place on Labour Day, and was part of a broader effort to create a serene and safe place for students of the school and the neighbouring community to enjoy.

GEORGE HEADLEY PRIMARY GRAB SECOND CONSECUTIVE HOLD OF WESTERN UNION PRIMARY SCHOOLS DEBATE TITLE

The George Headley Primary School team successfully defended their title in the Western Union Primary Schools Debate Competition in June of 2018.

Located in Duhaney Park, St. Andrew, George Headley Primary School edged a confident Corinaldi Avenue Primary in the final. Corinaldi Avenue also lost to George Headley in the 2017 final. The teams debated the moot, “Be it resolved: Single-sex schools are better than co-educational institutions”. George Headley were the proposers.

The all-girl George Headley team of Mikela Samuels, Kevi-Ann Rose, and Sukanya Anderson exuded confidence throughout the competition and, according to their coach Andre Plummer that confidence came as a result of a year of hard work.

Corinaldi Avenue did not walk away empty-handed as Honessa Clayton won the title of best speaker. The other members of the team were Leon Martin and Nathan Morrison.

Along with the champion’s trophy, George Headley won a cash prize of J$300,000 and gift bags. Corinaldi Avenue took home $150,000 and gift bags.

Sixteen primary schools from across the island participated in this year’s month-long competition. The Western Union I PLEDGE (I Promise to Lend Encouragement to Develop Growth in Education) focuses on developing literacy skills among primary school children through three main components: a reading week; an essay writing competition and a primary schools debate competition.

Michelle Allen, CEO of GraceKennedy Money Services poses with Western Union Debating Champions George Headley after presenting their trophy and winning cheque. The George Headley team members are left to right Kevi-Ann Rose, Mickela Samuels and Sukanya Anderson. This is George Headley’s second consecutive hold of the title, after again edging last year’s finalists Corinaldi Avenue Primary.

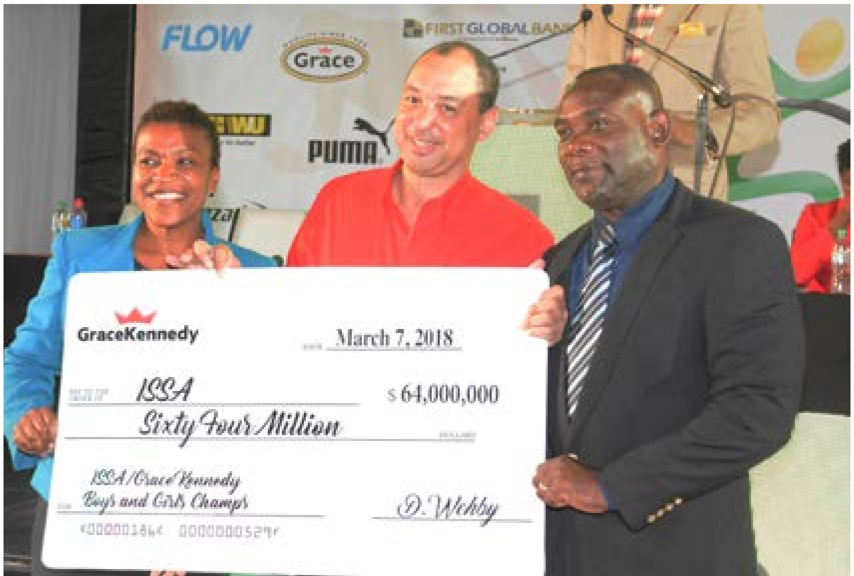
GKMS BACKS TEAM GUYANA IN SANTO DOMINGO

In August of last year, and as part of its celebration of its 25 year milestone, GraceKennedy Money Services (GKMS), the agents of Western Union in Guyana, assisted the Guyana Table Tennis Association (GTTA) in their bid for supremacy in the Caribbean Pre-Cadet Table Tennis Championships which took place in the Dominican Republic.

The GTTA assembled 16 of its most talented, disciplined, scholastically inclined and brightest players to represent the country at the games, which ran from 24 August to 1 September 2018.

Members of the Guyana Table Tennis Association flanked by Western Union's Marketing staff Dennis Heywood (left) and Tina Seabra at the presentation ceremony

GK EXTENDS 'CHAMPS' SPONSORSHIP TO 2025



Group CEO Senator Don Wehby hands over the company's sponsorship cheque of $64 million to Dr Walton Small (right), President, ISSA, and Mrs Colleen Montague, Chairman, Boys & Girls Champs Committee at the March, 2018 Launch.

In March of 2018, GraceKennedy Limited announced a further seven-year sponsorship commitment to the very popular High School Track and Field Meet, the ISSA/GraceKennedy Boys and Girls Championships, popularly known as "Champs".

The commitment takes GraceKennedy's sponsorship to 2025, with a commitment of over US$4 million for the life of the sponsorship.

GraceKennedy has been the title sponsor for the Championships since 2007 and currently commits $100 million in support annually through the partnership of Western Union, Grace Foods and First Global Bank. Lucozade, distributed by the GraceKennedy-owned World Brand Services is the official isotonic drink partner of Champs.

GK representatives present at the Launch pose for a photo op with "Champsy", the event's official mascot.

In December 2017, GraceKennedy handed over cheques totaling $1,325,000 to schools which broke records in the 2016 and 2017 ISSA/GraceKennedy Boys and Girls Championships. The special incentive was first announced in 2016 to boost the morale and further encourage excellence.

53 records were broken over the two years. In 2017, 28 records were broken by fourteen schools while 25 records were broken by fifteen schools in 2016. Each school received an award of $25,000 for each record broken. The funds are to be used for a school development project agreed on via consultation among the students and the administrators.

The schools that broke records in 2016 are: Edwin Allen, Excelsior, Hydel, St. Jago, Vere Technical, Convent of Mercy (Alpha), Holmwood Technical, Calabar, Jamaica College, Kingston College, Petersfield, St. Jago, Muschett, Morant Bay High, Rhodes Hall and Munro College. The 2017 record breakers came from: Calabar, Edwin Allen, Excelsior, Grange Hill, Hydel, Jamaica College, Kingston College, Mannings, Petersfield, Queens, Spaldings, St. Jago and Wolmer's Boys.

DIRECTORS' REPORT

DIRECTORS' REPORT

For the Year ended 31 December 2018

1. The Directors are pleased to present their report for the year ended 31 December 2018 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	97,544,731
Profit Before Taxation	6,963,025
Net Profit After Tax	5,643,577
Net Profit After Tax Attributable to Stockholders	5,005,915

3. Dividends

The following dividends were paid during the year:
- $0.40 per ordinary stock unit was paid on 18 May 2018
- $0.45 per ordinary stock unit was paid on 26 September 2018
- $0.50 per ordinary stock unit was paid on 13 December 2018

The Directors recommend that the interim dividends paid on 18 May 2018, 26 September 2018 and 13 December 2018 be declared as final for the year under review.

4. Directors

The Directors as at 31 December 2018 were as follows:-

Hon. Gordon Shirley, O.J. - Chairman
Mr. Don Wehby, C.D – Group Chief Executive Officer
Mrs. Mary Anne Chambers, O. Ont., MSM
Mr. Frank James - Group Chief Financial Officer
Dr. Parris Lyew-Ayee, Jr.
Mr. Everton McDonald, O.D
Dr. Indianna Minto-Coy
Hon. Peter Moses, O.J. C.D.
Mrs. Gina Phillipps Black

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

- The Hon. Douglas Orane resigned from the Board on 30 May 2018 having served as a member of the Board in various capacities since 30 May 1985.
- Dr. Indianna Minto-Coy and the Hon. Peter Moses were appointed to the Board on 26 June 2018.
- Mr. Joseph Esau retired from the Board on 18 November 2018.

5. In accordance with Article 108 of the Company's Articles of Incorporation, Mr. Andrew Messado, Dr. Indianna Minto-Coy and the Hon. Peter Moses, who were appointed directors since the last Annual General Meeting, will retire from office and, being eligible, offer themselves for election.

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

7. Subsequent Event: Subsequent to Year end 31 December 2018, Mr. Frank James resigned from the Board effective 1 April 2019. Mr. Andrew Messado was appointed to the Board effective 1 April 2019.

8. Auditors

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

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

By Order of the Board
1 March 2019
Gordon V. Shirley, O.J.
Chairman ______________________________

GROUP AUDIT COMMITTEE REPORT

Year Ended 31 December 2018

COMPOSITION

The Group Audit Committee consists of five non-executive, independent Board members, one of whom is a financial expert, " a person with an understanding of financial statements and applicable accounting principles and experience in preparing, auditing, analysing or evaluating financial statements" and the others, financially literate, in accordance with the Terms of Reference of the Committee.

The Terms of Reference of the Committee, by which it is guided, are reviewed annually by the Committee and approved by the Board and comply with applicable laws, rules and regulations, including the Private Sector Organisation of Jamaica's Code on Corporate Governance and the Jamaica Stock Exchange's Corporate Governance Guidelines.

MANDATE

The Group Audit Committee assists the Board in fulfilling its oversight responsibilities in respect of the Company and its subsidiaries (The Group) in relation to:

- Reliability and integrity of the accounting principles, processes and practices, financial statements and other financial reporting;
- Internal Audit;
- Enterprise Risk Management functions and processes;
- Qualifications, independence and performance of the external auditors and approval of fees for audit and non-audit services;
- Systems of internal controls and procedures established by management and their effectiveness;
- Compliance with legal and regulatory requirements.

In performing its work, the Committee is assisted by the Chief Audit Executive, who functions as head of the Internal Audit Department, the Group Chief Executive Officer, the Group Chief Financial Officer and other members of management as required, all of whom have unrestricted access to the Committee. The Committee has the authority to engage at the Company's expense external legal, accounting and other professional expertise, when deemed necessary for the effective discharge of its responsibilities.

ACTIVITIES

The Committee met six times in 2018, including a special meeting for the purpose of reviewing the annual Management Discussion and Analysis. The attendance of the members is indicated on page 82. Senior representatives of the external auditors attended all five regular meetings.

During the year the Committee:

- Assessed the independence, performance, and scope of the annual audit plan of the external auditors and recommended their appointment by the stockholders and approval of their fees to the Board;
- Approved the scope of the annual audit plan of Internal Audit and related budget and staffing;
- Reviewed internal audit reports covering financial, information technology (IT), operational and compliance audits in respect of which recommendations for improvements were made to management and the Board which were accepted and either implemented or are in the process of being implemented.
- Reviewed management letters from the external auditors relating to internal control issues and findings;
- Received reports from management on significant tax, legal, regulatory, enterprise risk, IT, security, fraud and whistle-blowing related matters;
- Held discussions with management and external auditors and received assurances regarding the effective implementation of International Financial Reporting Standards (IFRS) 9-Financial Instruments and 15-Revenue from Contracts with Customers, which became effective on 1 January 2018;

- Considered the involvement of Internal Audit in special management requests for operational reviews and new projects and the outcome of such activities;
- Reviewed the composition, duties and responsibilities of subsidiaries' Audit Committees and significant findings from their meetings;
- Held separate meetings with the Chief Audit Executive and external auditors, without the presence of management;
- Reviewed and after consultation with management and external auditors, recommended to the Board, unaudited quarterly financial statements and the 2018 audited annual financial statements for its approval and release to stockholders.

CONTINUING EDUCATION

In keeping with the Committee's mandate and emphasis on continuing education, members of the Group's Audit Committees attended the annual Directors and Management Training Workshop, which included sessions highlighting the Responsibilities of Directors in Monitoring Anti-Money Laundering Trends and Developments, Global Data Protection and the Role of Good Governance in Social Entrepreneurship and Sustainability.

MEMBERSHIP

In May 2018, Hon Douglas Orane, CD retired from the Board and the Committee and we wish to express our gratitude for his outstanding contribution and service to the Committee over many years. In July 2018, Hon Peter Moses, CD retired banker and Dr Indianna Minto-Coy, Senior Research Fellow at the University of the West Indies Mona School of Business and Management, were appointed to the Committee by the Board.

Audit Committee Members:
E. L. McDonald, OD (Chair)
M. A. V. Chambers, O.Ont., MSM
Dr P. Lyew-Ayee, Jr
Hon P. Moses, OJ
Dr I. Minto-Coy

CORPORATE GOVERNANCE & NOMINATION COMMITTEE REPORT

THE ROLE AND RESPONSIBILITY OF THE BOARD

The principal roles of the Board are the provision of overall strategic guidance for the Company and effective monitoring and oversight of the management's performance and implementation of the Company's strategic objectives and values. The Board uses the Balanced Scorecard to measure and monitor performance and indicators associated with the Company's strategic objectives.

The Board has established Committees that are committed to considering key issues the nature and scope of which are clearly documented in their respective Terms of References. These Committees are the Audit Committee, the Corporate Governance & Nomination Committee (CGNC) and the Compensation Committee, which exists as a sub-committee of the CGNC. The Terms of References for each Committee have been approved by the Board and are reviewed and revised, at least annually by the respective Committee and then by the Board.

The Compensation Committee routinely reports to the Corporate Governance & Nomination Committee on its deliberations, and was chaired by the Chairman of the Board. The Board Audit Committee was chaired by Independent non-executive Director Everton McDonald. Day-to-day management of the Company is the responsibility of the Group CEO supported by his Senior Executives who operate with appropriate delegated authorities and effective oversight to ensure the Board's accountability to the Company and to its shareholders.

BOARD STRUCTURE AND COMPOSITION

At the start of the reporting period, the Board of GraceKennedy Limited was comprised of nine (9) Directors, including the Chairman, seven (7) of whom were non-executive Directors. Two executives, Don Wehby, the Group's Chief Executive Officer and Frank James, the Group's Chief Financial Officer were also members of the Board. There were several changes to the Board's composition during the reporting period. In May 2018, Mr Douglas Orane, a former CEO of the Company and former Chairman of its Board retired and in November 2018, Mr Joseph Esau, another outstanding member, retired from the Board having reached the mandatory age of retirement. In June 2018, the Board of GraceKennedy Limited welcomed to its ranks two outstanding individuals Dr Indianna Minto-Coy and the Hon Peter Moses. The appointments are in keeping with the Company's plans for orderly succession planning, maintaining an appropriate balance of skills and experience, and strengthening of competences required to support new opportunities in our domestic and international markets.

The Board is structured to provide the Company with diversity, including a mix of qualifications, skills and experience that enable it to effectively discharge its responsibilities. At the end of the reporting period the Board was again comprised of nine (9) Directors, including the Chairman, seven (7) non-executives and two (2) Executive Directors. The current size of the Board is appropriate for facilitating constructive discussion and efficient decision making. During the entire period, the Board continued to be suitably led by its independent Chairman, Professor Gordon Shirley.

The table below sets out the year of appointment, relevant expertise and skills, and academic qualifications of each Director.

NAME OF DIRECTOR	DATE OF APPOINTMENT	ACADEMIC QUALIFICATIONS	EXPERTISE
Professor Gordon Shirley	30-May-1996	Doctorate in Business Administration (Operations Management (DBA) MSc. Business Administration (Operations & Finance) (MBA) BSc. Mechanical Engineering	Technology, Product/Service
Everton McDonald	26-May-2011	BSc. Economics Fellow Chartered Accountant (FCA)	Service Expertise- Audit-internal & external, Finance, Risk, Corporate Governance
Mary Anne Chambers	26-May-2011	B.A. (Hons.) (with majors in Commerce & Political Science) Executive Management Program Chartered Director (C.Dir.)	Banking, Technology, Corporate Governance
Gina Phillipps Black	8-Feb-2012	Bachelor of Law, (LLB) Certificate of Legal Education, (CLE)	Legal, Corporate Governance
Dr Parris Lyew-Ayee	6-Mar-2013	DPhil University of Oxford 2004: Geography BSc (1st Cl Hons) UWI 2001: Earth Sciences	Technology
Peter Moses	26-Jun-2018	BSc. Economics	Banking
Dr Indianna Minto-Coy	26-Jun-2018	PhD London School of Economics & Political Science (Law – Regulation) MSc- Government; BSc - Public Administration & International Relations	Academic, Researcher (Diaspora, Migration and Entrepreneurship)
Don Wehby	5-Oct-2009	MSc., BSc. (Hons.) Accounting Fellow Chartered Accountant (FCA)	Accounting, Finance
Frank James	27-Sep-2012	MBA, Finance BSc. (Hons) Management & Accounting Chartered Financial Analyst ® (CFA ®)	Finance, Accounting

INDEPENDENCE

Each director must act in what he or she considers to be the best interests of the Company, consistent with his or her statutory duties, exercising independent judgement.

The Board has a majority of independent non-executive Directors. An independent Director is defined as a non-executive Director who is free of any interest, position, affiliation or relationship that might influence or reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the Company's best interests.

Each Director is required to provide the Board with information, and disclose business interests and potential areas of conflict between his or her interests and his or her duty to the Company so that the Board has information on which to base its assessment. The Board has considered the information that it had on each Director and during the year considered the following members to be independent:

Prof Gordon Shirley
Mary Anne Chambers
Joseph Esau
Everton McDonald
Gina Phillipps Black
Dr Parris Lyew-Ayee
Dr Indianna Minto-Coy

This independence is important as non-executive Directors are expected to, and do, challenge management's proposals on strategy and monitor the agreed upon indicators necessary to achieve agreed objectives.

The Chairman of the Board has continued the practice of convening a meeting of the non-executive Directors immediately following the termination of each Board meeting. This meeting allows non-executive Directors to raise and discuss matters whether arising out of the preceding meeting, or otherwise, in the absence of any member of management.

NEW DIRECTORS: NOMINATION AND APPOINTMENT

From time to time the CGNC conducts an assessment of the range of qualifications, skills and experience, and also takes account of diversity of gender and age. Using a 'skills competency matrix' the Board has considered existing or potential skills gaps, in light of planned retirement of members from the Board, and has sought to identify particular competencies that will increase the Board's strength. This assists the CGNC in identifying potential appointees to the Board of Directors if necessary, with the assistance of external local or international consultants.

There is a formal and established process that governs the nomination, selection and appointment of new directors. When a potential nominee is identified, the Chairman of the Board, the Group CEO and the Chair of CGNC meet by electronic conference or in person, to conduct interviews with the nominee before making a recommendation to the CGNC and the Board. Discussions with the potential nominee include a review of any area of potential conflict of interest, considerations that may impact the independence of the nominee and whether the nominee is able to devote the necessary time and commitment to prepare for and attend meetings and discharge duties fully, as a Director. As required and appropriate, background enquiries are made before the CGNC makes a recommendation to the Board.

New non-executive Directors are given a formal letter of appointment that sets out the key terms and conditions of their appointment, including the Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with Committee work. The process of introduction and induction will expose the new non-executive Director to the Company and its businesses and is aimed at equipping them with the knowledge and resources they will need to fully and actively discharge their duties.

Induction also includes one to one meetings between new Directors and members of the Senior Management team. It was agreed by the CGNC during the review period that the induction process for new directors should include a session on the financials for the Group because of their complex nature. This understanding of the Company's business, history, its vision and values, its strategic operational, financial, compliance and risk management outlook and our commitment to our stakeholders and ongoing engagement with them is crucial to the proper discharge of the Directors' duties.

The CGNC also considers the recommendations for appointments to the Boards of subsidiary companies across the Group. Subsidiary Boards' compositions are reviewed from time to time in an attempt to identify those subsidiaries which would benefit from having additional external directors on their Boards. The approach adopted by the Company is to have a sub-committee comprised of the CGNC Chair, the Chairman of the Board and the Group CEO interview the proposed nominees and make a recommendation to the CGNC for consideration and recommendation to the Board.

Directors' Liability Insurance is currently in place for the Company and its subsidiaries. The Standing Agenda Calendar now includes an item requiring confirmation to the Board each year that such a policy is in place. The CGNC Chair and the Secretary have recommended to Company Secretaries on the Boards across the Group that they adopt a similar approach to the provision of this information to Directors on their respective Boards.

The re-election of a retiring Director who is eligible for election is not automatic and the Board will consider the Director's performance. The Board does not currently have fixed tenure limits for non-executive Directors.

THE ENHANCEMENT OF KNOWLEDGE, SKILLS & EXPERIENCE

Directors are required to maintain the knowledge and skills necessary to fully and effectively discharge their duties. The CGNC is the Committee responsible for Board training and development. The Committee seeks to identify matters that have the potential to impact GraceKennedy's businesses, operations, or people and to provide Directors with articles, presentations and briefings on those topics. In addition, Directors are expected to communicate with the Committee regarding any continuing professional education and development that may be considered desirable.

For some time now the Company has sought to ensure that Directors maintain an appropriate level of knowledge and awareness of the Company's operations and arranges for Board meetings to be held in a location in which the Company's operations or interests may be located. Additionally, the Board arranges visits to customers in its trade. During the reporting period, some Board members toured the factory in the U.S.A. where Grace patties and some La Fe brand products are made, visited the location at which the warehouse for GKUSA LLC is now being erected and executed a number of trade visits in Miami and New Jersey.

The Annual Directors' Training was held and attended by over seventy (70) Directors, senior managers and executives of GraceKennedy Limited and its subsidiaries. The presentations at the Annual Directors' Training Workshop covered the areas of Boardroom Efficiency Best Practices, Responsibilities of Directors in Monitoring Anti-Money Laundering Trends & Developments, the Implications of Changes in Global Data Protection Obligations, the Role of Good Governance in Social Entrepreneurship and Sustainability and Consumer Led Global Marketing.

These presentations were also made available electronically to attendees as well as to those who were unable to attend. This extended the reach of the training to include Directors based overseas.

The Committee wrote to Board Chairs of key operating entities in the Group to emphasize to Directors the importance of attending Annual Training, which would also be considered in the Directors' assessment in the Board Evaluation process. The CGNC communicated again to the Chairs of Boards of all subsidiary companies that they are encouraged to conduct industry-specific training for their Directors. Information Technology Security Awareness training remains mandatory for Directors in the Group and is conducted annually.

The Board continues to hold a full day Retreat to review and explore, with management, the Group's strategic plans.

COMPANY SECRETARY

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Secretary ensures that communications with regulatory bodies and the Jamaica and Trinidad Stock Exchanges, as well as other filings, statutory and otherwise are made in keeping with applicable regulatory guidelines and the Company's Code of Ethics.

During the course of the year, GraceKennedy's General Counsel & Chief Corporate Secretary, Mrs Gail Moss-Solomon briefed the CGNC's members on the Jamaica Stock Exchange's Corporate Governance Index - a system developed to benchmark Corporate Governance and raise the overall standard of corporate governance for companies listed on the Jamaica Stock Exchange.

COMMUNICATION

Management is expected to provide regular reporting in a manner and timeframe that enables the Board to discharge its duties effectively. Directors may request additional information where necessary and Directors have access to management for this purpose.

The CGNC ensures that there is open and constructive dialogue between the Company and its shareholders so that shareholders understand the Company's strategy, operations and performance and have the opportunity to make the Board aware of their views.

The CGNC knows that the Annual General Meeting (AGM) provides a critical and valuable opportunity for our shareholders to hear about the general development and prospects of the Company and to ask questions of the Chairman and the Executives. Shareholders attending the AGM actively participate, raise issues and ask questions. The Minutes of the meeting, including the questions asked by shareholders, are available to shareholders at the subsequent AGM. Shareholders may also submit a request for a copy of the Minutes via email to gracekennedy@gkco.com and a copy will be emailed to them or may be collected from the Company's Head Office in Jamaica.

The Company reports formally to shareholders using a number of channels. Significant matters, relating to trading or development of the business and routine reporting obligations, are disseminated by way of Stock Exchange announcements and press releases on the Company's website, by interim and full year results. These are ultimately followed by the publication of this formal annual report and financial statements.

Quarterly Investor briefings to discuss published results take the form of an online conference, accessible via a live Internet stream. Questions may be submitted via email before or during the broadcast and are responded to during the broadcast. These briefings are open to the public.

The Company also provides information on developments via several social media and print platforms, and engages with our shareholders and other stakeholders actively through these means.

PRINCIPAL RISKS AND UNCERTAINTIES

The attainment of our strategic objectives and sustainable growth is dependent on effective risk management. Like every other company, we regularly face business uncertainties. Through our structured enterprise-wide approach to risk management, we are able to mitigate and manage these risks and be ready to take advantage of opportunities whenever they occur.

The CGNC decided during the year that the Group CEO's report would include a section on significant unplanned events, whether positive or negative, in order to keep the Board abreast of any material developments within the Group which may not arise and be reported on in the usual reporting format. Similarly, the CGNC decided that management should expand their presentations on areas affecting the Company's competitors, major clients and suppliers. Accordingly, the Board received reports from time to time on geo-political risks and the extent to which our operations and financial performance could be affected in the medium or longer term.

STRUCTURE FOR IMPROVED PERFORMANCE AND SHAREHOLDER VALUE

External internationally recognised consultants, London Consulting Group, were engaged by the Executives to review the organisational design of GraceKennedy and recommend how it could improve productivity and maximize efficiencies and performance across the Group. This involved a detailed look at our overall organizational design, cost structure, and business processes with a view to achieving sustained efficiency, agility and growth in revenue and profitability. As this transformation involved some separations and re-deployment across the Group, globally-recognized change management partner, Prosci, assisted GraceKennedy in the implementation of these changes and in providing the structure and tools to embed change management best practices within the organization. As a result of these changes, a number of new executive and management level appointments were also made during the year.

Throughout this project the Group CEO frequently consulted with and updated the Chairman and the Board and the CGNC, inviting suggestions and guidance. The initiative to increase efficiencies across the Group led to the implementation of recommendations of the consultants, including reducing the number of scheduled Board meetings and meetings of each Board Committee to no more than four (4) per year. Within the context of the reduction in the number of meetings, the CGNC asked the respective Board Chairs and Secretaries to review their standing agendas and calendars in order to ensure sustained compliance with regulatory and other critical requirements.

During the year the CGNC reviewed the plan presented by the Group CEO for succession in Executive positions, including his own and gave guidance on the steps to be taken by the Group CEO in order to ensure potential successors are developed into positions of readiness.

ETHICS

The CGNC reviewed the summary document outlining the disclosure of business interests of the GraceKennedy Directors and no conflicts or circumstances were identified that would have affected the Directors' independent judgement. It was noted that all Directors had also confirmed compliance with the GK Code of Ethics & Guidelines for Business Conduct. The summary document outlining business interests was further revised to include Public Sector appointments in Jamaica.

As the governance authority of the Board, the CGNC ensures that ethical objectives are built into the organization's structure and strategy. Our Code of Ethics & Guidelines for Business Conduct outline the expectations of Directors, employees and agents throughout the Group. The Group remains committed to providing quality products and services for our customers, clients, consumers and partners.

Employees are reminded of our whistleblowing policies, and the availability of an independent whistleblowing hotline.

ATTENDANCE

Attendance of the Company's Directors continues to be outstanding and illustrates their dedication and commitment to their role and responsibilities. Board members are required to attend Board and assigned Board Committee meetings regularly and to prepare for and participate actively in those meetings.

GRACEKENNEDY LIMITED BOARD & COMMITTEE MEETING ATTENDANCE

NAME OF DIRECTOR	EXECUTIVE (E)/ NON-EXECUTIVE (NE)	BOARD	CORPORATE GOVERNANCE & NOMINATION COMMITTEE	AUDIT COMMITTEE	COMPENSATION SUB-COMMITTEE	DATES OF APPOINTMENT TO BOARD
Mary Anne Chambers	NE	6/6	4/4	6/6*	N/A	26-MAY-11
Joseph Esau (Retired from Board November 18, 2018)	NE	6/6	4/4	N/A	N/A	30-NOV-06
Frank James	E	6/6	N/A	N/A	N/A	27-SEP-12
Parris Lyew-Ayee	NE	6/6	4/4	6/6*	1/1	06-MAR-13
Everton McDonald	NE	6/6	4/4	6/6*	1/1	26-MAR-11
Douglas Orane (Resigned from Board May 30, 2018)	NE	2/2	2/2	2/3*	1/1	30-MAY-85
Gina Phillipps Black	NE	6/6	4/4	N/A	N/A	08-FEB-12
Gordon Shirley	NE	6/6	4/4	N/A	1/1	30-MAY-96
Don Wehby	E	6/6	4/4	N/A	N/A	05-OCT-09
Peter Moses (Appointed to the Board June 26, 2018)	NE	4/4	2/2	1/2	N/A	26-JUN-2018
Indianna Minto-Coy (Appointed to the Board June 26, 2018)	NE	4/4	2/2	2/2	N/A	26-JUN-2018

Includes one special meeting to discuss MD&A

The CGNC also reviewed the meeting attendance of Directors of the main operating subsidiaries in the Group. The CGNC discussed any situation across the Boards where attendance or participation was less than the required level and recommended actions to be taken to address these deficiencies. These recommendations were communicated to the Chairs of the relevant subsidiaries.

EVALUATIONS

The formal evaluation of the Board's performance, that of its Committees and its individual Directors, is undertaken annually. The evaluation is currently conducted by GraceKennedy's Business Intelligence Unit and is administered electronically using an online survey tool. In the past, it was agreed by the CGNC that an external facilitator will be utilised once every four (4) years for the Board evaluation exercise commencing with evaluations for the year 2020.

The process involves an evaluation of the performance of the Board, its Committees and individual Directors. The evaluation is based on criteria developed by the Board, initially with the assistance of international experts, and refined from time to time by the Board to take account of changing circumstances in the Company's business, improved measurement tools and other factors, such as whether the responder is an executive or non-executive Director.

The full format conducted in alternate years involves an assessment of the GraceKennedy Board, a self-assessment of the individual Board Member and a peer assessment of Board Members. In the other years, there is less emphasis on the peer review and more on the Board's overall performance.

After the completion of the Board Evaluation Survey, the Group Chairman and the Chairman of the CGNC meet with each Director individually to discuss areas raised by the report which may require further discussion. In the case of the interview of the Group Chairman and the Chairman of the CGNC, the Chairman of the Audit Committee sits as an alternate member of the interview panel. These discussions inform future decisions and professional development plans. Arising out of this year's discussions, the budget for Director training has been increased for the year 2019.

During the year, the CGNC instructed the Chairs of Audit Committees across the Group to conduct evaluations of their respective committees, commencing in 2020 in respect of the year 2019. Reports on those evaluations are to be provided to the Group Audit Committee.

OUR WORLD

Our Corporate Governance Code has been updated to emphasize our sustained commitment to strong corporate social responsibility (CSR) and sustainability as reflected throughout our internal and external operations, systems and programmes. The Chairman of the GraceKennedy Board gave an update to the CGNC on the GraceKennedy Foundation's clean harbour initiative that will have long term sustainable effects. GraceKennedy remained committed to community development in the countries in which we have a business presence. Our employees and directors were encouraged to, and did participate actively in activities in the communities in which they live as well as those in which they work.

The Company also continued to encourage its employees to give service to their communities through the Grace & Staff Community Development Foundation, and other organizations. The GraceKennedy Foundation continued its contributions in the areas of education, health, community outreach, safety and protection of the environment.

The GraceKennedy Foundation Lecture is renowned for its examination of current national and regional issues. The 2018 annual GraceKennedy Foundation Lecture entitled "Tech Charge – Smart Homes, Smart Businesses, Smart Nations" was delivered by Director Parris Lyew-Ayee, Jr to a packed and diverse audience at the Pegasus Hotel in Kingston, Jamaica. The lecture explored the impact of technology on our society and its influence on the patterns of modern life.

The GraceKennedy Jamaican Birthright Internship Programme was again a success in this reporting period. The four interns from the USA, Canada and the United Kingdom met with the CGNC members at the end of their internships to provide feedback and their views on our world and their experiences in Jamaica. Arising out of these discussions the Company agreed to increase its efforts to revitalize the Company's internship programme for students resident in Jamaica and to encourage other private sector entities to expand their own programmes to make a greater positive impact on the country's youth.

EXECUTIVES' COMPENSATION

The Compensation Sub-Committee of the Corporate Governance and Nomination Committee is comprised solely of non-executive Directors, members being Professor Gordon Shirley (Chairman), Everton McDonald and Douglas Orane at the start of the reporting period and after Mr Orane's retirement, Parris Lyew-Ayee Jr.

The Sub-Committee is tasked with the responsibility of reviewing and making recommendations regarding the total compensation of the Group CEO and Senior Executives and the overall strategy and compensation policy across the Group, in a manner consistent with and in support of the business objectives of the Company, competitive practice, and applicable laws. In discharge of these duties during the year, the Sub-Committee assessed the performance of the Group CEO for the previous year against stated objectives, reviewed the total compensation for Executives and other employees within the Group, considered the long term incentive plans for Executives and key incumbents and conducted the annual review of its own Terms of Reference.

DIRECTORS' COMPENSATION

The table overleaf sets out the fees paid to non-executive Directors in 2018. Our Corporate Governance Code, and that of the Private Sector Organization of Jamaica, recognize that levels of remuneration of a company's Executives and Board members should be sufficient to attract, retain and motivate persons of the quality required to support the success of the business. In addition to the fees set out in the table overleaf, each non-executive Director was granted, in respect of the year 2018, a pro-rated amount $847,439 of which the net amount after tax was used exclusively to purchase GraceKennedy shares on the open market. The shares so purchased are subject to a restriction on sale for a period of three (3) years.

Executives who serve on Boards within the Group do not receive fees for service performed in this capacity.

BOARD FEES
(Payable to Non-Executive Directors only)

ANNUAL RETAINER	
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**

GOOD GOVERNANCE IS OUR WAY OF LIFE

Copies of our Corporate Governance Code have been submitted to the Stock Exchanges of Jamaica and Trinidad & Tobago, on which the Company is listed. The current version of the Code is publicly available through the Company's website http://gracekennedy.com under the GK Media Centre tab.

At the Jamaica Stock Exchange's Best Practices Awards Banquet, GraceKennedy was joint winner of the coveted JSE/PSOJ Best Practices Award for Corporate Governance and we are pleased that our work in the area of governance continued to be recognised and rewarded.

With a strong foundation in good governance and independence, we are prepared for the future and poised to take advantage of the changing business landscape, while always ensuring that our words, as well as our actions reflect our core values of Honesty, Integrity and Trust.

Gina Phillipps Black
Chair, on behalf of the Corporate Governance & Nomination Committee
1 March 2019

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AROUND THE WORLD

Campaign Wins Big At Addy Awards

2018 was a great year for Grace Foods Global 'Flava With A Beat' Campaign. The campaign, produced by Agency, The LAB, featured commercials and a documentary with Grace Brand Ambassadors Shelly-Ann Fraser Pryce, Hansle Parchment and Dancehall Sensation Ding Dong. The LAB was awarded several American Advertising (ADDY) awards for the campaign.

Among the awards were two silver, including one for the Grace Christmas ad, which was a huge hit with consumers. They also went on to receive gold at the Regional ADDY awards for a documentary done covering the 'Nannyville Run a Boat' initiative. As a result of winning gold at the regional stage, they will proceed to the international competition.

THE AMERICAN ADVERTISING AWARDS

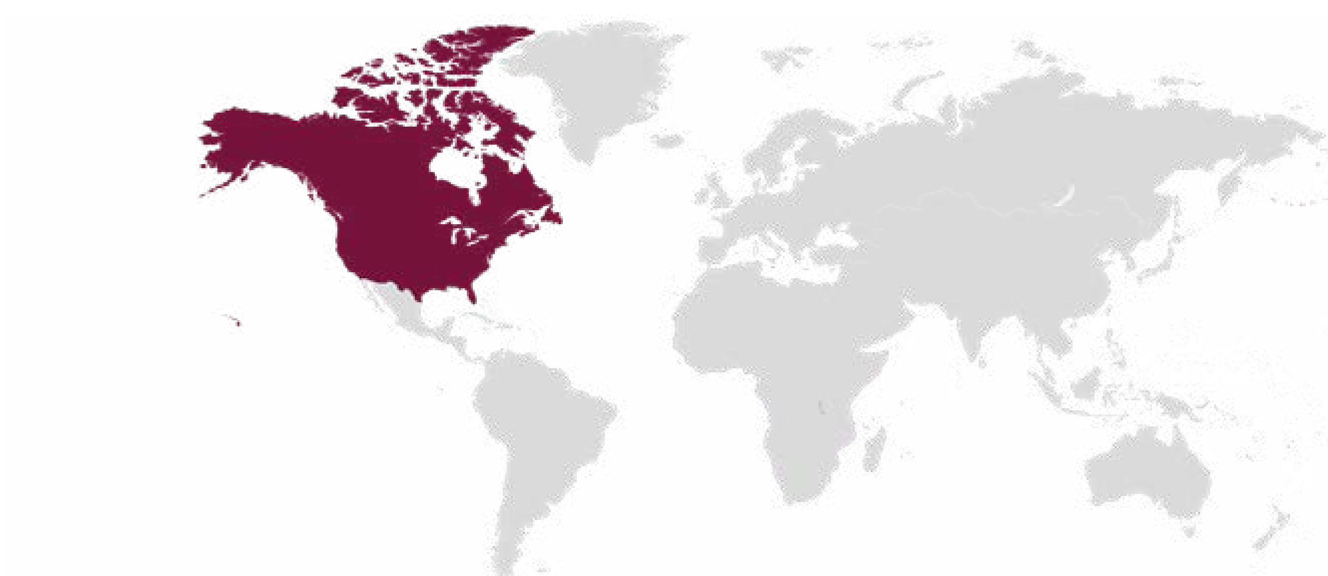
Spotlight on High Performers in North America

CANADA LOVES GRACE!

Grace Coconut Water regained its number one position for Coconut Water in Canada. According to Nielsen data based on a 52 week period ending 5 January 2019, Grace Foods Canada managed to attain 9% growth in dollar volume, regaining the number one title!

GRACE JERK WINGS FIRING UP THE INTERNATIONAL FOOD MARKET

And it's not just Coconut Water! Grace is also the number one jerk seasoning in Canada! As proud sponsors of the Grace Jerk Festival in Toronto, Grace Foods Canada continues to build the Grace brand as the authority on jerk, and promote jerk to all Canadians!



Consumer Brands Limited (CBL) Wins Procter & Gamble Award for Distributor of the Year

In September of 2017, GraceKennedy announced the completion of the acquisition of Consumer Brands Limited (CBL), a distribution company giving GK access to brands made by Procter & Gamble (P&G).

Last year, P&G announced that CBL was the recipient of its Distributor of the Year Award for 2017, for the Caribbean Region. The Award was presented at the P&G Caribbean Category Strategy Development Session held in Panama.

CBL won the award based on overall year over year growth in dollars for the P&G portfolio; year over year growth in strategic categories; timely payments and flawless implementation of marketing programmes.

Caught in a celebratory moment are CBL team members (from left) Jodi Hyatt, Brand Manager; Tamara Thompson, General Manager; Gary Chin, Operations Manager; Ingrid Smith, Brand Manager and Gabrielle Sang

GraceKennedy Experiences an Award-Winning 2018

GraceKennedy added to an impressive collection of honours and awards in 2018, winning three trophies at the Jamaica Stock Exchange's (JSE) 14th Best Practices Awards in December, and several awards at the National Quality Awards Banquet in October.

GraceKennedy Limited was first runner-up for the Annual Report Award, for which the Company was awarded second Runner-up award in 2017.

GKL also took the award for first Runner up for the PSOJ/JSE Corporate Governance Award- Main Market, an award that recognizes companies that demonstrate and practice outstanding corporate governance. The Company also won second Runner-up for the Corporate Disclosure & Investor Relations Award in the category for listed companies on the main market.

Since 2004, GKL has won six JSE awards and has been first or second runner-up several times in the areas of Corporate Disclosure & Investor Relations, Corporate Governance, Website and Annual Report.

In a move that underscored an unwavering commitment to high standards, Dairy Industries Jamaica Limited (DIJL) took pride of place as Winner of the Overall National Quality Award for Excellence in Manufacturing at the National Quality Awards Banquet. Additionally, DIJL, along with Grace Food Processors (Canning) Division, walked away with four of the five sectional prizes awarded to manufacturing entities at the annual awards.

The first of the two sectional prizes given to DIJL was for Excellence in Human Resource Focus, with the second for Customer Focus. Grace Food Processors (Canning) Division took home two sectional awards. The first award was for Excellence in Organizational Focus, in corporate governance, focus on objectives and administration. The second award, Excellence in Process Management, recognizes quality, process reliability, efficiency, implementation of standards and continual improvement.

DIJl Awarded For Excellence in Manufacturing Team members from Dairy Industries (Jamaica) Limited celebrate winning the overall National Quality Award for Excellence in Manufacturing. Seen celebrating (from left) are Chena Walker, Quality Manager; Colleen Bancroft, HR Manager; Andrew Ho, General Manager; Dwayne Palmer, QA Assistant; Marilyn McKenzie, QA Officer; and Marsha Cope-Riley, Finance Manager. The occasion was the National Quality Awards Banquet held on 16 October 2018.

Canning Wins Award for Organisation Focus - Lisa Marie Lecesne (right), Quality Assurance Manager, Grace Food Processors (Canning) Division, accepting the Sectional Award for Organizational Focus in the Manufacturing Sector. Presenting the award is Mrs Chloleen Daley-Muschett, Marketing, Membership and PR Manager, Private Sector Organisation of Jamaica (PSOJ). The occasion was the National Quality Awards Banquet held on 16 October 2018.

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AUDITED FINANCIAL STATEMENTS

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31 December 2018

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Independent auditor's report

To the Members of GraceKennedy Limited

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

Our opinion

In our opinion, the consolidated financial statements and the 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 2018, 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 with the requirements of the Jamaican Companies Act.

What we have audited

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

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the company statement of financial position as at 31 December 2018;
- the company income statement for the year then ended;
- the company statement of comprehensive income for the year then ended;
- the company statement of changes in equity for the year then ended;
- the company statement of cash flows for the year then ended; and
- the notes to the consolidated and stand-alone financial statements, which include 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.

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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.

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone 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 industry 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 44 reporting components of which, we selected 19 components which mainly represent the principal business units within the Group and covered entities within Jamaica, Barbados, Bahamas, Trinidad and Tobago, Canada, the United Kingdom, the United States of America (USA) and Guyana.

Of the 19 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 7 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 3% 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.

Context

The context of our audit is set by the Group's major activities in 2018. One of the most significant events was the acquisition of a 35% interest in Catherine's Peak Bottling Company Limited which is accounted for as an investment in associate. Additionally, the impact of the Group's adoption of IFRS 9 in respect of estimates and judgments involved in expected credit loss (ECL) calculations for loans receivables and investments was significant. These have therefore become new key audit matters for our audit in 2018.

Our other key audit matters relating to goodwill impairment assessment of the United States of America operations and valuation of pension scheme assets and liabilities continue to be areas which are significant to the Group and involve significant levels of judgement by management and expert knowledge as in prior year.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone 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
Accounting for investment in associate (Group and Company) *Refer to notes 2(c), 4(ix), 4(i) and 10 of the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgments, estimates and balances.*	
During the year, the Group acquired a 35% interest in Catherine's Peak Bottling Company Limited (CP) for a consideration of $525 million which is accounted for as an investment in associate for both the Group and Company.	We read the share purchase agreement and evaluated the appropriateness of the accounting for the acquisition as an associate against management's accounting policies and the required accounting standards. We held discussions with management to gain an understanding and evaluate their basis for selecting assumptions used in value in use calculations for CP.

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The consideration paid in the acquisition of the interest in CP resulted in the identification of intangible assets including brands, customer relationships and goodwill amounting to $498.5 million. We focused on the investment due to the significance of the consideration paid, management's judgement and estimation involved in identifying intangible assets and the determination of any impairment in relation to goodwill. The complex judgements include identifying all assets including intangibles, and liabilities of the newly acquired associate and estimating their associated fair value for initial recognition as part of the Purchase Price Allocation and value-in-use (VIU) calculations. Key inputs into the VIU were revenue growth and discount rates.	With the assistance of our valuation expert, we independently determined fair values for the identified intangible assets and compared to management's calculated value. We corroborated the key inputs into the VIU, being the revenue growth and discount rates to historic and prospective financial, industry and economic information, taking into consideration our knowledge of the Group and the industries in which the Group operates. Using management's projections, we sensitised the discount rate to recalculate a VIU for CP to evaluate whether there was any impairment on the carrying value of goodwill. Based on the audit procedures performed, no adjustments to the financial statements were deemed necessary.
Expected credit losses in relation to financial assets (Group) *Refer to notes 2(h), 3c(i) and 4(viii) of the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgments, estimates and balances.* The Group adopted the accounting standard IFRS 9 'Financial instruments' effective 1 January 2018. The standard introduced new requirements around two main aspects of how financial instruments are treated namely; measurement & classification and impairment. In relation to impairment, the standard prescribes a new forward looking expected credit loss ('ECL') impairment model, which takes into account reasonable and supportable forward looking information and will generally result in the earlier recognition of impairment provisions. The introduction of the new standard required the Group to build and implement new models to measure the expected credit losses for relevant financial assets. With the most significant impact to debt securities and loans and advances, including off balance sheet exposures.	We obtained the Group's accounting policies as it relates to IFRS 9 and assessed the reasonableness of those accounting policies with the requirements of the standard. We evaluated the design and tested the operating effectiveness of the relevant controls for IFRS 9 including: • Model development, validation and approval • Review and approval of key assumptions, judgements and forward-looking assumptions prior to being incorporated in the expected credit loss models; • Review and approval of the output of expected credit loss models and related transition impacts. 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.

We have focused on this area because there are a number of significant management determined judgements including:

- Determining the criteria for a significant increase in credit risk, which impacts the staging of the asset and the related calculation, ie one year or lifetime expected loss calculations.
- Determining management's use of the optional practical expedient to assess credit risk on financial assets as low at the date of initial application and at the reporting date which allowed management to measure impairment using a 12-month expected credit loss.
- Determining the relevant inputs and techniques included in the expected credit loss model utilised in probability of default (PD), loss given default (LGD) and exposures at default (EAD) parameters.
- For loans and advances, a significant amount of historical data is built into the PD, LGD and EAD risk parameters.
- PD models are developed based on the Group's specific historical default rates for each industry classification. LGD models are developed based on the Group's specific historical loss rate for the given exposure. For EAD, the Group evaluated both term loans and revolving loans. Term loans were evaluated based on the borrower's contractual terms over the forecast period. For revolving loans, specifically credit cards and overdrafts, the Group estimated the average utilization of limits at the point of default; and
- Use of multiple economic scenarios that are forward looking.
- Valuation of real estate property pledged as collateral for term loans: this is the most significant repayment source for credit-impaired assets (stage 3).

We evaluated the appropriateness of the Group's staging and where applicable, determined whether the significant increase in credit risk and default definitions were appropriately applied.

We obtained an understanding of management's ECL model including source data, evaluated the theoretical soundness and tested the mathematical integrity of the model. We tested reliability of source data used in the models on a sample basis by corroborating to historical data or external public information where available.

We tested the completeness of debt securities, loans and advances and off-balance sheet exposures to determine whether all financial instruments were included in the ECL calculation.

We evaluated the appropriateness of management's judgement pertaining to forward looking information, the basis of the multiple economic scenarios used and the weighting applied to capture nonlinear losses.

We tested the opening equity adjustments in relation to the adoption of the new standard's classification and measurement requirements.

Debt Securities:

Where management has applied practical expedients calculations in accordance with the standard, we tested the Group's application of the low credit risk simplification at reporting date by using rating agencies definition of investment grade and evaluated the appropriateness of the Group classifying all debt securities as stage 2.

We reperformed, on a sample basis, certain model calculations to confirm the risk parameter outputs, including PD, LGD and EAD. We have compared the PD and LGD associated with credit ratings that are published by rating agencies.

The impact of adopting the new standard resulted in a reduction in opening retained earnings of $205.9 million.

As at 31 December 2018, the Group's on-balance sheet gross loans and advances totalled $26.3 billion. Off-balance sheet exposures which include undrawn commitments such as credit cards, overdrafts and loan commitments amounted to $539.1 million. The Group's debt securities, measured at amortised cost and fair value through other comprehensive income (FVOCI) totalled $37.1 billion. Overall, the total of the above exposures represent 47% of total assets. The resultant impairment recorded under the ECL amounted to $943.5 million for loans and advances, including off balance sheet items and $293.9 million for debt securities.

Loans and advances, including the off-balance sheet exposures:

We reperformed the calculation of days past due, a key data input into the PD parameter, in the Group's banking system on a sample basis.

We tested the completeness and accuracy of the three year historical data used by agreeing details on default rates and recovery rates. In addition, for credit cards and overdraft facilities, we tested the completeness and accuracy of utilisation rates at the point of default. The data used for these assessments were based on the Group's internal default experience segmented by product type. For a sample of credit exposures, we agreed the critical data fields, such as origination date, maturity date, default date, principal, collateral value and cash recoveries and exposure limits, used in developing default, recovery and utilisation rates to source documents.

For a sample of stage 3 loans we obtained 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 re-performed management's impairment calculation. We tested key inputs to the impairment calculation including the expected future cash flows and valuation of collateral held, and determined reasonableness of the valuation of real estate collateral with the assistance of our auditors' expert.

Based on the procedures described above, no material exceptions were noted in our assessment of the Group's implementation of IFRS 9, including its provisioning in accordance with its newly adopted expected credit loss model.

Goodwill impairment for the United States of America (USA) operations (Group)

Refer to notes 2(g), 4(i) and 11 of the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgments, estimates and balances.

The total carrying value of goodwill is $1.4 billion of which $948 million relates to the USA operations.

The assessment of the carrying value of goodwill involves judgement in relation to forecasting future cash flows with key inputs being weighted average cost of capital, growth and discount rates.

Management's focus on logistics and warehousing efficiencies continued in the current year while introducing new products and concentrating on improving the market penetration of existing products. The USA operations continue to receive working capital assistance from the parent company and as such, it remains an area of focus.

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 the fair value of the reporting unit.

We were assisted by our valuation experts to review the appropriateness of the assumptions and methodology used in the DCF.

We tested the mathematical accuracy of the underlying calculations included in the DCF model.

We agreed 31 December 2018 base year financial information included in the prior year's forecast to the audited results and compared the current period base year information to the audited results to evaluate management's ability to accurately forecast financial information.

We assessed management's key assumptions by comparing them to historical results and economic and industry data where available.

We performed independent recalculation of the carrying value and performed sensitivity analysis by looking at changes in management's revenue growth rate assumptions.

We considered subsequent events and their impact on the entity's cash flows and forecasts.

We found the assumptions to be consistent and in line with our expectations.

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Valuation of pension scheme assets and other post-employment obligations (Group and Company)

Refer to notes 2(m), 4(iii) and 14 of the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgments and estimate and balances.

The Group has defined benefit pension plans with pension plan assets 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 $3.3 billion for both Group and Company and other post-employment obligations amounted to $6.1 billion and $2.9 billion for Group and Company respectively.

We focused on this area 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 net pension assets and other post-employment obligations.

We performed the following procedures on the valuations of net pension plan assets and other post-employment obligations as follows:

We reviewed the audit work papers of the auditors of the pension scheme in relation to work on the fair valuation of pension assets.

We evaluated management's assumptions made in relation to the valuations of the net pension assets and other-post employment obligations and the assumptions around salary increases and mortality rates by comparing them to national and industry averages.

We agreed the discount and inflation rates used in the valuation of the other post-employment obligations to those issued by the Institute of Chartered Accountants of Jamaica and targets set by the Bank of Jamaica.

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.

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 available audit evidence supported the data and assumptions used by management in the actuarial valuations and determination of the fair value of the scheme assets.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and stand-alone 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 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 of the consolidated and stand-alone financial statements that give a true and fair view in accordance with IFRS and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and 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 or the 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 or 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.

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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 consolidated and stand-alone 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
1 March 2019
Kingston, Jamaica

GraceKennedy Limited

Consolidated Statement of Financial Position

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Assets			
Cash and deposits	5	14,824,799	12,084,245
Investment securities	6	28,261,306	31,853,036
Pledged assets	6	9,931,362	4,927,305
Receivables	7	15,226,423	15,848,567
Inventories	8	12,784,061	11,253,140
Loans receivable	9	26,469,557	27,548,329
Taxation recoverable		764,826	798,690
Investments in associates and joint ventures	10	2,964,841	1,798,220
Investment properties	37	628,000	618,000
Intangible assets	11	4,128,043	4,398,127
Fixed assets	12	14,300,969	11,715,661
Deferred tax assets	13	1,410,080	836,477
Pension plan asset	14	3,269,925	6,308,843
Assets classified as held for sale	12	271,208	-
Total Assets		**135,235,400**	**129,988,640**
Liabilities			
Deposits		34,371,026	33,530,523
Securities sold under agreements to repurchase		7,208,337	3,792,720
Bank and other loans	15	16,529,313	16,515,615
Payables	16	23,201,686	22,210,899
Taxation		464,890	427,486
Deferred tax liabilities	13	687,069	1,369,294
Other post-employment obligations	14	6,083,687	5,129,990
Total Liabilities		**88,546,008**	**82,976,527**
Equity			
Capital and reserves attributable to the company's owners			
Share capital	17	490,354	540,951
Capital and fair value reserves	18	6,346,838	6,089,245
Retained earnings		32,306,560	32,120,056
Banking reserves	19	3,118,867	3,044,111
Other reserves	20	2,351,808	3,428,449
		44,614,427	45,222,812
Non-Controlling interests	21	2,074,965	1,789,301
		46,689,392	**47,012,113**
Total Equity and Liabilities		**135,235,400**	**129,988,640**

Approved for issue by the Board of Directors on 1 March 2019 and signed on its behalf by:

Gordon Shirley Chairman

Donald Wehby Group Chief Executive Officer

GraceKennedy Limited

Consolidated Income Statement

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Revenue from products and services		93,522,584	88,222,714
Interest revenue		4,022,147	4,252,938
Revenues	23	97,544,731	92,475,652
Direct and operating expenses		(93,919,850)	(88,578,375)
Net impairment losses on financial assets		(484,367)	(366,048)
Expenses	24	(94,404,217)	(88,944,423)
		3,140,514	3,531,229
Other income	25	3,486,010	2,088,006
Profit from Operations		6,626,524	5,619,235
Interest income – non-financial services		427,501	378,212
Interest expense – non-financial services		(581,873)	(662,857)
Share of results of associates and joint ventures	10	490,873	484,972
Profit before Taxation		6,963,025	5,819,562
Taxation	27	(1,319,448)	(1,047,462)
NET PROFIT		5,643,577	4,772,100
Attributable to:			
Owners of GraceKennedy Limited	28	5,005,915	4,116,101
Non-Controlling interests	21	637,662	655,999
		5,643,577	4,772,100

		$	$
Earnings per Stock Unit for profit attributable to the owners of the company during the year:	30		
Basic		5.05	4.15
Diluted		5.04	4.14

GraceKennedy Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Profit for the year		5,643,577	4,772,100
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on revaluation of land and buildings		684,638	23,027
Changes in fair value of equity instruments at fair value through other comprehensive income		103,601	-
Remeasurements of post-employment benefit obligations		(2,734,637)	58,934
Share of other comprehensive income of associates and joint ventures		30,249	3,436
		(1,916,149)	85,397
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustments		(1,180,883)	(201,407)
Changes in fair value of debt instruments at fair value through other comprehensive income		(279,949)	-
Changes in fair value of available-for-sale financial assets		-	250,677
Share of other comprehensive income of associates and joint ventures		15,373	(22,903)
		(1,445,459)	26,367
Other comprehensive income for the year, net of tax		(3,361,608)	111,764
Total comprehensive income for the year		2,281,969	4,883,864
Attributable to:			
Owners of GraceKennedy Limited		1,639,972	4,248,634
Non-Controlling interests	21	641,997	635,230
		2,281,969	4,883,864

GraceKennedy Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

		Attributable to owners of the parent						Non-Controlling Interest	Total Equity
	Note	Number of Stock Units '000	Share Capital $'000	Capital and Fair Value Reserves $'000	Retained Earnings $'000	Banking Reserves $'000	Other Reserves $'000	$'000	$'000
Balance at 1 January 2017		992,379	534,249	5,805,054	29,333,152	2,772,209	3,619,261	1,474,683	43,538,608
Profit for the year		-	-	-	4,116,101	-	-	655,999	4,772,100
Other comprehensive income for the year		-	-	274,506	67,509	-	(209,482)	(20,769)	111,764
Total comprehensive income for 2017		-	-	274,506	4,183,610	-	(209,482)	635,230	4,883,864
Transactions with owners:									
Sale of treasury shares	17 (a)	122	5,027	-	-	-	-	-	5,027
Purchase of treasury shares	17 (a)	(736)	(29,592)	-	-	-	-	-	(29,592)
Share-based payments:									
Value of services received	17 (f)	-	-	-	-	-	56,337	623	56,960
Transfer of treasury shares to employees	17 (a)	889	31,267	6,400	-	-	(37,667)	-	-
Dividends paid by subsidiaries to non-controlling interests	21	-	-	-	-	-	-	(321,235)	(321,235)
Dividends paid	29	-	-	-	(1,121,519)	-	-	-	(1,121,519)
Total transactions with owners		275	6,702	6,400	(1,121,519)	-	18,670	(320,612)	(1,410,359)
Transfers between reserves:									
To capital reserves		-	-	3,285	(3,285)	-	-	-	-
To banking reserves		-	-	-	(271,902)	271,902	-	-	-
Balance at 31 December 2017 as originally presented		992,654	540,951	6,089,245	32,120,056	3,044,111	3,428,449	1,789,301	47,012,113
Effect of adopting new standards	40	-	-	(605,449)	(349,191)	-	-	(3,488)	(958,128)
Restated balance at 1 January 2018		992,654	540,951	5,483,796	31,770,865	3,044,111	3,428,449	1,785,813	46,053,985
Profit for the year		-	-	-	5,005,915	-	-	637,662	5,643,577
Other comprehensive income for the year		-	-	546,520	(2,740,461)	-	(1,172,002)	4,335	(3,361,608)
Total comprehensive income for 2018		-	-	546,520	2,265,454	-	(1,172,002)	641,997	2,281,969
Transactions with owners:									
Purchase of treasury shares	17 (a)	(950)	(57,171)	-	-	-	-	-	(57,171)
Share-based payments:									
Value of services received	17 (f)	-	-	-	-	-	103,237	1,169	104,406
Transfer of treasury shares to employees	17 (a)	161	6,574	1,302	-	-	(7,876)	-	-
Dividends paid by subsidiaries to non-controlling interests	21	-	-	-	-	-	-	(354,014)	(354,014)
Dividends paid	29	-	-	-	(1,339,783)	-	-	-	(1,339,783)
Total transactions with owners		(789)	(50,597)	1,302	(1,339,783)	-	95,361	(352,845)	(1,646,562)
Transfers between reserves:									
To capital reserves		-	-	315,220	(315,220)	-	-	-	-
To banking reserves		-	-	-	(74,756)	74,756	-	-	-
Balance at 31 December 2018		991,865	490,354	6,346,838	32,306,560	3,118,867	2,351,808	2,074,965	46,689,392

GraceKennedy Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
SOURCES/(USES) OF CASH:			
Operating Activities	31	9,444,736	(493,760)
Financing Activities			
Loans received		7,612,456	5,284,480
Loans repaid		(7,558,098)	(2,568,620)
Dividends paid by subsidiary to non-controlling interests	21	(354,014)	(321,235)
Purchase of treasury shares	17	(57,171)	(29,592)
Sale of treasury shares	17	-	5,027
Interest paid – non financial services		(583,910)	(674,091)
Dividends	29	(1,339,783)	(1,121,519)
		(2,280,520)	574,450
Investing Activities			
Additions to fixed assets[a]	12	(3,118,484)	(2,639,331)
Proceeds from disposal of fixed assets		112,479	65,518
Additions to investments		(8,775,656)	(8,087,043)
Cash outflow on acquisition of subsidiary	38	-	(641,970)
Cash outflow on purchase of interest in associates and joint ventures		(971,505)	-
Proceeds from sale of investments		8,377,691	10,265,348
Net proceeds from disposal of associated company		-	55,506
Additions to intangibles	11	(350,751)	(334,599)
Interest received – non financial services		422,630	379,809
		(4,303,596)	(936,762)
Increase/(decrease) in cash and cash equivalents		2,860,620	(856,072)
Cash and cash equivalents at beginning of year		9,402,295	10,310,801
Exchange and translation gains/(losses) on net foreign cash balances		15,283	(52,434)
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	12,278,198	9,402,295

The principal non-cash transactions include:

[a] Acquisition of fixed assets under finance lease of $23,140,000 (2017: $32,647,000), (Note 12).

GraceKennedy Limited

Company Statement of Financial Position

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Assets			
Cash and deposits	5	3,960,985	1,944,451
Investment securities	6	5,747,482	6,513,598
Receivables	7	1,954,015	1,434,445
Inventories	8	3,018,851	2,521,134
Loans receivable	9	1,434,966	3,359,306
Subsidiaries	34	1,867,140	1,063,372
Taxation recoverable		256,752	231,969
Investments in associates	10	574,698	49,698
Investments in subsidiaries		17,544,008	15,756,643
Intangible assets	11	293,246	222,025
Fixed assets	12	296,473	299,359
Deferred tax assets	13	93,516	-
Pension plan asset	14	3,269,925	6,308,843
Total Assets		**40,312,057**	**39,704,843**
Liabilities			
Bank and other loans	15	6,114,341	4,053,268
Payables	16	3,558,129	2,544,670
Subsidiaries	34	3,027,509	3,403,955
Deferred tax liabilities	13	-	882,998
Other post-employment obligations	14	2,900,502	2,443,443
Total Liabilities		**15,600,481**	**13,328,334**
Equity			
Share capital	17	490,354	540,951
Capital and fair value reserves	18	177,510	404,977
Retained earnings		23,912,984	25,365,279
Other reserves	20	130,728	65,302
Total Equity		**24,711,576**	**26,376,509**
Total Equity and Liabilities		**40,312,057**	**39,704,843**

Approved for issue by the Board of Directors on 1 March 2019 and signed on its behalf by:

Gordon Shirley — Chairman

Donald Wehby — Group Chief Executive Officer

GraceKennedy Limited

Company Income Statement

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Revenue	23	18,957,924	17,623,999
Cost of goods sold		(14,988,530)	(13,746,257)
Gross Profit		3,969,394	3,877,742
Other income	25	5,599,297	4,618,770
Administration expenses		(7,278,188)	(7,098,335)
Net impairment losses on financial assets		(25,870)	(17,588)
Profit from Operations		2,264,633	1,380,589
Interest income		504,893	541,547
Interest expense		(333,757)	(342,156)
Profit before Taxation		2,435,769	1,579,980
Taxation	27	11,048	154,744
NET PROFIT	28	**2,446,817**	**1,734,724**

GraceKennedy Limited

Company Statement of Comprehensive Income

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	2018	2017
	$'000	$'000
Profit for the year	2,446,817	1,734,724
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Gains on revaluation of land and buildings	4,799	-
Changes in fair value of equity instruments at fair value through other comprehensive income	(5,199)	-
Remeasurements of post-employment benefit obligations	(2,516,081)	166,639
	(2,516,481)	166,639
Items that may be subsequently reclassified to profit or loss:		
Changes in fair value of available-for-sale financial assets	-	42,279
	-	42,279
Other comprehensive income for the year, net of tax	(2,516,481)	208,918
Total comprehensive income for the year	(69,664)	1,943,642

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

GraceKennedy Limited

Company Statement of Changes in Equity

Year ended 31 December 2018

(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 2017		992,379	534,249	356,298	24,585,435	68,371	25,544,353
Profit for the year		-	-	-	1,734,724	-	1,734,724
Other comprehensive income for the year		-	-	42,279	166,639	-	208,918
Total comprehensive income for 2017		-	-	42,279	1,901,363	-	1,943,642
Transactions with owners:							
Sale of treasury shares	17 (a)	122	5,027	-	-	-	5,027
Purchase of treasury shares	17 (a)	(736)	(29,592)	-	-	-	(29,592)
Share-based payments:							
Value of services received	20	-	-	-	-	34,598	34,598
Transfer of treasury shares to employees	17 (a)	889	31,267	6,400	-	(37,667)	-
Dividends paid	29	-	-	-	(1,121,519)	-	(1,121,519)
Total transactions with owners		275	6,702	6,400	(1,121,519)	(3,069)	(1,111,486)
Transfers between reserves:							
Balance at 31 December 2017 as originally presented		992,654	540,951	404,977	25,365,279	65,302	26,376,509
Effect of adopting new standards	40	-	-	(228,369)	(43,248)	-	(271,617)
Restated balance at 1 January 2018		992,654	540,951	176,608	25,322,031	65,302	26,104,892
Profit for the year		-	-	-	2,446,817	-	2,446,817
Other comprehensive income for the year		-	-	(400)	(2,516,081)	-	(2,516,481)
Total comprehensive income for 2018		-	-	(400)	(69,264)	-	(69,664)
Transactions with owners:							
Purchase of treasury shares	17 (a)	(950)	(57,171)	-	-	-	(57,171)
Share-based payments:							
Value of services received	20	-	-	-	-	73,302	73,302
Transfer of treasury shares to employees	17 (a)	161	6,574	1,302	-	(7,876)	-
Dividends paid	29	-	-	-	(1,339,783)	-	(1,339,783)
Total transactions with owners		(789)	(50,597)	1,302	(1,339,783)	65,426	(1,323,652)
Balance at 31 December 2018		991,865	490,354	177,510	23,912,984	130,728	24,711,576

GraceKennedy Limited
Company Statement of Cash Flows
Year ended 31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
SOURCES/(USES) OF CASH:			
Operating Activities	31	1,410,227	1,979,304
Financing Activities			
Loans received		3,061,883	1,805,086
Loans repaid		(2,629,854)	(1,108,119)
Purchase of treasury shares	17	(57,171)	(29,592)
Sale of treasury shares	17	-	5,027
Interest paid		(322,047)	(348,989)
Dividends	29	(1,339,783)	(1,121,519)
		(1,286,972)	(798,106)
Investing Activities			
Additions to fixed assets	12	(64,806)	(90,808)
Proceeds from disposal of fixed assets		5,051	20,630
Additions to investments		(1,257,860)	(1,138,110)
Loans receivable, net		1,924,340	(184,123)
Proceeds from sale of investments		1,749,105	1,305,128
Investment in subsidiary		(1,787,365)	(1,108,170)
Investment in associated company		(525,000)	-
Proceeds from disposal of subsidiary		-	10,597
Additions to intangibles	11	(141,539)	(155,400)
Interest received		500,021	543,143
		401,947	(797,113)
Increase in cash and cash equivalents		525,202	384,085
Cash and cash equivalents at beginning of year		1,913,626	1,546,002
Exchange and translation gains/(losses) on net foreign cash balances		766	(16,461)
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	2,439,594	1,913,626

GraceKennedy Limited

Notes to the Financial Statements

31 December 2018

(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, associates and joint ventures (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; stock brokerage; corporate finance; advisory services; and lease financing.

Insurance -
General insurance and insurance brokerage.

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

2. Significant Accounting Policies

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

(a) Basis of preparation

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

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

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

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

- IFRS 9, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

  IFRS 9 has three classification categories for debt instruments: amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). Classification under IFRS 9 for debt instruments is based on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ('SPPI'). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity. That is, an entity's business model determines whether the cash flows will result from collecting contractual cash flows, selling financial assets or both.

  If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect assets' contractual cash flows and to sell the assets are classified as FVOCI. Under the new model, FVPL is the residual category -financial assets should therefore be classified as FVPL if they do not meet the criteria of FVOCI or amortised cost.

GraceKennedy Limited

Notes to the Financial Statements
31 December 2018
(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)

- IFRS 9 (continued)

  IFRS 9 introduces a new model for the recognition of impairment losses - the expected credit losses (ECL) model. The ECL model constitutes a change from the guidance in IAS 39 and seeks to address the criticisms of the incurred loss model which arose during the economic crisis. In practice, the new rules mean that entities will have to record a day 1 loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). IFRS 9 contains a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

  The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 [7.2.15], comparative figures have not been restated. Details of the new accounting policy in relation to IFRS 9 are outlined in Note 2 (h) and the impact on the financial statements on adoption of the new standard is disclosed in Note 40.

- IFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018). The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. IFRS 15 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; so the notion of control replaces the existing notion of risks and rewards.

  A key change to current practice is the point at which revenue is able to be recognised, which may shift so that some revenue that is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa. Other effects of the new standard include variable consideration that involve contracts with customers which provide a right of return, trade discounts or volume rebates which in some cases result in more revenue being deferred. The treatment of customer loyalty programmes is also affected.

  The adoption of IFRS15 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 15 [C3(b)], comparative figures have not been restated. Details of the new accounting policy in relation to IFRS 15 are outlined in Note 2 (z) and the impact on the financial statements on adoption of the new standard is disclosed in Note 40.

- 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 has adopted this treatment for its equity compensation employee benefits.

- 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. There was no impact from the adoption of this amendment.

- 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. This amendment did not have an impact on the Group.

GraceKennedy Limited

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2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- Annual improvements to IFRSs 2014 – 2016 cycles. The amendment to IAS 28,'Investments in associates and joint ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition. The Group will apply this amendment where applicable to future transactions.

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 2018, 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 16 'Leases' (effective for annual periods beginning on or after 1 January 2019). This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. It replaces the guidance in IAS 17, which made a distinction in classification between leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset (finance leases) and those that do not (operating leases). For a lessee, finance leases were recognised as an asset that was depreciated over the lease term and the amount due to the lessor recognised as borrowings. While operating leases were recognised as a periodic rental payment that was treated as a current expense in the income statement.

  IFRS 16 introduces a single lease accounting model for lessees. It 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. For lessors, the accounting stays almost the same.

  The Group has been in the process of reviewing all of its leasing arrangements over the last year. A committee with representation from a number of functional areas and led by the Group's Finance Unit was created to oversee the implementation project. The project involves three main phases:

  - Phase 1: Impact assessment to determine the key potential areas of impact and to develop a plan to address these points throughout the project;

  - Phase 2: Conversion assessment to focus on key areas of impact identified in the first phase and quantification of the required changes to the financial statements; and scenario modelling, which includes modelling the impact of IFRS 16 on the financial statements of the Group including assessing the impact on ratios.

  - Phase 3: Embedding - This includes integration of the new accounting standard into the existing reporting structure, including modifications to processes and systems as required, staff training, converting and validating data, and drafting disclosures for the financial statements.

  The Group has substantially completed Phase 1 and Phase 2 of the project. Based on these phases of the implementation project, the main areas of impact include a significant increase in the overall value of assets and liabilities recognised in the statement of financial position and affect related ratios, such as debt/equity ratios. Based on the size and number of lease contracts previously classified as operating leases under IAS 17, the new approach will result in a significant increase in debt on the statement of financial position.

  In addition, an interest expense on the lease liability and depreciation on the right-of-use asset will be presented in the income statement. In comparison with operating leases under IAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight line depreciation of the right-of use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

  The Group intends to apply the simplified transition approach that allows the measurement of the right-of-use assets at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses), rather than full retrospective application. In addition, as a practical expedient, the Group is not required to reassess whether a contract is, or contains, a lease at the date of initial application (that is, such contracts are 'grandfathered'). As further provided under this approach, comparatives for 2018 will not be restated.

GraceKennedy Limited

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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 17, 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2021). This standard was issued as replacement for IFRS 4 'Insurance contracts' and requires a current measurement model where estimates are re-measured each reporting period. The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts. The Group is currently assessing the impact of this standard.

- Amendment to IFRS 9, 'Financial instruments on prepayment features with negative compensation' (effective for annual periods beginning on or after 1 January 2019). This amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The Group is currently assessing the impact of this amendment.

- Amendments to IAS 28, 'Investments in associates and joint ventures' (effective for annual periods beginning on or after 1 January 2019). These amendments clarify that companies account for long term interests in an associate or joint venture to which the equity method is not applied using IFRS 9. The Group currently applies the equity method to its associates and joint ventures.

- IFRIC 23,'Uncertainty over income tax treatments' (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes' are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether the treatment will be accepted by the tax authority. The Group is currently assessing the impact of this interpretation.

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

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

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

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

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

Acquisition-related costs are expensed as incurred.

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the 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

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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 %
Consumer Brands Limited	Jamaica	General goods distributor	100	100	-
GK Investments Limited and its subsidiary –	Jamaica	Lease financing	100	100	-
Greenfield Media Productions Limited	Jamaica	Media rights holder	-	55	45
GraceKennedy Financial Group Limited and its subsidiaries –	Jamaica	Holding company	100	100	-
Allied Insurance Brokers Limited	Jamaica	Insurance brokerage	-	100	-
GK General Insurance Company Limited	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 (Bahamas) Limited	Bahamas	Money services	-	75	25
GraceKennedy Money Services (Montserrat) Limited	Montserrat	Money services	-	75	25
GraceKennedy Money Services (St. Kitts & Nevis) Limited	St. Kitts & Nevis	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
GK Insurance (Eastern Caribbean) Limited (formerly 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	-
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	Brand owner	100	100	-
GraceKennedy (Belize) Limited	Belize	Food trading	100	100	-
Grace Foods Canada Inc. (formerly 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	-
GraceKennedy (St. Lucia) Limited and its subsidiary –	St. Lucia	Holding company	100	100	-
GK Foods (UK) Limited 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 (Bahamas) Limited was capitalised. In the prior year, the Group acquired 100% of the share capital of Consumer Brands Limited (Note 38).

The Group liquidated Graken Holdings Limited during the year and in the prior year it liquidated Grace, Kennedy Remittance Services (Trinidad & Tobago) Limited and Horizon Shipping Limited. This resulted in a gain being realised on liquidation which is included in Other Income within *gain on disposal of investments* (Note 25).

GraceKennedy Limited

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2. Significant Accounting Policies (Continued)

(c) Associates and Joint Venture

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. Joint ventures are entities over which the Group has joint control and has rights to the net assets of the investment. Investments in associates and joint ventures 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 and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate or joint venture is reduced but significant influence or joint control 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' and joint ventures' 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 or joint venture equals or exceeds its interest in the entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

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

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

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

The Group's associates and joint ventures are as follows:

Entity	Financial Reporting Year-end	Country of Incorporation	Nature of Business	Nature of Relationship	Group's Percentage Interest	
					2018	2017
Catherine's Peak Bottling Company Limited	31 March	Jamaica	Food trading	Associate	35.0	-
CSGK Finance Holdings Limited	31 December	Barbados	Banking	Associate	40.0	40.0
Dairy Industries (Jamaica) Limited	31 December	Jamaica	Food trading	Associate	50.0	50.0
GKMusson Limited	31 December	Jamaica	Financial	Joint Venture	50.0	-
Gray's Pepper Products Limited	31 December	Jamaica	Food trading	Associate	33.3	-
Majesty Foods LLC	31 December	USA	Food trading	Associate	49.0	-
Telecommunications Alliance Limited	31 December	Jamaica	Dormant	Associate	49.0	49.0

The results of associates and joint ventures 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.

During the year, the Group acquired an interest in Catherine's Peak Bottling Company Limited, GKMusson Limited, Gray's Pepper Products Limited and Majesty Foods LLC (Note 10).

The Group disposed of its 30% interest in Trident Insurance Company Limited in the prior year (Note 10).

(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.

GraceKennedy Limited

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2. Significant Accounting Policies (Continued)

(e) Foreign currency translation (continued)

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.

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.

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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.

Supplier relationships
Supplier relationships are recorded at cost and represent the value of the consideration paid to acquire rights to distribute consumer products in specified locations. These costs are amortised over the estimated useful life of the relationships, which is between 10 to 12 years.

GraceKennedy Limited

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2. Significant Accounting Policies (Continued)

(h) Financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss)
- those to be measured at amortised cost.

The available for sale (AFS) category under IAS 39 is no longer applicable.

The classification depends on the business model used for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). Equity instruments held for trading are measured at fair value through profit or loss (FVPL).

The Group reclassifies debt investments only when its business model for managing those assets changes.

Measurement

Debt instruments
Measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in the income statement using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Changes in fair value are taken through OCI. The recognition of interest income and impairment gains or losses are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in the income statement using the effective interest rate method. Impairment losses are presented as a separate line item in the income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instruments
The Group measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in the income statement.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses (ECL) associated with its financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments and certain financial guarantee contracts.

Application of the General Model
The Group has applied the 'general model' as required under IFRS 9 for debt instruments other than trade receivables. Under this model, the Group is required to assess on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The ECL will be recognised in profit or loss before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. Under current guidance, impairment amount represents the single best outcome; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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2. Significant Accounting Policies (Continued)

(h) Financial assets (continued)

ECL is calculated by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not credit impaired. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months.

Stage 2 – When a financial asset experiences a significant increase in credit risk subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

The Group uses judgement when considering the following factors that affect the determination of impairment:

Assessment of Significant Increase in Credit Risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios

The Group applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macroeconomic factors and forward looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group uses three scenarios that are probability weighted to determine ECL.

Expected Life

When measuring ECL, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Application of the Simplified Approach

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables.

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information.

Application of this policy until 31 December 2017

The Group applied IFRS 9 on 1 January 2018 and has elected not to restate comparative information in accordance with the transitional provisions in IFRS 9 [7.2.15]. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2018, the Group classified 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.

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2. Significant Accounting Policies (Continued)

(h) Financial assets (continued)
Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

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

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

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

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

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

Available-for-sale financial assets

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

Recognition and measurement

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

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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.

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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.

Investment tax credits are benefits received for investments in specific qualifying assets related to capitalised expenditure. Any portion of these tax credits which are received but not fully utilised in the same year are carried forward for offset against future taxes and are recognised similarly to unused tax credits as a deferred tax asset.

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.

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2. Significant Accounting Policies (Continued)

(m) Employee benefits (continued)

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

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

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

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

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

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

(r) Insurance business provisions

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

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

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

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.

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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.

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.

From 1 January 2018, the Group adopted IFRS 15 which resulted in adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 15 [C3(b)], comparative figures have not been restated. As such, the modified retrospective transition approach has been utilised.

Sales of goods and services

Revenue is recognised as performance obligations are satisfied, that is, over time or at a point in time. Where a customer contract contains multiple performance obligations, the transaction price is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services being provided to the customer

Certain contracts with customers provide a right of return, free goods, volume discounts, rebates and other incentives. Accumulated experience is used to estimate and provide for customer returns and sales incentives using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability, representing amounts payable to customers, is recognised for expected returns and sales incentives. Where customer contracts entitle customers to free goods, revenue is allocated to each performance obligation, including free goods, and recognised as the performance obligations are satisfied. Contract liabilities are included in 'payables' on the statement of financial position.

Sale of goods and services – customer loyalty programme

The Group operates loyalty programmes where customers accumulate points for purchases made which entitle them to goods or services in the future. The consideration received from the sale of goods and services is allocated to the loyalty points and related goods and services using the residual value method. In its capacity as an agent, the Group recognises commission income, being the net of the consideration allocated to the loyalty points and the amounts payable to third parties with primary responsibility for satisfying the performance obligations in respect of awards. A financial liability is recognised in respect of amounts payable to third parties and no breakage is considered. The financial liability is included in 'payables' in the statement of financial position.

Items (i), (ii) and (iii) below have been modified in the current year for the policy changes applied above, while items (iv) and (v) below remain unchanged.

Application of this policy until 31 December 2017

The Group applied IFRS 15 on 1 January 2018 and has elected not to restate comparative information in accordance with the transitional provisions. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

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.

2. Significant Accounting Policies (Continued)

(z) Revenue recognition (continued)

(ii) Sales of goods – retail

The Group operates a chain of retail outlets for selling general and food items. 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.

(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.

2. Significant Accounting Policies (Continued)

(ac) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

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:

	2018		2017	
	Policy Limit	**Maximum Net Retention**	**Policy Limit**	**Maximum Net Retention**
	$'000	**$'000**	**$'000**	**$'000**
Commercial property:				
Fire and consequential loss	1,287,320	10,299	1,243,041	9,944
Boiler and machinery	643,660	7,241	615,305	6,992
Engineering	643,660	7,241	615,305	6,992
Burglary, money and goods in transit	32,183	32,183	31,076	31,076
Glass and other	32,183	32,183	31,076	31,076
Liability	386,196	38,620	383,817	38,382
Marine, aviation and transport	77,239	3,862	74,582	1,865
Motor	31,000	16,000	31,000	16,000
Pecuniary loss:				
Fidelity	32,183	32,183	31,076	31,076
Surety/Bonds	148,042	29,608	142,950	28,590
Personal accident	32,183	32,183	31,076	31,076
Personal property	1,287,320	10,299	1,243,041	9,944

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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 stochatistically modelled using various confidence intervals to determine the impact on the net reserves. The net reserves of $3,216,436,000 were determined at the 50% confidence interval. Had the confidence interval increased/(decreased) by 10%, the net reserves would increase/(decrease) by $117,473,000/($117,730,000).

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 2009 - 2017 has changed at successive year-ends, up to 2018. 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)

(a) Insurance risk (continued)

Development Claim Liabilities (continued)

		2009 & prior $'000	2010 $'000	2010 & prior $'000	2011 $'000	2011 & prior $'000	2012 $'000	2012 & prior $'000	2013 $'000	2013 & prior $'000	2014 $'000	2014 & prior $'000	2015 $'000	2015 & prior $'000	2016 $'000	2016 & prior $'000	2017 $'000	2017 & prior $'000	2018 $'000	2018 & prior $'000
2009	UCAE, end of year	1,266,121																		
	IBNR, end of year	55,551																		
2010	Paid during year	467,835	559,019	1,026,854																
	UCAE, end of year	873,139	1,483,422	2,356,561																
	IBNR, end of year	-	63,254	63,254																
	Ratio: excess (deficiency)	(1.46%)																		
2011	Paid during year	237,777	339,348	577,125	599,110	1,176,235														
	UCAE, end of year	509,574	307,887	817,461	658,382	1,475,843														
	IBNR, end of year	-	2,365	2,365	67,945	70,310														
	Ratio: excess (deficiency)	8.06%		42.27%																
2012	Paid during year	134,513	94,437	228,950	318,022	546,972	593,905	1,140,877												
	UCAE, end of year	408,821	260,049	668,870	435,860	1,104,730	713,392	1,818,122												
	IBNR, end of year	-	-	-	4,023	4,023	78,759	82,782												
	Ratio: excess (deficiency)	5.50%		39.05%		(7.09%)														
2013	Paid during year	129,598	57,756	187,354	149,510	336,864	369,378	706,242	650,510	1,356,752										
	UCAE, end of year	433,044	250,470	683,514	418,313	1,101,827	505,321	1,607,148	790,007	2,397,155										
	IBNR, end of year	-	-	-	-	-	-	-	80,193	80,193										
	Ratio: excess (deficiency)	(6.14%)		30.70%		(28.43%)		(21.70%)												
2014	Paid during year	82,517	58,008	140,525	110,357	250,882	168,770	419,652	403,274	822,926	603,610	1,426,536								
	UCAE, end of year	325,733	186,250	511,983	321,479	833,462	387,304	1,220,766	527,622	1,748,388	614,433	2,362,821								
	IBNR, end of year	-	-	-	-	-	-	-	18,964	18,964	78,525	97,489								
	Ratio: excess (deficiency)	(4.26%)		31.98%		(27.30%)		(23.45%)		(4.56%)										
2015	Paid during year	60,937	34,665	95,602	97,848	193,450	91,814	285,264	124,467	409,731	280,934	690,665	596,463	1,287,128						
	UCAE, end of year	193,685	136,118	329,803	214,435	544,238	275,764	820,002	416,254	1,236,256	365,150	1,601,406	669,382	2,270,788						
	IBNR, end of year	-	-	-	-	-	-	-	(9,377)	(9,377)	18,167	8,790	128,397	137,187						
	Ratio: excess (deficiency)	1.12%		35.56%		(21.10%)		(17.37%)		0.72%		6.48%								
2016	Paid during year	61,871	19,519	81,390	35,172	116,562	42,221	158,783	70,547	229,330	109,743	339,073	333,798	672,871	640,700	1,313,571				
	UCAE, end of year	145,935	67,458	213,393	154,767	368,160	231,638	599,798	332,263	932,061	302,171	1,234,232	388,592	1,622,824	695,081	2,317,905				
	IBNR, end of year	-	-	-	-	-	-	-	(13,373)	(13,373)	(15,243)	(28,616)	22,506	(6,110)	124,657	118,547				
	Ratio: excess (deficiency)	0.05%		37.01%		(17.25%)		(14.14%)		3.90%		9.14%		4.92%						
2017	Paid during year	91,894	14,977	106,871	28,060	134,931	38,049	172,980	47,581	220,561	65,504	286,065	108,922	394,987	321,954	716,941	873,181	1,590,122		
	UCAE, end of year	55,081	50,019	105,100	70,038	175,138	156,148	331,286	265,168	596,454	227,093	823,547	291,005	1,114,552	383,637	1,498,189	869,470	2,367,659		
	IBNR, end of year	-	-	-	-	-	-	-	-	-	(13,167)	(13,167)	(16,683)	(29,850)	22,506	(7,344)	143,276	135,932		
	Ratio: excess (deficiency)	(0.03%)		37.06%		(13.49%)		(9.12%)		8.01%		13.58%		10.61%		9.39%				
2018	Paid during year	2,736	8,779	11,515	14,715	26,230	27,564	53,794	31,850	85,644	43,913	129,557	60,678	190,235	90,323	280,558	573,281	853,839	869,883	1,723,722
	UCAE, end of year	111,912	34,021	145,933	48,328	194,261	96,994	291,255	197,253	488,508	165,710	654,218	232,573	886,791	298,930	1,185,721	382,512	1,568,233	782,445	2,350,678
	IBNR, end of year	-	-	-	-	-	-	-	(10,677)	(10,677)	(9,745)	(20,422)	(13,680)	(34,102)	(11,874)	(45,976)	36,229	(9,747)	119,044	109,297
	Ratio: excess (deficiency)	(4.53%)	57.23%	34.90%	(10.42%)	(16.43%)	(5.38%)	(9.84%)	0.68%	9.34%	5.32%	15.49%	9.46%	12.34%	14.69%	12.28%	2.05%	3.65%		

3. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk

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

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

a) The retention limit or maximum exposure on insurance policies under the reinsurance treaties range between $3,862,000 and $38,620,000 (2017: $1,865,000 and $38,382,000).

b) The Group utilises reinsurance treaties to reduce its net retained risk. The risk is spread over several reinsurers all of whom are AM Best or S&P rated at A or better.

c) Excess of loss reinsurance is also purchased to cover the retained risk in the event of a catastrophe as well as for large motor losses.

d) The amount of reinsurance recoveries recognised during the period is as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Property	324,790	1,936,168
Motor	23,137	41,163
Marine	1,735	997
Liability	830	(1,293)
Pecuniary loss	962	(1,219)
Accident	43	(1,857)
	351,497	1,973,959

(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, investments, lending activities and loan commitments arising from such lending 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's average credit period for the sale of goods is 1 month.

(b) Loans and leases receivable

The Group assesses the probability of default of individual counterparties using internal ratings. Customers of the Group are segmented into four 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	Past due	– Late paying with increased credit risk
4	Credit impaired	– Default

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

External rating agency credit grades are used to assess credit quality. These published grades are continuously monitored and updated. Default probabilities and recovery rates are assigned as published by the rating agency.

The Group limits its exposure to credit risk arising from investments by adhering to the investment counterparty limits as approved by the ALCOs. Counterparty limits are reviewed and updated periodically.

Impairment of Financial Assets

The Group has four types of financial assets that are subject to the expected credit loss model:

- Trade and premium receivables
- Loans and leases receivable
- Debt investments carried at amortised cost, and
- Debt investments carried at FVOCI.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, all bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions and the identified impairment loss was immaterial.

Trade and premium receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for these assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

***Trade and premium receivables* (continued)**

Maximum exposure to credit risk

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Low risk	18,595	6,712	-	-
Standard risk	8,726,918	10,602,914	1,240,434	1,076,896
Past due	3,132,208	3,038,645	160,363	184,264
Credit impaired	975,379	588,048	246,904	170,145
Gross carrying amount	12,853,100	14,236,319	1,647,701	1,431,305
Loss allowance	(662,828)	(446,689)	(63,822)	(70,672)
Carrying amount	12,190,272	13,789,630	1,583,879	1,360,633

Loss allowance

The loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade and premium receivables:

	Group					
	at 31 December 2018			at 1 January 2018		
	Gross carrying amount $'000	Loss allowance $'000	Expected loss rate	Gross carrying amount $'000	Loss allowance $'000	Expected loss rate
Less than 1 month	8,034,872	36,491	0.45%	10,024,348	40,799	0.41%
Within 1 to 3 months	3,223,816	36,417	1.13%	3,033,692	88,627	2.92%
Over 3 months	1,594,412	589,920	37.00%	1,178,279	392,523	33.31%
	12,853,100	662,828		14,236,319	521,949	

	Company					
	at 31 December 2018			at 1 January 2018		
	Gross carrying amount $'000	Loss allowance $'000	Expected loss rate	Gross carrying amount $'000	Loss allowance $'000	Expected loss rate
Less than 1 month	531,752	1,523	0.29%	470,562	346	0.07%
Within 1 to 3 months	1,017,071	1,992	0.20%	843,324	528	0.06%
Over 3 months	98,878	60,307	60.99%	117,419	79,041	67.32%
	1,647,701	63,822		1,431,305	79,915	

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit Risk (continued)

Trade and premium receivables (continued)

Loss allowance (continued)

The closing loss allowances for trade and premium receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
At 31 December – calculated under IAS 39	446,689	413,566	70,672	100,448
Amounts restated through opening retained earnings	75,260	-	9,243	-
At 1 January 2018 – calculated under IFRS 9	521,949	413,566	79,915	100,448
Movement on loss allowance recognised in income statement during the year	321,280	181,900	24,487	13,710
Receivables written off during the year as uncollectible	(132,203)	(115,197)	(27,288)	(28,439)
Unused amount reversed	(48,198)	(33,580)	(13,292)	(15,047)
At 31 December	662,828	446,689	63,822	70,672

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, failure to make contractual payments for a period greater than two years, and alternative methods of debt collection have been exhausted.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited in other income.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and Leases (including loan commitments and guarantees)
The Group applies the 'three stage' model under IFRS 9 in measuring the expected credit losses on loans and leases, and makes estimations about likelihood of defaults occurring, associated loss ratios, changes in market conditions, and expected future cash flows. This is measured using the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) for a portfolio of assets.

- Probability of Default - This represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12 month PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- Exposure at Default - This represents the expected balance at default, taking into account the repayment of principal and interest from the statement of financial position date to the default event together with any expected drawdowns of committed facilities.

- Loss Given Default – The LGD represents expected losses on the EAD given the event of default, taking into account the mitigating effect of collateral value at the time it is expected to be realised and also the time value of money.

The 'three stage' model is used to categorise financial assets according to credit quality as follows:

- Stage 1 – financial assets that are not credit impaired on initial recognition or are deemed to have low credit risk. These assets generally abide by the contractual credit terms. The ECL is measured using a 12 month PD, which represents the probability that the financial asset will default within the next 12 months.

- Stage 2 – financial assets with a significant increase in credit risk (SICR) since initial recognition, but are not credit impaired. The ECL is measured using a lifetime PD.

- Stage 3 – credit impaired financial assets. The ECL is measured using a lifetime PD.

Transfer between stages
Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment. This assessment is done on a case-by-case basis.

The Group considers forward looking information in determining the PDs of financial assets. Forward looking information having significant impact on the ECL is described in further detail under that heading.

<u>Significant Increase in Credit Risk (SICR)</u>
The Group considers a financial asset to have experienced a significant increase in credit risk when one or more of the following qualitative or backstop criteria have been met:

Qualitative Criteria

- Deterioration in the Borrower's Risk Rating (BRR) below established threshold
- Material misrepresentation or inaccurate warranty
- Failure to comply with provisions of any statute under which the borrower conducts business
- Borrower enters into a scheme of arrangement
- Actual or expected restructuring
- Previous arrears in excess of 60 days within the last six months
- Early signs of cash flow/liquidity problems
- Expected significant adverse change in operating results of the borrower

However, the assessment of significant increase in credit risk and the above criteria will differ for different types of lending arrangements.

Loan commitments are assessed along with the category of loan the Group is committed to provide.

The assessment of SICR is performed for individual loans, taking into consideration the sector grouping of the individual exposures, and incorporates forward-looking information. This assessment is performed on a quarterly basis.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and Leases (continued)

Significant Increase in Credit Risk (continued)

Backstop
Irrespective of the above qualitative assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Group has monitoring procedures in place to assess whether the criteria used to identify SICR continues to be appropriate.

The Group utilised the low credit risk exemption for financial assets in the year ended 31 December 2018

Credit Impaired Assets
The Group defines a financial instrument as credit impaired, when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria
The borrower meets unlikeliness to pay criteria as outlined below, which indicates the borrower is in significant financial difficulty:

- 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
- Concessions have been made by the lender relating to the borrower's financial difficulty.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of 'credit impaired' used for internal credit risk management purposes.

Measuring the ECL – Inputs, Assumptions and Estimation Techniques
The ECL is determined by projecting the PD, LGD, and EAD, which are multiplied together and discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12 month PD is calculated by observing the rate of historical default within the first year of a portfolio of loans, and adjusted for the expected impact of forward looking economic information.

The lifetime PD is calculated by observing the rate of historical default over the life of a portfolio of loans, and adjusted for the impact of forward looking economic information.

The EAD for amortising and bullet repayment loans is based on the contractual repayments over a 12 month or lifetime basis.

The EAD for revolving products, such as credit cards, revolving loans and overdrafts is estimated by taking the current drawn balance and the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

Forward looking economic information is also included in determining the 12-month and lifetime EAD and LGD.

Forward Looking Information
The assessment of SICR and the calculation of ECL both incorporate forward-looking information that is available without undue cost or effort. The Group uses external information including economic data and forecasts published by governmental bodies and the central bank. The information published however does not cover the Group's credit risk exposure period and judgement was applied when incorporating these forecasts into our models. The Group started with historical data of approximately 3 years in which a relationship between macro-economic indicators and default rates was developed. Judgement was applied in cases where a strong relationship between these key economic variables and expected credit losses was not identified based on the historical data used.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and Leases (continued)

Forward Looking Information (continued)

These economic variables and their associated impact on the PD, EAD and LGD vary by financial asset. Forecasts of these economic variables are reviewed on a quarterly basis. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group also assesses other possible scenarios along with scenario weightings. The Group uses a total of three scenarios for each portfolio of loans (base, upside, downside). The scenario weightings are determined using judgment. The base case is the single most-likely expected outcome. The Group measures ECL as a probability weighted ECL.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The most significant period end assumptions used in determining the ECL as at the reporting date are set out below.

Economic factor	Scenarios	Range
Gross Domestic Product (GDP)	Base	0.5% - 1.5%
	Upside	1.5% - 2.5%
	Downside	0.0%
Unemployment Rate	Base	12% - 14%
	Upside	8% - 10%
	Downside	13% - 15%

The underlying models and their calibration, including how they react to forward-looking economic conditions was based on how the relationship of the Group's existing portfolio to these variables and remains subject to review and refinement as the Group builds data

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Sensitivity Analysis

Forward looking indicators having the most significant impact on the ECL are GDP growth and unemployment rate. Set out below are the changes to the ECL as at 31 December 2018 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions.

Forward Looking Indicator	Change in basis points:	Effect on ECL $'000	Forward Looking Indicator	Change in basis points:	Effect on ECL $'000
GDP growth	+ 100bp	21,968	Unemployment rate	+ 100bp	(13,419)
GDP growth	- 100bp	(21,968)	Unemployment rate	- 100bp	13,419

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and Leases (continued)

Portfolio Segmentation
Expected credit loss provisions are modelled on a collective basis, by grouping exposures on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes.

Exposures are grouped according to product type (term loans, overdrafts, credit cards, revolvers, guarantees and loan commitments) and industry (for example, manufacturing and distribution, tourism, personal loans).

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

Stage 3 loans are assessed on an individual basis for impairment.

Maximum Exposure to Credit Risk
The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which it is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial assets such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial assets the Group measures ECL over the period that it is exposed to the credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial assets do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Group does not enforce in the normal day-to-day management the contractual right to cancel these financial assets. This is because these financial assets are managed on a collective basis and are canceled only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take to mitigate ECL.

The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	Group				
	2018				2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
	$'000	$'000	$'000	$'000	$'000
Standard risk	19,885,182	2,809,851	-	22,695,033	23,052,496
Past due	1,230,385	2,226,823	-	3,457,208	3,550,834
Credit impaired	-	-	1,288,858	1,288,858	1,585,287
Gross carrying amount	21,115,567	5,036,674	1,288,858	27,441,099	28,188,617
Loss allowance	(241,370)	(272,963)	(457,209)	(971,542)	(640,288)
Carrying amount	20,874,197	4,763,711	831,649	26,469,557	27,548,329

Collateral and other credit enhancements
The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential and commercial properties
- Charges over business assets such as premises, inventory and accounts receivable
- Charges and hypothecations over deposit balances and financial instruments such as debt securities and equities

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and Leases (continued)

Collateral and other credit enhancements (continued)
The Group also obtains guarantees from parent companies for loans to their subsidiaries and from individual owners for loans to their companies.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of reverse repurchase agreements which are secured by portfolios of financial instruments.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period. 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.

As at 31 December 2018, the fair value of collateral held in respect of credit impaired financial assets is $1,949,028,000.

Loss Allowance
The loss allowance recognised in the period is impacted by a variety of factors. The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Group			
	2018			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
At 1 January	243,727	306,305	531,939	1,081,971
Movements with income statement impact:				
Transfers:				
Transfer from Stage 1 to Stage 2	(13,470)	32,286	-	18,816
Transfer from Stage 1 to Stage 3	(1,685)	-	22,437	20,752
Transfer from Stage 2 to Stage 1	-	(330)	-	(330)
Transfer from Stage 2 to Stage 3	-	(2,398)	12,618	10,220
New financial assets originated	96,030	-	-	96,030
Changes in PDs/LGDs/EADs	(26,012)	907	93,742	68,637
Financial assets derecognised during the period	(61,881)	(5,976)	(44,034)	(111,891)
Total net income statement charge	(7,018)	24,489	84,763	102,234
Other movements:				
Write-offs	-	-	(212,663)	(212,663)
At 31 December	236,709	330,794	404,039	971,542

Loans and leases are written off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity, and where the Group's recovery method is foreclosing on collateral, and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write off account balances that are still subject the enforcement activity, based on a reasonable expectation of amounts recoverable. The outstanding contractual amounts of such assets written off during the year ended 31 December 2018 was $212,663,000.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and Leases, Premium and Trade receivables

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

	Group		Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Public sector	124,493	624,461	-	-
Professional and other services	4,222,647	4,912,337	-	-
Personal	10,874,645	10,142,129	98,161	120,978
Agriculture, fishing and mining	895,146	798,016	-	-
Construction and real estate	720,660	1,416,054	15,614	25,005
Electricity, gas and water	1,563,480	1,578,671	-	-
Distribution	3,399,521	3,347,061	1,129,085	2,976,332
Manufacturing	2,279,239	2,095,016	-	-
Transportation	3,037,717	3,103,536	-	-
Tourism and entertainment	2,104,036	1,938,084	228,611	196,306
Financial and other money services	911,044	1,448,080	191,349	191,389
Brokers and agents	1,605,196	1,691,442	-	-
Reinsurers and coinsurers	791,486	1,830,415	-	-
Supermarket chains	2,275,455	2,046,520	376,278	313,796
Wholesalers	1,738,376	1,506,222	344,298	372,972
Retail and direct customers	2,938,835	3,039,363	540,840	438,797
Other	692,578	695,067	154,058	108,723
	40,174,554	42,212,474	3,078,294	4,744,298
Loss allowance	(1,634,370)	(1,086,977)	(63,822)	(70,672)
	38,540,184	41,125,497	3,014,472	4,673,626
Interest receivable	119,645	212,462	4,373	46,313
	38,659,829	41,337,959	3,018,845	4,719,939

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Debt Investments

The Group uses external credit ratings as published by established rating agencies in its assessment of the probability of default on debt investments. The PDs and LGDs for government and corporate bonds have been developed by the rating agencies based on statistics on the default, loss and rating transition experience of government and corporate bond issuers. The loss allowance on debt investments carried at amortised cost and FVOCI is measured using lifetime PDs. The credit ratings and associated PDs are reviewed and updated on quarterly basis.

Based on available credit ratings for sovereign and corporate debts, the debt securities were classified in stage 2 as they were below investment grade as defined by reputable rating agencies.

Maximum exposure to credit risk

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Government of Jamaica:				
At amortised cost	7,285,868	-	2,500,246	-
At fair value through other comprehensive income	5,589,468	-	-	-
Available-for-sale securities	-	12,944,286	-	2,995,852
Corporate:				
At amortised cost	12,131,707	-	1,664,825	-
Available-for-sale securities	-	9,472,499	-	1,954,336
Other government:				
At amortised cost	434,167	-	-	-
At fair value through other comprehensive income	430,355	-	-	-
Available-for-sale securities	-	885,415	-	-
Bank of Jamaica	9,108,105	9,912,692	-	-
Other	2,166,938	2,954,634	1,540,506	1,514,573
	37,146,608	36,169,526	5,705,577	6,464,761

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit Risk (continued)

Debt Investments (continued)

Debt investments at amortised cost

The loss allowance for debt investments at amortised cost as at 31 December 2017 reconciles to the opening loss allowance on 1 January 2018 and to the closing loss allowance as at 31 December 2018 as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Amounts restated through opening retained earnings and non-controlling interests	182,263	-	48,421	-
At 1 January 2018 – calculated under IFRS 9	182,263	-	48,421	-
Loss allowance recognised in income statement	24,486	-	1,340	-
At 31 December	206,749	-	49,761	-

Debt investments at FVOCI

The loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

The loss allowance for debt investments at FVOCI as at 31 December 2017 reconciles to the opening loss allowance on 1 January 2018 and to the closing loss allowance as at 31 December 2018 as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Amounts restated through opening retained earnings	90,545	-	-	-
At 1 January 2018 – calculated under IFRS 9	90,545	-	-	-
Loss allowance recognised in income statement	16,035	-	-	-
Unused amounts reversed	(19,474)	-	-	-
At 31 December	87,106	-	-	-

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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 (continued)

Financial liabilities cash flows

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

	Group				
	1 to 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
As at 31 December 2018:					
Deposits	29,082,717	5,339,290	26,982	-	34,448,989
Securities sold under agreements to repurchase	3,427,312	2,858,981	431,786	843,803	7,561,882
Bank and other loans	6,063,238	4,118,871	7,009,534	1,692,650	18,884,293
Trade and other payables	19,863,994	121,256	-	-	19,985,250
Total financial liabilities					
(contractual dates)	58,437,261	12,438,398	7,468,302	2,536,453	80,880,414

	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 2017:					
Deposits	28,907,369	4,717,593	7,572	-	33,632,534
Securities sold under agreements to repurchase	2,767,417	-	1,123,018	-	3,890,435
Bank and other loans	6,441,014	4,559,816	5,828,619	733,385	17,562,834
Trade and other payables	17,762,670	1,603,825	-	-	19,366,495
Total financial liabilities					
(contractual dates)	55,878,470	10,881,234	6,959,209	733,385	74,452,298

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial liabilities cash flows (continued)

	Company				
	1 to 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
As at 31 December 2018:					
Bank and other loans	2,407,024	2,372,237	1,458,056	213,180	6,450,497
Trade and other payables	3,558,129	-	-	-	3,558,129
Subsidiaries	3,027,509	-	-	-	3,027,509
Total financial liabilities (contractual dates)	8,992,662	2,372,237	1,458,056	213,180	13,036,135

	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 2017:					
Bank and other loans	884,789	1,942,958	1,608,014	112,170	4,547,931
Trade and other payables	2,544,670	-	-	-	2,544,670
Subsidiaries	3,403,955	-	-	-	3,403,955
Total financial liabilities (contractual dates)	6,833,414	1,942,958	1,608,014	112,170	10,496,556

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	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Floating rate –				
Expiring within one year	9,781,765	9,860,401	5,008,867	6,032,827

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

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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 2018:				
Loan commitments	539,114	-	-	539,114
Guarantees, acceptances and other financial facilities	242,112	-	-	242,112
Capital commitments	452,651	-	-	452,651
Operating lease commitments	1,366,102	3,314,111	1,517,061	6,197,274
	2,599,979	3,314,111	1,517,061	7,431,151
As at 31 December 2017:				
Loan commitments	1,443,956	-	-	1,443,956
Guarantees, acceptances and other financial facilities	267,678	-	-	267,678
Capital commitments	2,126,181	-	-	2,126,181
Operating lease commitments	1,403,165	3,525,894	1,258,585	6,187,644
	5,240,980	3,525,894	1,258,585	10,025,459

(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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31 December 2018
(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$	**US$**	**GBP**	**CAN$**	**EURO**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
As at 31 December 2018:							
Financial Assets							
Cash and deposits	9,507,403	3,648,943	435,992	120,079	56,317	1,056,065	14,824,799
Investment securities and pledged assets	13,421,965	24,208,017	43,019	16,012	-	503,655	38,192,668
Trade and other receivables	4,880,376	3,974,430	1,859,742	443,619	83,755	948,350	12,190,272
Loans receivable	19,989,473	6,475,946	-	16	-	4,122	26,469,557
Total financial assets	47,799,217	38,307,336	2,338,753	579,726	140,072	2,512,192	91,677,296
Financial Liabilities							
Deposits	17,333,678	16,629,359	281,049	85,570	41,370	-	34,371,026
Securities sold under agreements to repurchase	2,407,114	4,801,223	-	-	-	-	7,208,337
Bank and other loans	9,084,375	6,431,639	480,205	422,388	-	110,706	16,529,313
Trade and other payables	10,600,750	5,525,639	2,034,818	659,688	266,751	897,604	19,985,250
Total financial liabilities	39,425,917	33,387,860	2,796,072	1,167,646	308,121	1,008,310	78,093,926
Net financial position	8,373,300	4,919,476	(457,319)	(587,920)	(168,049)	1,503,882	13,583,370

	Group						
	Jamaican$	**US$**	**GBP**	**CAN$**	**EURO**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
As at 31 December 2017:							
Financial Assets							
Cash and deposits	6,372,877	4,261,822	408,957	105,791	76,570	858,228	12,084,245
Investment securities and pledged assets	12,327,152	23,904,163	44,731	12,369	-	491,926	36,780,341
Trade and other receivables	4,842,197	5,061,631	1,667,149	479,965	223,030	1,515,658	13,789,630
Loans receivable	20,678,545	6,865,060	-	-	-	4,724	27,548,329
Total financial assets	44,220,771	40,092,676	2,120,837	598,125	299,600	2,870,536	90,202,545
Financial Liabilities							
Deposits	16,352,761	16,762,672	276,535	85,567	52,988	-	33,530,523
Securities sold under agreements to repurchase	1,746,757	2,045,963	-	-	-	-	3,792,720
Bank and other loans	7,303,113	8,104,344	861,183	170,957	-	76,018	16,515,615
Trade and other payables	7,142,533	7,898,384	1,887,841	582,707	186,627	1,668,403	19,366,495
Total financial liabilities	32,545,164	34,811,363	3,025,559	839,231	239,615	1,744,421	73,205,353
Net financial position	11,675,607	5,281,313	(904,722)	(241,106)	59,985	1,126,115	16,997,192

GraceKennedy Limited

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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 2018:							
Financial Assets							
Cash and deposits	2,925,099	1,035,886	-	-	-	-	3,960,985
Investment securities	1,748,011	3,999,471	-	-	-	-	5,747,482
Trade and other receivables	1,556,870	27,009	-	-	-	-	1,583,879
Subsidiaries	1,282,464	579,417	3,659	1,600	-	-	1,867,140
Loans receivable	1,434,966	-	-	-	-	-	1,434,966
Total financial assets	8,947,410	5,641,783	3,659	1,600	-	-	14,594,452
Financial Liabilities							
Bank and other loans	4,247,126	1,867,215	-	-	-	-	6,114,341
Trade and other payables	2,643,013	911,372	344	479	2,921	-	3,558,129
Subsidiaries	2,945,449	80,982	1,078	-	-	-	3,027,509
Total financial liabilities	9,835,588	2,859,569	1,422	479	2,921	-	12,699,979
Net financial position	(888,178)	2,782,214	2,237	1,121	(2,921)	-	1,894,473

	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 2017:							
Financial Assets							
Cash and deposits	1,434,333	504,851	-	-	-	5,267	1,944,451
Investment securities	2,578,496	3,935,102	-	-	-	-	6,513,598
Trade and other receivables	1,336,610	24,023	-	-	-	-	1,360,633
Subsidiaries	888,062	175,310	-	-	-	-	1,063,372
Loans receivable	1,520,015	1,839,291	-	-	-	-	3,359,306
Total financial assets	7,757,516	6,478,577	-	-	-	5,267	14,241,360
Financial Liabilities							
Bank and other loans	2,008,673	2,044,595	-	-	-	-	4,053,268
Trade and other payables	1,778,631	765,674	365	-	-	-	2,544,670
Subsidiaries	2,577,600	817,557	2,211	3,003	3,584	-	3,403,955
Total financial liabilities	6,364,904	3,627,826	2,576	3,003	3,584	-	10,001,893
Net financial position	1,392,612	2,850,751	(2,576)	(3,003)	(3,584)	5,267	4,239,467

GraceKennedy Limited

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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 4% increase (2017: 4%) and a 2% decrease (2017: 2%) 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 2018	Effect on Profit before Taxation 2018 $'000	% Change in Currency Rate 2017	Effect on Profit before Taxation 2017 $'000
Currency:				
USD	+4%	196,700	+4%	199,229
GBP	+4%	602	+4%	934
CAN	+4%	2,040	+4%	1,179
EURO	+4%	(43)	+4%	64
USD	-2%	(98,350)	-2%	(99,614)
GBP	-2%	(301)	-2%	(467)
CAN	-2%	(1,020)	-2%	(590)
EURO	-2%	22	-2%	(32)

	Company			
	% Change in Currency Rate 2018	Effect on Profit before Taxation 2018 $'000	% Change in Currency Rate 2017	Effect on Profit before Taxation 2017 $'000
Currency:				
USD	+4%	113,512	+4%	115,662
GBP	+4%	80	+4%	(103)
CAN	+4%	38	+4%	(120)
EURO	+4%	(121)	+4%	(140)
USD	-2%	(56,756)	-2%	(57,831)
GBP	-2%	(40)	-2%	51
CAN	-2%	(19)	-2%	60
EURO	-2%	61	-2%	70

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

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

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

The Group manages interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments and also manages the maturities of interest bearing financial assets and liabilities. The respective boards within the Group set limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by the ALCOs 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 2018:							
Assets							
Cash and deposits	5,447,400	2,609,520	-	-	-	6,767,879	14,824,799
Investment securities and pledged assets	3,837,060	1,768,998	5,613,528	10,549,389	10,250,316	6,173,377	38,192,668
Loans receivable	2,409,938	311,166	1,141,652	8,717,882	13,781,247	107,672	26,469,557
Trade and other receivables	-	-	-	-	-	12,190,272	12,190,272
Total financial assets	11,694,398	4,689,684	6,755,180	19,267,271	24,031,563	25,239,200	91,677,296
Liabilities							
Deposits	24,404,588	4,654,285	5,285,838	26,315	-	-	34,371,026
Securities sold under agreements to repurchase	3,332,317	93,081	2,767,632	397,826	617,481	-	7,208,337
Bank loans	3,729,014	2,850,925	4,838,263	3,748,017	1,363,094	-	16,529,313
Trade payables	-	-	-	-	-	19,985,250	19,985,250
Total financial liabilities	31,465,919	7,598,291	12,891,733	4,172,158	1,980,575	19,985,250	78,093,926
Total interest repricing gap	(19,771,521)	(2,908,607)	(6,136,553)	15,095,113	22,050,988	5,253,950	13,583,370

GraceKennedy Limited

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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 2017:							
Assets							
Cash and deposits	4,593,987	1,060,369	-	-	-	6,429,889	12,084,245
Investment securities and pledged assets	3,753,642	3,014,131	6,113,348	7,504,049	10,445,646	5,949,525	36,780,341
Loans receivable	230,696	2,956,959	1,992,321	8,769,984	13,468,069	130,300	27,548,329
Trade and other receivables	-	-	-	-	-	13,789,630	13,789,630
Total financial assets	8,578,325	7,031,459	8,105,669	16,274,033	23,913,715	26,299,344	90,202,545
Liabilities							
Deposits	22,215,453	6,651,516	4,656,186	7,368	-	-	33,530,523
Securities sold under agreements to repurchase	2,627,377	135,503	-	1,029,840	-	-	3,792,720
Bank loans	5,463,855	3,152,184	4,661,854	2,877,712	360,010	-	16,515,615
Trade payables	-	-	-	-	-	19,366,495	19,366,495
Total financial liabilities	30,306,685	9,939,203	9,318,040	3,914,920	360,010	19,366,495	73,205,353
Total interest repricing gap	(21,728,360)	(2,907,744)	(1,212,371)	12,359,113	23,553,705	6,932,849	16,997,192

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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 2018:							
Assets							
Cash and deposits	575,242	2,428,990	-	-	-	956,753	3,960,985
Investment securities	-	568,000	1,236,062	1,946,188	1,955,328	41,904	5,747,482
Loans receivable	-	495,722	825,469	15,614	-	98,161	1,434,966
Trade and other receivables	-	-	-	-	-	1,583,879	1,583,879
Subsidiaries	-	-	-	-	-	1,867,140	1,867,140
Total financial assets	575,242	3,492,712	2,061,531	1,961,802	1,955,328	4,547,837	14,594,452
Liabilities							
Bank loans	2,252,259	891,313	2,970,769	-	-	-	6,114,341
Trade payables	-	-	-	-	-	3,558,129	3,558,129
Subsidiaries	-	-	-	-	-	3,027,509	3,027,509
Total financial liabilities	2,252,259	891,313	2,970,769	-	-	6,585,638	12,699,979
Total interest repricing gap	(1,677,017)	2,601,399	(909,238)	1,961,802	1,955,328	(2,037,801)	1,894,473

	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 2017:							
Assets							
Cash and deposits	202,184	766,901	-	-	-	975,366	1,944,451
Investment securities	-	847,000	1,633,761	1,690,978	2,293,024	48,835	6,513,598
Loans receivable	-	313,372	1,659,863	582,943	-	803,128	3,359,306
Trade and other receivables	-	-	-	-	-	1,360,633	1,360,633
Subsidiaries	-	-	-	-	-	1,063,372	1,063,372
Total financial assets	202,184	1,927,273	3,293,624	2,273,921	2,293,024	4,251,334	14,241,360
Liabilities							
Bank loans	759,275	1,128,910	2,165,083	-	-	-	4,053,268
Trade payables	-	-	-	-	-	2,544,670	2,544,670
Subsidiaries	-	-	-	-	-	3,403,955	3,403,955
Total financial liabilities	759,275	1,128,910	2,165,083	-	-	5,948,625	10,001,893
Total interest repricing gap	(557,091)	798,363	1,128,541	2,273,921	2,293,024	(1,697,291)	4,239,467

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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: 2018 JMD / USD	Effect on Profit before Taxation 2018 $'000	Effect on Other Components of Equity 2018 $'000	Change in basis points: 2017 JMD / USD	Effect on Profit before Taxation 2017 $'000	Effect on Other Components of Equity 2017 $'000
-100 / -100	164,837	464,956	-100 / -50	44,004	233,261
+100 / +100	(164,837)	(384,777)	+100 / +50	(44,004)	(196,323)

Company

Change in basis points: 2018 JMD / USD	Effect on Profit before Taxation 2018 $'000	Effect on Other Components of Equity 2018 $'000	Change in basis points: 2017 JMD / USD	Effect on Profit before Taxation 2017 $'000	Effect on Other Components of Equity 2017 $'000
-100 / -100	13,526	-	-100 / -50	3,929	53,842
+100 / +100	(13,526)	-	+100 / +50	(3,929)	(51,943)

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% (2017: 15%) change in the quoted prices for these equities would be an increase or decrease in the carrying value of $46,321,000 (2017: $3,802,000) in income and $57,707,000 (2017: $86,954,000) in other comprehensive income.

3. Insurance and Financial Risk Management (Continued)

(d) Capital management

Insurance subsidiaries

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

(i) To comply with the capital requirements set by the 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% (2017: 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 10%.

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 2018, the Group's strategy, which was unchanged from 2017, was to maintain a debt to equity ratio not exceeding 100%. The debt to equity ratios at 31 December 2018 and 2017 were as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Total borrowings (Note 15)	16,529,313	16,515,615
Owners' equity	44,614,427	45,222,812
Gearing ratio	37.0%	36.5%

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

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

Key sources of estimation uncertainty

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

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2 (g). The assessment of goodwill impairment involves the determination of the value in use. Determination of value in use involves the estimation of future cash flows from the business taking into consideration the growth rates, inflation rates and the discount rates. Any changes in these variables would impact the value in use calculations. A 1% increase in the discount rate would result in a reduction in the value in use by $2,467,570,000, 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) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour such as the likelihood of customers defaulting and the resulting losses.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios
- Establishing groups of similar financial assets for the purpose of measuring ECL

Further details about judgements and estimates made by the Group in the above areas is set out in Notes 2 (h) and 3 (c) (i).

(ix) Business combinations

Business combinations are accounted for using the acquisition method. The Group determines the identifiable assets and liabilities using the Purchase Price Allocation method. Under this method, the Group makes estimates about future cash flows which are derived based on factors such as revenue growth, future margins, attrition rates, and discount rates in determining the fair values of the identifiable intangible assets. A similar approach to determine the identifiable assets and liabilities is used for associates and joint ventures.

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5. Cash and Deposits

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and in hand	10,650,785	9,761,362	1,531,995	1,177,550
Deposits	4,174,014	2,322,883	2,428,990	766,901
	14,824,799	12,084,245	3,960,985	1,944,451

Included in deposits is interest receivable of $14,413,000 (2017: $7,124,000) and $12,919,000 (2017: $4,027,000) for the Group and company, respectively. The weighted average effective interest rate on deposits was 2.46% (2017: 3.71%) and 4.17% (2017: 4.17%) 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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and in hand	10,650,785	9,761,362	1,531,995	1,177,550
Deposits	4,174,014	2,322,883	2,428,990	766,901
	14,824,799	12,084,245	3,960,985	1,944,451
Bank overdrafts (Note 15)	(2,546,601)	(2,681,950)	(1,521,391)	(30,825)
	12,278,198	9,402,295	2,439,594	1,913,626

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6. Investment Securities and Pledged Assets

(a) Investment securities

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
At amortised cost:				
Bank of Jamaica	9,108,105	-	-	-
Government of Jamaica securities	7,285,868	-	2,500,246	-
Foreign government securities	434,167	-	-	-
Corporate bonds	12,131,707	-	1,664,825	-
Other debt securities	2,166,938	-	1,540,506	-
Other	5,355	-	335	-
	31,132,140	-	5,705,912	-
At fair value through other comprehensive income:				
Quoted equities	577,070	-	41,570	-
Government of Jamaica securities	5,589,468	-	-	-
Foreign government securities	430,355	-	-	-
Other	424	-	-	-
	6,597,317	-	41,570	-
Previously classified as available-for-sale:				
Quoted equities	-	579,692	-	48,502
Bank of Jamaica	-	9,912,692	-	-
Government of Jamaica securities	-	12,944,286	-	2,995,852
Foreign government securities	-	885,415	-	-
Corporate bonds	-	9,472,499	-	1,954,336
Other debt securities	-	2,954,634	-	1,514,573
Other	-	5,779	-	335
	-	36,754,997	-	6,513,598
At fair value through profit or loss:				
Quoted equities	463,211	25,344	-	-
	463,211	25,344	-	-
Total	38,192,668	36,780,341	5,747,482	6,513,598
Less: Pledged assets (Note 6b)	(9,931,362)	(4,927,305)	-	-
Investment securities in the statement of financial position	28,261,306	31,853,036	5,747,482	6,513,598

The change in classification of investment securities between 2017 and 2018 is based on the adoption of IFRS 9 as disclosed in Note 40.

Included in investment securities is interest receivable of $496,680,000 (2017: $471,149,000) and $96,800,000 (2017: $92,605,000) 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 4.73% (2017: 5.10%) and 2.25% (2017: 3.03%) for the Group and the company respectively.

Included in Bank of Jamaica securities is $5,035,909,000 (2017: $5,338,710,000) held at the Bank of Jamaica under Section 14(1) of the Banking Act, 1992, representing the required ratio of 12% (2017: 12%) for Jamaican dollar cash reserves and 15% (2017: 15%) 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 $10,106,882,000 (2017: $10,570,440,000) and company $3,279,050,000 (2017: $1,564,603,000) 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 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**	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Total in the statement of financial position (Note 6a)	9,931,362	4,927,305	9,595,774	4,772,630

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	
	2018	**2017**
	$'000	**$'000**
Pledged assets with right to sell or repledge	9,931,362	4,927,305

(c) Investments in financial assets designated at fair value through other comprehensive income

The Group has designated at FVOCI investments in a portfolio of equity securities issued by the following exchanges:

- Jamaica Stock Exchange
- Trinidad & Tobago Stock Exchange

The Group chose this presentation alternative because the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

The fair value of these investments is $577,070,000 and $41,570,000 for the Group and company respectively as at 31 December 2018. Dividends of $16,217,000 and $942,000 were recognised during the year for the Group and company respectively. There were no transfers of the cumulative gain within equity during the year.

For debt investments at FVOCI, the Group recognised net gains of $166,199,000 in the income statement during the year, being reclassified from other comprehensive income on sale.

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7. Receivables

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables, less provision for impairment	8,339,881	9,307,666	1,534,125	1,334,718
Insurance receivables, less provision for impairment	2,035,809	2,985,224	-	-
Reinsurers' portion of unearned premiums	1,340,082	1,153,637	-	-
Deferred policy acquisition costs	269,803	238,750	-	-
Receivable from associates and joint ventures (Note 34e)	29,591	14,122	17,465	3,168
Prepayments	1,426,266	666,550	370,136	73,812
Other receivables	1,784,991	1,482,618	32,289	22,747
	15,226,423	15,848,567	1,954,015	1,434,445

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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Raw materials and spares	814,284	661,089	-	-
Finished goods	2,614,250	2,198,264	-	-
Merchandise	7,335,388	6,907,589	1,942,839	1,951,038
Goods in transit	2,020,139	1,486,198	1,076,012	570,096
	12,784,061	11,253,140	3,018,851	2,521,134

The inventory write-down recognised as an expense amounted to $287,380,000 (2017: $319,178,000) and $157,115,000 (2017: $144,799,000) for the Group and the company respectively.

9. Loans Receivable

(a) Loans receivable comprise:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Finance leases, less deferred profit	104,085	301,425	-	-
Loans and receivables:				
Loans to subsidiaries (Note 34e)	-	-	1,336,805	3,238,328
Loans to others	26,365,472	27,246,904	98,161	120,978
	26,469,557	27,548,329	1,434,966	3,359,306

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

Included in loans receivable is interest receivable of $119,645,000 (2017: $212,462,000) and $4,373,000 (2017: $46,313,000) for the Group and company, respectively.

Included in loans receivable is $3,829,627,000 (2017: $5,517,889,000) and $645,216,000 (2017: $908,872,000) 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	
	2018	**2017**
	$'000	**$'000**
Gross receivables from finance leases:		
Not later than 1 year	94,333	195,317
Later than 1 year and not later than 5 years	19,007	153,513
	113,340	348,830
Unearned future finance income on finance leases	(9,255)	(47,405)
Net investment in finance leases	104,085	301,425
The net investment in finance leases is analysed as follows:		
Not later than 1 year	87,384	165,445
Later than 1 year and not later than 5 years	16,701	135,980
Total	104,085	301,425

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10. Investments in Associates and Joint Ventures

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of year	1,798,220	1,743,984	49,698	49,698
Amounts restated through opening retained earnings	(47,732)	-	-	-
Amounts recognised in the income statement	490,873	484,972	-	-
Amounts recognised in other comprehensive income	45,622	(19,467)	-	-
Dividends paid	(293,647)	(338,482)	-	-
Additions	971,505	-	525,000	-
Disposal	-	(72,787)	-	-
Amounts recognised in the statement of financial position	2,964,841	1,798,220	574,698	49,698

	Group	
	2018	**2017**
	$'000	**$'000**
Dairy Industries (Jamaica) Limited	1,050,390	933,140
CSGK Finance Holdings Limited	972,139	854,947
Catherine's Peak Bottling Company Limited	528,694	-
GKMusson Limited	197,397	-
Immaterial associated companies	216,221	10,133
Amounts recognised in the statement of financial position	2,964,841	1,798,220

On 8 May 2017, the Group disposed of its 30.0% interest in Trident Insurance Company Limited, a general insurance underwriter, operating in Barbados. The net proceeds amounted to $55,506,000 and the Group recorded a gain of $6,540,000 on the sale.

Dairy Industries (Jamaica) Limited (DIJL), CSGK Finance Holdings Limited (CSGK), Catherine's Peak Bottling Company Limited (CPBC), and GKMusson Limited (GKM) 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.

CPBC 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 35% of the share capital in CPBC. CPBC is one of the main bottlers of spring water within Jamaica; and sells its products mainly through distributors including to companies within the Group.

GKM 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 50% of the share capital in GKM. GKM is a company formed to explore business opportunities in the financial services sector.

DIJL, CSGK, CPBC and GKM 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, CPBC and GKM and the Group's other associates.

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10. Investments in Associates and Joint Ventures (Continued)

The summarised information for DIJL, CSGK, CPBC and GKM that was accounted for using the equity method for the years ended 31 December 2018 and 31 December 2017 is as follows:

Summarised statement of financial position

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Cash and cash equivalents	130,191	133,791	5,219,419	1,580,012
Other current assets (excluding cash)	1,794,370	1,662,842	441,474	156,403
Total current net assets	1,924,561	1,796,633	5,660,893	1,736,415
Financial liabilities (excluding trade payables)	-	-	24,550,623	11,643,691
Other current liabilities (including trade payables)	453,712	462,543	1,500,714	377,617
Total current liabilities	453,712	462,543	26,051,337	12,021,308
Non-current				
Assets	956,694	816,403	22,820,792	12,422,261
Non-financial liabilities	326,764	284,213	-	-
Total non-current liabilities	326,764	284,213	-	-
Net assets	2,100,779	1,866,280	2,430,348	2,137,368

	Catherine's Peak Bottling Company Limited		GKMusson Limited	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Cash and cash equivalents	79,203	-	222,349	-
Other current assets (excluding cash)	180,373	-	4,155	-
Total current net assets	259,576	-	226,504	-
Other current liabilities (including trade payables)	246,796	-	47,882	-
Total current liabilities	246,796	-	47,882	-
Non-current				
Assets	73,377	-	216,172	-
Net assets	86,157	-	394,794	-

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10. Investments in Associates and Joint Ventures (Continued)

Summarised income statement

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	4,094,669	3,750,013	1,598,085	1,289,117
Depreciation	(56,206)	(48,401)	(15,069)	(13,537)
Interest income - non-financial services	17,195	24,945	-	-
Interest expense - non-financial services	(8,890)	(8,336)	-	-
Profit before income tax	905,274	957,324	458,289	390,726
Taxation expense	(231,058)	(217,356)	21,091	(101,925)
Profit after tax	674,216	739,968	479,380	288,801
Other comprehensive income	60,500	6,871	41,780	(58,195)
Total comprehensive income	734,716	746,839	521,160	230,606
Dividends received by the Group from associates	250,000	300,000	43,648	38,482

	Catherine's Peak Bottling Company Limited		GKMusson Limited	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	139,360	-	-	-
Depreciation	(2,363)	-	-	-
Interest income - non-financial services	-	-	1,340	-
Interest expense - non-financial services	(563)	-	-	-
Profit before income tax	14,072	-	(105,206)	-
Taxation expense	(3,519)	-	-	-
Profit after tax	10,553	-	(105,206)	-
Total comprehensive income	10,553	-	(105,206)	-

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10. Investments in Associates and Joint Ventures (Continued)

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

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2018	**2017**	**2018**	**2017**
Summarised financial information	**$'000**	**$'000**	**$'000**	**$'000**
Opening net assets at 1 January	1,866,279	1,719,441	2,137,367	2,002,964
Amounts restated through opening retained earnings	(216)	-	(119,061)	-
Profit for the period	674,216	739,967	479,380	288,801
Other comprehensive income	60,500	6,871	41,780	(58,195)
Dividends paid	(500,000)	(600,000)	(109,118)	(96,203)
Closing net assets	2,100,779	1,866,279	2,430,348	2,137,367
Interest in associates (%)	50	50	40	40
Interest in associates (J$)	1,050,390	933,140	972,139	854,947
Carrying value	1,050,390	933,140	972,139	854,947

	Catherine's Peak Bottling Company Limited		GKMusson Limited	
	2018	**2017**	**2018**	**2017**
Summarised financial information	**$'000**	**$'000**	**$'000**	**$'000**
Net assets of entity on purchase of interest	75,604	-	500,000	-
Profit for the period	10,553	-	(105,206)	-
Closing net assets	86,157	-	394,794	-
Interest in associates and joint ventures (%)	35	-	50	-
Interest in associates and joint ventures (J$)	30,155	-	197,397	-
Intangible assets	498,539	-	-	-
Carrying value	528,694	-	197,397	-

Intangible assets related to the investment in Catherine's Peak Bottling Company Limited include the entity's brand and customer relationships with estimated useful lives of 15 years and 10 years respectively, as well as goodwill.

The amounts recognised in total comprehensive income in respect of immaterial associates are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Profit/(loss)	10,922	(532)
Other comprehensive income	(1,340)	375
Total comprehensive income	9,582	(157)

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11. Intangible Assets

	Brands, Customer and Supplier Relationships $'000	Goodwill $'000	Computer Software $'000	Policy Contracts $'000	Total $'000
			Group		
Cost					
At 1 January 2017	2,773,264	1,717,499	2,949,645	589,088	8,029,496
Additions	-	-	334,599	-	334,599
Acquisition through business combination (Note 38)	637,000	-	-	-	637,000
Retirement of asset	-	-	(7,358)	-	(7,358)
Exchange differences	(26,691)	(2,525)	(3,503)	-	(32,719)
At 31 December 2017	3,383,573	1,714,974	3,273,383	589,088	8,961,018
Additions	-	-	307,051	43,700	350,751
Retirement of asset	-	-	(13,318)	-	(13,318)
Exchange differences	22,423	1,755	2,244	-	26,422
At 31 December 2018	3,405,996	1,716,729	3,569,360	632,788	9,324,873
Accumulated Amortisation					
At 1 January 2017	1,217,863	308,490	2,046,874	431,997	4,005,224
Amortisation charge for the year	179,556	-	367,542	39,272	586,370
Retirement of asset	-	-	(7,358)	-	(7,358)
Exchange differences	(18,536)	(1)	(2,808)	-	(21,345)
At 31 December 2017	1,378,883	308,489	2,404,250	471,269	4,562,891
Amortisation charge for the year	219,137	-	373,661	41,822	634,620
Retirement of asset	-	-	(13,318)	-	(13,318)
Exchange differences	11,142	-	1,495	-	12,637
At 31 December 2018	1,609,162	308,489	2,766,088	513,091	5,196,830
Net Book Amount					
31 December 2018	1,796,834	1,408,240	803,272	119,697	4,128,043
31 December 2017	2,004,690	1,406,485	869,133	117,819	4,398,127

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:

	2018 $'000	2017 $'000
Food Trading		
- Jamaica operations	16,854	16,854
- United Kingdom operations	443,142	460,089
- United States operations	948,244	929,542
	1,408,240	1,406,485

For the year ended 31 December 2018, management tested the goodwill allocated to all the CGUs for impairment.

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	6.66%	0.50%	0.24%	14.59%
- United Kingdom operations	7.69%	5.29%	1.24%	11.10%
- United States operations	9.19%	3.29%	0.18%	8.92%

	Computer Software $'000
	Company
Cost	
At 1 January 2017	880,218
Additions	155,400
Retirement of asset	(153)
At 31 December 2017	1,035,465
Additions	141,539
Retirement of asset	(11,407)
At 31 December 2018	1,165,597
Accumulated Amortisation	
At 1 January 2017	750,204
Amortisation charge for the year	63,389
Retirement of asset	(153)
At 31 December 2017	813,440
Amortisation charge for the year	70,318
Retirement of asset	(11,407)
At 31 December 2018	872,351
Net Book Amount	
31 December 2018	293,246
31 December 2017	222,025

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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 2017	5,844,749	1,666,760	7,638,409	683,432	15,833,350
Additions	20,562	403,946	693,013	1,554,457	2,671,978
Revaluation adjustment	2,500	-	-	-	2,500
Transfers	10,872	121,178	415,805	(547,855)	-
Disposals	-	(16,632)	(336,139)	(16,540)	(369,311)
Exchange differences	(28,087)	8,810	24,835	(389)	5,169
At 31 December 2017	5,850,596	2,184,062	8,435,923	1,673,105	18,143,686
Additions	100,968	119,282	530,398	2,390,976	3,141,624
Revaluation adjustment	700,322	-	-	-	700,322
Transfers	9,394	8,048	158,891	(176,333)	-
Disposals	-	(11,819)	(272,825)	-	(284,644)
Transfer to assets held for sale (Note 12 e)	(263,332)	-	(35,691)	-	(299,023)
Exchange differences	19,298	(6,715)	(20,542)	159	(7,800)
At 31 December 2018	6,417,246	2,292,858	8,796,154	3,887,907	21,394,165
Accumulated Depreciation					
At 1 January 2017	-	898,289	4,823,390	-	5,721,679
Charge for the year	109,558	172,040	702,568	-	984,166
On disposals	-	(7,567)	(288,026)	-	(295,593)
Exchange differences	(296)	4,519	13,550	-	17,773
At 31 December 2017	109,262	1,067,281	5,251,482	-	6,428,025
Charge for the year	110,790	226,837	778,192	-	1,115,819
Revaluation adjustment	(199,007)	-	-	-	(199,007)
On disposals	-	(11,808)	(188,061)	-	(199,869)
Transfer to assets held for sale (Note 12 e)	(21,088)	-	(6,727)	-	(27,815)
Exchange differences	43	(4,842)	(19,158)	-	(23,957)
At 31 December 2018	-	1,277,468	5,815,728	-	7,093,196
Net Book Amount					
31 December 2018	6,417,246	1,015,390	2,980,426	3,887,907	14,300,969
31 December 2017	5,741,334	1,116,781	3,184,441	1,673,105	11,715,661

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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 2017	74,000	106,056	952,606	210	1,132,872
Additions	14	8,487	81,143	1,164	90,808
Disposals	-	(10,234)	(151,619)	(210)	(162,063)
At 31 December 2017	74,014	104,309	882,130	1,164	1,061,617
Additions	3,523	-	58,098	3,185	64,806
Revaluation adjustment	4,463	-	-	-	4,463
Disposals	-	-	(57,439)	-	(57,439)
At 31 December 2018	82,000	104,309	882,789	4,349	1,073,447
Accumulated Depreciation					
At 1 January 2017	-	78,881	754,707	-	833,588
Charge for the year	1,438	4,467	65,408	-	71,313
On disposals	-	(1,279)	(141,364)	-	(142,643)
At 31 December 2017	1,438	82,069	678,751	-	762,258
Charge for the year	1,511	4,571	64,918	-	71,000
Revaluation adjustment	(2,949)	-	-	-	(2,949)
On disposals	-	-	(53,335)	-	(53,335)
At 31 December 2018	-	86,640	690,334	-	776,974
Net Book Amount					
31 December 2018	82,000	17,669	192,455	4,349	296,473
31 December 2017	72,576	22,240	203,379	1,164	299,359

(a) The tables above include carrying values of $87,514,000 (2017: $91,534,000) and $256,000 (2017: $384,000) for the Group and the company, respectively, representing assets being acquired under finance leases. All amounts related to finance leases are shown in the 'Plant, Equipment, Fixtures & Vehicles' category of fixed assets.

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12. Fixed Assets (Continued)

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Cost	4,256,068	4,320,417	44,660	41,137
Accumulated depreciation	635,662	565,625	13,033	11,916
Net Book Amount	3,620,406	3,754,792	31,627	29,221

(c) The Group's land and buildings were revalued during 2018 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 18).

(d) Borrowing costs of $18,747,000 (2017: $7,819,000) arising on financing specifically entered into for the construction of a new corporate head office were capitalised during the year and are included in 'additions' in capital work in progress.

A capitalisation rate of 6.15% (2017: 7.00%) was used, representing the borrowing cost of the loan used to finance the project.

(e) Assets classified as held for sale

	Group	
	2018	**2017**
	$'000	**$'000**
Land and building	242,244	-
Plant and equipment	28,964	-
Net Book Amount	271,208	-

In November 2018, the Group decided to sell a property, along with some equipment located on it, previously occupied by a part of the food manufacturing business in the USA. The property has been advertised and the sale is expected to be completed in 2019. The assets are presented within total assets of the Food Trading segment (Note 22).

13. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using principal tax rates of 25% for unregulated companies and 33 ⅓% for regulated companies.

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of year	(532,817)	(596,649)	(882,998)	(981,093)
Amounts restated through opening equity	303,790	-	90,539	-
Income statement credit (Note 27)	170,502	126,071	48,161	167,735
Tax credit/(charge) relating to components of other comprehensive income (Note 27)	780,975	(63,798)	837,814	(69,640)
Exchange differences	561	1,559	-	-
At end of year	723,011	(532,817)	93,516	(882,998)

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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 $1,633,717,000 (2017: $1,871,768,000) and recognised tax credits of $375,682,000 (2017: $224,740,000) to carry forward indefinitely against future taxable income. The Group also has unrecognised tax losses of $1,022,802,000 (2017: $683,830,000) in respect of some subsidiaries.

Deferred income tax liabilities of $197,154,000 (2017: $183,754,000) 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 $788,617,000 (2017: $735,017,000).

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

	Group					
Deferred tax liabilities	**Fixed Assets $'000**	**Fair Value Gains $'000**	**Unrealised Foreign Exchange Gains $'000**	**Pension Plan Assets $'000**	**Other $'000**	**Total $'000**
At 1 January 2017	426,511	326,120	14,455	1,535,521	592,147	2,894,754
Charged/(credited) to the income statement	5,299	9,593	-	(43,255)	16,325	(12,038)
(Credited)/charged to other comprehensive income	(20,527)	71,244	-	84,945	-	135,662
Exchange differences	(377)	-	-	-	(2,168)	(2,545)
At 31 December 2017	410,906	406,957	14,455	1,577,211	606,304	3,015,833
Amounts restated through opening equity	-	(82,479)	-	-	(125,002)	(207,481)
(Credited)/charged to the income statement	(57,425)	-	(8,937)	(19,745)	138,879	52,772
Charged/(credited) to other comprehensive income	214,691	11,992	-	(739,985)	-	(513,302)
Exchange differences	257	-	-	-	1,501	1,758
At 31 December 2018	568,429	336,470	5,518	817,481	621,682	2,349,580

Deferred tax assets	**Fixed Assets $'000**	**Fair Value Losses $'000**	**Unutilised Tax Losses and Credits $'000**	**Employee Benefit Obligations $'000**	**Other $'000**	**Total $'000**
At 1 January 2017	185,231	-	755,475	1,198,871	158,528	2,298,105
Credited/(charged) to the income statement	41,002	-	1,013	129,254	(57,236)	114,033
Credited to other comprehensive income	-	-	-	71,864	-	71,864
Exchange differences	1,401	-	(2,131)	-	(256)	(986)
At 31 December 2017	227,634	-	754,357	1,399,989	101,036	2,483,016
Amounts restated through opening equity	-	422	-	-	95,887	96,309
Credited/(charged) to the income statement	55,921	1	113,611	57,905	(4,164)	223,274
Credited to other comprehensive income	-	81,887	-	185,786	-	267,673
Exchange differences	(12)	-	2,153	-	178	2,319
At 31 December 2018	283,543	82,310	870,121	1,643,680	192,937	3,072,591

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13. Deferred Income Taxes (Continued)

Company

Deferred tax liabilities	Fixed Assets $'000	Fair Value Gains $'000	Unrealised Foreign Exchange Gains $'000	Pension Plan Assets $'000	Other $'000	Total $'000
At 1 January 2017	8,318	61,609	-	1,535,521	8,466	1,613,914
Charged/(credited) to the income statement	10,286	-	-	(43,255)	11,750	(21,219)
Charged to other comprehensive income	-	14,093	-	84,944	-	99,037
At 31 December 2017	18,604	75,702	-	1,577,210	20,216	1,691,732
Amounts restated through opening equity	-	(75,701)	-	-	-	(75,701)
(Credited)/charged to the income statement	(51)	(1)	2,259	(19,745)	(10,363)	(27,901)
Charged/(credited) to other comprehensive income	2,612	-	-	(739,984)	-	(737,372)
At 31 December 2018	21,165	-	2,259	817,481	9,853	850,758

Deferred tax assets	Fixed Assets $'000	Fair Value Losses $'000	Unutilised Tax Losses and Credits $'000	Employee Benefit Obligations $'000	Other $'000	Total $'000
At 1 January 2017	34,928	-	35,438	540,819	21,636	632,821
Credited/(charged) to the income statement	22,676	-	86,129	40,645	(2,934)	146,516
Credited to other comprehensive income	-	-	-	29,397	-	29,397
At 31 December 2017	57,604	-	121,567	610,861	18,702	808,734
Amounts restated through opening equity	-	422	-	-	14,416	14,838
Credited/(charged) to the income statement	12,200	1	(20,681)	15,555	13,185	20,260
Credited to other comprehensive income	-	1,732	-	98,710	-	100,442
At 31 December 2018	69,804	2,155	100,886	725,126	46,303	944,274

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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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets	1,410,080	836,477	93,516	-
Deferred tax liabilities	(687,069)	(1,369,294)	-	(882,998)
	723,011	(532,817)	93,516	(882,998)

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	2,797,344	2,381,980	895,816	790,032
Deferred tax assets to be recovered within 12 months	275,247	101,036	48,458	18,702
	3,072,591	2,483,016	944,274	808,734
Deferred tax liabilities:				
Deferred tax liabilities to be settled after more than 12 months	(1,385,910)	(1,988,117)	(838,646)	(1,595,814)
Deferred tax liabilities to be settled within 12 months	(963,670)	(1,027,716)	(12,112)	(95,918)
	(2,349,580)	(3,015,833)	(850,758)	(1,691,732)
Deferred tax assets/(liabilities) net	723,011	(532,817)	93,516	(882,998)

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 $330,859,000 (2017: $293,859,000) and $65,683,000 (2017: $60,073,000) 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 2016. 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	
	2018	**2017**
	$'000	**$'000**
Present value of funded obligations	32,242,442	25,908,981
Fair value of plan assets	(35,512,367)	(32,217,824)
Asset in the statement of financial position	(3,269,925)	(6,308,843)

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

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Beginning of year	25,908,981	22,330,364
Current service cost	755,812	696,188
Interest cost	2,051,123	2,005,634
Curtailment	(251,901)	-
	2,555,034	2,701,822
Remeasurements -		
Loss from change in financial assumptions	5,168,981	1,255,690
Experience (gains)/losses	(623,947)	100,728
	4,545,034	1,356,418
Members' contributions	223,619	230,209
Benefits paid	(990,226)	(709,832)
End of year	32,242,442	25,908,981

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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	
	2018	**2017**
	$'000	**$'000**
Beginning of year	32,217,824	28,472,442
Interest income on plan assets	2,554,060	2,557,525
Return on plan assets, excluding amounts included in interest income	1,585,095	1,696,197
Members' contributions	223,619	230,209
Employers' contributions	527	986
Benefits paid	(990,226)	(709,832)
Administration costs	(78,532)	(29,703)
End of year	35,512,367	32,217,824

The amounts recognised in the income statement are as follows:

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Current service cost	755,812	696,188
Interest income (net)	(502,937)	(551,891)
Curtailment	(251,901)	-
Administration costs	78,532	29,703
Total, included in staff costs (Note 26)	79,506	174,000

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately $16,280,837,000 (2017: $14,815,707,000) relating to active employees, $4,967,155,000 (2017: $3,018,986,000) relating to deferred members and $10,994,450,000 (2017: $8,074,288,000) 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			
	2018		**2017**	
	$'000	**%**	**$'000**	**%**
Equity	15,221,991	43%	12,203,592	38%
Debt	4,642,998	13%	4,575,658	14%
Real estate	3,061,500	9%	2,821,614	9%
Government securities	11,023,873	31%	10,691,437	33%
Other	1,562,005	4%	1,925,523	6%
	35,512,367	100%	32,217,824	100%

The pension plan assets include the company's ordinary stock units with a fair value of $2,852,560,000 (2017: $1,954,116,000) and buildings occupied by Group companies with fair values of $1,229,701,000 (2017: $1,168,278,000).

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 2019 are $476,000. The actual return on plan assets was $4,139,155,000 (2017: $4,253,720,000).

The principal actuarial assumptions used were as follows:

	2018	**2017**
Discount rate	7.0%	8.0%
Long term inflation rate	5.0%	5.0%
Future salary increases	6.0%	6.0%
Future pension increases	5.0%	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:

	2018	**2017**
Male	27.38	27.31
Female	28.25	28.21

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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		
			2018	2017		2018	2017
Discount rate	1%	Decrease by	16.3%	15.3%	Increase by	21.5%	20.0%
Future salary increases	1%	Increase by	4.7%	4.9%	Decrease by	4.2%	4.3%
Expected pension increase	1%	Increase by	15.0%	13.5%	Decrease by	12.2%	11.1%

	Group and Company					
	Impact on post-employment obligations					
	Increase in Assumption by One Year			Decrease in Assumption by One Year		
		2018	2017		2018	2017
Life expectancy	Increase by	2.6%	2.3%	Decrease by	2.6%	2.4%

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 6.0% per year (2017: 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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Present value of unfunded obligations	6,083,687	5,129,990	2,900,502	2,443,443

Movement in the defined benefit obligation is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Beginning of year	5,129,990	4,406,015	2,443,443	2,163,271
Current service cost	309,267	237,731	100,815	80,940
Interest cost	402,696	388,653	190,038	189,206
Past service cost - vested benefits	(14,757)	(5,160)	(23,678)	1,806
Curtailment	(235,457)	-	(60,078)	-
	461,749	621,224	207,097	271,952
Remeasurements -				
Loss from change in demographic assumptions	233,562	126,759	112,949	62,434
Loss from change in financial assumptions	657,172	197,855	291,287	93,623
Experience gains	(190,265)	(56,852)	(9,400)	(38,464)
	700,469	267,762	394,836	117,593
Benefits paid	(208,521)	(165,011)	(144,874)	(109,373)
End of year	6,083,687	5,129,990	2,900,502	2,443,443

The amounts recognised in the income statement were as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current service cost	309,267	237,731	100,815	80,940
Interest cost	402,696	388,653	190,038	189,206
Past service cost	(14,757)	(5,160)	(23,678)	1,806
Curtailment	(235,457)	-	(60,078)	-
Total included in staff costs (Note 26)	461,749	621,224	207,097	271,952

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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Gratuity Plan	803,497	773,590	431,416	405,006
Group Life Plan	1,277,791	890,425	645,385	415,250
Insured Group Health	2,091,008	1,530,524	758,426	567,775
Self Insured Health Plan	1,345,040	1,400,143	623,716	641,010
Supplementary Pension Plan	566,351	535,308	441,559	414,402
Liability in the statement of financial position	6,083,687	5,129,990	2,900,502	2,443,443

The sensitivity of the post-employment medical benefits to changes in the principal assumptions is:

Group

	Change in Assumption	Impact on post-employment obligations					
		Increase in Assumption			Decrease in Assumption		
			2018	**2017**		**2018**	**2017**
Discount rate	1%	Decrease by	16.7%	15.1%	Increase by	22.3%	19.4%
Medical inflation rate	1%	Increase by	22.3%	19.5%	Decrease by	17.0%	15.4%

Company

	Change in Assumption	Impact on post-employment obligations					
		Increase in Assumption			Decrease in Assumption		
			2018	**2017**		**2018**	**2017**
Discount rate	1%	Decrease by	14.9%	13.7%	Increase by	19.5%	17.4%
Medical inflation rate	1%	Increase by	19.5%	17.5%	Decrease by	15.2%	14.0%

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 2018 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 2019. 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	9.6
Group Life Plan	24.7
Insured Group Health	23.3
Pension Plan	19.2
Self Insured Health Plan	14.3
Superannuation Plan	7.7

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15. Bank and Other Loans

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Secured on assets	6,559,590	4,142,720	-	-
Unsecured	9,969,723	12,372,895	6,114,341	4,053,268
	16,529,313	16,515,615	6,114,341	4,053,268

(a) Unsecured loans of subsidiaries are supported by letters of comfort from the parent company. Interest rates on these loans range between 2.5% - 9.6% (2017: 2.0% - 10.13%).

(b) Bank and other loans comprise:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Bank overdrafts (Note 5)	2,546,601	2,681,950	1,521,391	30,825
Bank borrowings	9,427,774	10,841,034	3,819,287	3,244,452
Finance leases	77,687	86,904	-	2,632
Other loans	4,477,251	2,905,727	773,663	775,359
Total borrowings	16,529,313	16,515,615	6,114,341	4,053,268

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 $49,736,000 (2017: $59,983,000) and $32,128,000 (2017: $20,905,000) for the Group and the company, respectively.

Included in bank borrowings and other loans is $9,514,913,000 (2017: $11,189,404,000) and $4,626,906,000 (2017: $2,660,996,000) for the Group and the company respectively, which matures in the next 12 months.

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.54% (2017: 5.06%) and are within level 2 of the fair value hierarchy.

(c) Finance lease liabilities – minimum lease payments:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Not later than 1 year	35,651	37,983	-	2,740
Later than 1 year and not later than 5 years	46,471	74,471	-	-
	82,122	112,454	-	2,740
Future finance charges on finance leases	(4,435)	(25,550)	-	(108)
Present value of finance lease liabilities	77,687	86,904	-	2,632

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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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Not later than 1 year	42,599	31,049	-	2,632
Later than 1 year and not later than 5 years	35,088	55,855	-	-
	77,687	86,904	-	2,632

16. Payables

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	9,769,723	8,108,435	1,909,934	1,000,498
Payable to associates (Note 34 e)	429,556	246,867	201,742	143,778
Accruals	3,418,218	3,230,326	872,568	781,689
Claims outstanding	3,043,375	4,155,271	-	-
Insurance reserves	3,216,436	2,844,404	-	-
Customer loyalty programme	344,033	182,369	128,162	94,756
Contract liabilities	78,565	-	10,341	-
Other payables	2,901,780	3,443,227	435,382	523,949
	23,201,686	22,210,899	3,558,129	2,544,670

All payables balances are due within the next 12 months.

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17. Share Capital

	Group and Company			
	2018	**2017**	**2018**	**2017**
	Units ('000)	**Units ('000)**	**$'000**	**$'000**
Authorised -				
Ordinary shares	1,200,000	1,200,000		
Issued and fully paid -				
Ordinary stock units	994,887	994,887	623,546	623,546
Treasury shares	(3,022)	(2,233)	(133,192)	(82,595)
Issued and outstanding	991,865	992,654	490,354	540,951

(a) During the year, the company through its employee investment trust sold Nil (2017: 122,000) units of its own shares at a fair value of $Nil (2017: $5,027,000), purchased 950,000 (2017: 736,000) units at a fair value of $57,171,000 (2017: $29,592,000) and transferred 161,000 (2017: 889,000) units to employees at a fair value of $7,876,000 (2017: $37,667,000). The total number of treasury shares held by the company at the end of the year was 3,022,000 (2017: 2,233,000) at a cost of $133,192,000 (2017: $82,595,000).

(b) 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.

	2018	**2017**
Movement on this option:	**'000**	**'000**
At 1 January	-	1,174
Exercised	-	(407)
Expired	-	(767)
At 31 December	-	-

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17. Share Capital (Continued)

(c) 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.

Movement on this option:	2018 ’000	2017 ’000
At 1 January	136	136
Exercised	(136)	-
At 31 December	-	136

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.

Movement on this option:	2018 ’000	2017 ’000
At 1 January	98	1,334
Exercised	(98)	(1,236)
At 31 December	-	98

(d) 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.

The following allocation of stock options were made to executive directors and other senior executives:

	10 May 2018	11 May 2017	12 May 2016
Number of shares	1,759,004	1,967,156	2,551,665
Subscription price	$47.77	$42.09	$28.00

The subscription price that the options were granted at is 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 executive director and other 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.

17. Share Capital (Continued)

(d) Long term incentive plan (continued)

	2018 Offer	2017 Offer	2016 Offer	Total	2018 Offer	2017 Offer	2016 Offer	Total
		2018				2017		
Movement on this option:	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**
At 1 January	-	1,948	2,513	4,461	-	-	2,552	2,552
Granted	1,759	-	-	1,759	-	1,967	-	1,967
Exercised	-	-	-	-	-	-	(12)	(12)
Forfeited	(8)	(41)	(45)	(94)	-	(19)	(27)	(46)
At 31 December	1,751	1,907	2,468	6,126	-	1,948	2,513	4,461

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

	2018		2017	
Movement on this option:	**Average exercise price in $ per share**	**Options '000**	**Average exercise price in $ per share**	**Options '000**
At 1 January	33.36	4,695	23.26	5,196
Granted	47.77	1,759	42.09	1,967
Exercised	18.28	(234)	33.83	(1,655)
Forfeited	35.88	(94)	19.60	(46)
Expired	-	-	16.94	(767)
At 31 December	38.04	6,126	33.36	4,695

Shares totalling 2,503,000 (2017: 234,000) 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:

		2018	2017
	Exercise price in $ per share	**Options '000**	**Options '000**
2018	20.40	-	234
2023	28.00	2,468	2,513
2024	42.09	1,907	1,948
2025	47.77	1,751	-
		6,126	4,695

(f) The fair value of options granted determined using the Black-Scholes valuation model was $216,851,000. The significant inputs into the model were the weighted average share prices ranging from $17.00 to $47.77 at the grant dates, exercise prices ranging from $16.94 to $47.77, standard deviation of expected share price returns ranging from 29.1% to 33.2%, option life of six and eight years and risk-free interest rates ranging between 2.98% 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 $290,199,000 and the fair value of restricted stock grants earned and vested is $53,429,000.

The expense recognised in the income statement for share-based payments was $104,406,000 (2017: $56,960,000).

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18. Capital and Fair Value Reserves

	Group							
	Capital Reserve	Loan Loss Reserve	Fair Value Reserves	Total	Capital Reserve	Loan Loss Reserve	Fair Value Reserves	Total
	2018				2017			
	$'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	46,164	-	-	46,164
Realised gain on sale of shares	116,809	-	-	116,809	115,507	-	-	115,507
Profits capitalised by Group companies	2,149,885	-	-	2,149,885	2,149,885	-	-	2,149,885
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	-	3,025,097	3,025,097	-	-	2,302,229	2,302,229
Fair value gains, net of deferred taxes	-	-	302,656	302,656	-	-	696,994	696,994
Loan loss reserve	-	556,032	-	556,032	-	628,271	-	628,271
Catastrophe reserve	12,270	-	-	12,270	12,270	-	-	12,270
Other	35,187	-	-	35,187	35,187	-	-	35,187
	2,463,053	556,032	3,327,753	6,346,838	2,461,751	628,271	2,999,223	6,089,245

	Company					
	Capital Reserve	Fair Value Reserves	Total	Capital Reserve	Fair Value Reserves	Total
	2018			2017		
	$'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	-	42,028	42,028	-	37,229	37,229
Fair value gains, net of deferred taxes	-	110,975	110,975	-	343,241	343,241
	24,507	153,003	177,510	24,507	380,470	404,977

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19. 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.

20. Other Reserves

	Group			Company
	Foreign Currency Translation	**Share-based Payments**	**Total**	**Share-based Payments**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January 2017	3,508,349	110,912	3,619,261	68,371
Equity holders' share of other comprehensive income	(209,482)	-	(209,482)	-
Share-based payment expense	-	56,337	56,337	34,598
Transfer of treasury shares to employees	-	(37,667)	(37,667)	(37,667)
At 31 December 2017	3,298,867	129,582	3,428,449	65,302
Equity holders' share of other comprehensive income	(1,172,002)	-	(1,172,002)	-
Share-based payment expense	-	103,237	103,237	73,302
Transfer of treasury shares to employees	-	(7,876)	(7,876)	(7,876)
At 31 December 2018	2,126,865	224,943	2,351,808	130,728

(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 17.

21. Non-Controlling Interests

	2018	2017
	$'000	**$'000**
Beginning of year	1,789,301	1,474,683
Amounts restated through opening equity	(3,488)	-
Share of total comprehensive income:		
Share of net profit of subsidiaries	637,662	655,999
Remeasurement of post-employment benefit obligations	(2,157)	(6,189)
Other	6,492	(14,580)
	641,997	635,230
Employee share option scheme: value of services received	1,169	623
Dividends paid	(354,014)	(321,235)
End of year	2,074,965	1,789,301

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21. 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 $2,074,965,000 of which $2,024,288,000 is for GraceKennedy Money Services Caribbean SRL. The non-controlling interest in respect of other subsidiaries is not material.

Summarised financial information on subsidiaries with material non-controlling interests.

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	GraceKennedy Money Services Caribbean SRL	
	2018	**2017**
	$'000	**$'000**
Current		
Assets	8,055,233	7,887,532
Liabilities	(2,025,849)	(2,570,355)
Total current net assets	6,029,384	5,317,177
Non-current		
Assets	3,933,974	2,180,296
Liabilities	(1,866,208)	(513,625)
Total non-current net assets	2,067,766	1,666,671
Net assets	8,097,150	6,983,848

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21. Non-Controlling Interests (Continued)

Summarised income statement

	GraceKennedy Money Services Caribbean SRL	
	2018	**2017**
	$'000	**$'000**
Revenue	7,685,985	7,845,866
Profit before income tax	3,120,858	3,112,588
Taxation expense	(598,654)	(519,190)
Profit after tax	2,522,204	2,593,398
Other comprehensive income	13,606	(80,057)
Total comprehensive income	2,535,810	2,513,341
Total comprehensive income allocated to non-controlling interest	633,953	628,335
Dividends paid to non-controlling interest	(354,014)	(319,435)

Summarised cash flows

	GraceKennedy Money Services Caribbean SRL	
	2018	**2017**
	$'000	**$'000**
Cash flows from operating activities		
Cash generated from operations	3,239,448	3,491,539
Interest paid	(3,558)	(1,398)
Income tax paid	(700,333)	(1,069,860)
Net cash generated from operating activities	2,535,557	2,420,281
Net cash used in investing activities	(1,633,773)	(1,380,408)
Net cash used in financing activities	(336,283)	(940,234)
Net increase in cash and cash equivalents	565,501	99,639
Cash and cash equivalents at the beginning of year	4,585,936	4,546,868
Exchange gains/(losses) on cash and cash equivalents	31,555	(60,571)
Cash and cash equivalents at end of year	5,182,992	4,585,936

The information above represents amounts before intercompany eliminations.

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22. Segment Information

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Group has 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

	2018					
	Food Trading	**Banking & Investments**	**Insurance**	**Money Services**	**Unallocated/ Elimination**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE						
External sales	77,106,135	5,772,300	6,980,311	7,685,985	-	97,544,731
Inter-segment sales	186,524	55,071	357,117	-	(598,712)	-
Total Revenue	77,292,659	5,827,371	7,337,428	7,685,985	(598,712)	97,544,731
Operating results	1,630,855	558,498	702,059	3,014,103	27,072	5,932,587
Unallocated income	-	-	-	-	693,937	693,937
Profit from operations	-	-	-	-	-	6,626,524
Finance income	21,433	37,402	18,441	36,801	313,424	427,501
Finance expense	(383,413)	(47,323)	-	(3,558)	(147,579)	(581,873)
Share of results of associates and joint ventures	340,802	202,674	(52,603)	-	-	490,873
Profit before taxation	1,609,677	751,251	667,897	3,047,346	886,854	6,963,025
Taxation						(1,319,448)
Net Profit						5,643,577
Operating assets	46,637,773	59,356,799	14,309,808	11,215,366	(4,694,018)	126,825,728
Investment in associates and joint ventures	1,731,250	1,026,061	197,397	10,133	-	2,964,841
Unallocated assets	-	-	-	-	5,444,831	5,444,831
Total assets	48,369,023	60,382,860	14,507,205	11,225,499	750,813	135,235,400
Operating liabilities	24,390,214	49,798,838	8,467,661	3,310,517	(4,656,868)	81,310,362
Unallocated liabilities	-	-	-	-	7,235,646	7,235,646
Total liabilities	24,390,214	49,798,838	8,467,661	3,310,517	2,578,778	88,546,008
Other segment items						
Additions to non-current assets [b]	1,413,642	112,233	193,113	1,773,387	-	3,492,375
Depreciation	(793,361)	(167,793)	(76,095)	(78,570)	-	(1,115,819)
Amortisation	(285,240)	(150,793)	(104,925)	(93,662)	-	(634,620)

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22. Segment Information (Continued)

Operating segments (continued)

	2017					
	Food Trading	**Banking & Investments**	**Insurance**	**Money Services**	**Unallocated/ Elimination**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE						
External sales	72,609,349	5,979,211	6,041,226	7,845,866	-	92,475,652
Inter-segment sales	182,131	70,223	384,626	-	(636,980)	-
Total Revenue	72,791,480	6,049,434	6,425,852	7,845,866	(636,980)	92,475,652
Operating results	1,671,493	587,631	549,461	3,153,897	28,473	5,990,955
Unallocated expense	-	-	-	-	(371,720)	(371,720)
Profit from operations	-	-	-	-	-	5,619,235
Finance income	19,048	53,834	19,431	22,136	263,763	378,212
Finance expense	(509,495)	(81,615)	(1,679)	(1,397)	(68,671)	(662,857)
Share of results of associates and joint ventures	369,984	115,520	(532)	-	-	484,972
Profit before taxation	1,551,030	675,370	566,681	3,174,636	(148,155)	5,819,562
Taxation						(1,047,462)
Net Profit						4,772,100
Operating assets	42,103,242	58,311,856	14,898,295	9,373,867	(4,440,850)	120,246,410
Investment in associates and joint ventures	933,140	854,947	-	10,133	-	1,798,220
Unallocated assets	-	-	-	-	7,944,010	7,944,010
Total assets	43,036,382	59,166,803	14,898,295	9,384,000	3,503,160	129,988,640
Operating liabilities	20,830,212	47,818,655	9,453,650	2,467,771	(4,520,531)	76,049,757
Unallocated liabilities	-	-	-	-	6,926,770	6,926,770
Total liabilities	20,830,212	47,818,655	9,453,650	2,467,771	2,406,239	82,976,527
Other segment items						
Additions to non-current assets [(b)]	1,089,445	264,036	381,754	1,271,342	-	3,006,577
Depreciation	(723,982)	(141,545)	(46,146)	(72,493)	-	(984,166)
Amortisation	(236,727)	(160,088)	(98,296)	(91,259)	-	(586,370)

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22. Segment Information (Continued)

Operating segments (continued)

The profit or loss, assets and liabilities for reportable segments are reconciled to the totals for profit or loss, assets and liabilities as follows:

	Profit before Taxation		Assets		Liabilities	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Total for reportable segments	6,076,171	5,967,717	134,484,587	126,485,480	85,967,230	80,570,288
Inter-segment eliminations	-	-	(4,694,018)	(4,440,850)	(4,656,868)	(4,520,531)
Unallocated amounts:						
Corporate central office results	1,323,467	538,032	-	-	-	-
Post-employment benefits	(332,207)	(629,227)	-	-	-	-
Share-based payments	(104,406)	(56,960)	-	-	-	-
Taxation recoverable	-	-	764,826	798,690	-	-
Deferred tax assets	-	-	1,410,080	836,477	-	-
Pension plan asset	-	-	3,269,925	6,308,843	-	-
Taxation	-	-	-	-	464,890	427,486
Deferred tax liabilities	-	-	-	-	687,069	1,369,294
Other post-employment obligations	-	-	-	-	6,083,687	5,129,990
Total unallocated	886,854	(148,155)	5,444,831	7,944,010	7,235,646	6,926,770
Total per financial statements	6,963,025	5,819,562	135,235,400	129,988,640	88,546,008	82,976,527

Geographical information

	Revenue [(a)]		Non-current Assets [(b)]	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Jamaica	51,777,307	47,656,940	16,708,997	12,994,276
United Kingdom	12,084,871	12,297,058	1,183,305	1,280,831
United States of America	18,674,249	18,123,196	3,040,011	2,961,132
Canada	6,126,392	5,899,908	54,918	61,414
Other Caribbean countries	6,940,647	6,672,710	1,305,830	1,232,355
Other European countries	1,752,896	1,565,325	-	-
Africa	29,046	125,223	-	-
Other countries	159,323	135,292	-	-
Total	97,544,731	92,475,652	22,293,061	18,530,008

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

(b) For the purposes of segment information, non-current assets exclude financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts, as well as discontinued operations.

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23. Revenues

Revenues can be disaggregated as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Timing of revenue recognition –				
Goods transferred at a point in time	77,106,135	72,609,349	18,957,924	17,623,999
Services transferred at a point in time	10,677,779	10,792,958	-	-
Services transferred over time	132,795	132,544	-	-
Revenue from insurance contracts	5,605,875	4,687,863	-	-
Interest revenue –				
Interest income on investments	1,018,298	1,198,332	-	-
Interest income on loans receivable	3,003,849	3,054,606	-	-
	97,544,731	92,475,652	18,957,924	17,623,999

24. Expense by Nature

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Auditors' remuneration	209,721	179,413	21,223	19,368
Advertising and marketing	2,711,918	2,748,920	1,087,806	1,013,069
Amortisation of intangibles	634,620	586,370	70,318	63,389
Commissions and other money services costs	1,827,300	1,772,962	-	-
Cost of inventory recognised as expense	54,116,666	50,430,582	14,479,386	13,310,172
Depreciation	1,115,819	984,166	71,000	71,313
Impairment losses on financial assets (net)	484,367	366,048	25,870	17,588
Information technology	1,056,551	996,115	393,493	457,741
Insurance	629,302	607,187	102,683	101,020
Interest expense and other financial services expenses	5,691,319	5,213,261	-	-
Legal, professional and other fees	4,214,664	3,639,848	825,751	573,564
Occupancy costs - Lease rental charges, utilities, etc.	3,402,879	3,265,280	596,477	605,355
Repairs and maintenance expenditure	754,671	714,627	40,203	41,001
Staff costs (Note 26)	13,828,705	13,795,418	3,735,514	3,583,723
Transportation	2,093,695	1,842,927	461,395	397,639
Other expenses	1,632,020	1,801,299	381,469	607,238
	94,404,217	88,944,423	22,292,588	20,862,180

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25. Other Income

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Dividend income	25,073	15,489	2,353,901	2,196,038
Net foreign exchange gains	833,343	282,776	248,237	16,817
Change in fair value of investment properties	10,000	34,000	-	-
Change in value of investments – fair value through profit or loss	135,228	(1,148)	-	-
Gain on acquisition of subsidiary (Note 38)	-	418,460	-	-
Gain on disposal of investments	1,069,837	45,699	-	10,531
Gain/(loss) on disposal of fixed assets	27,704	(8,200)	947	1,210
Fees and commissions	557,626	486,870	2,949,938	2,340,855
Interest income – available-for-sale securities	310,027	324,046	-	-
Rebates, reimbursements and recoveries	227,696	239,093	38,011	36,278
Rent	235,596	175,177	-	-
Miscellaneous	53,880	75,744	8,263	17,041
	3,486,010	2,088,006	5,599,297	4,618,770

26. Staff Costs

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Wages and salaries	9,988,619	9,743,090	2,602,219	2,335,102
Pension (Note 14)	79,506	174,000	79,506	174,000
Pension contributions to defined contribution scheme (Note 14)	330,859	293,859	65,683	60,073
Other post-employment benefits (Note 14)	461,749	621,224	207,097	271,952
Share-based payments	104,406	56,960	73,302	34,598
Statutory contributions	930,486	918,470	257,971	230,219
Other costs	1,933,080	1,987,815	449,736	477,779
	13,828,705	13,795,418	3,735,514	3,583,723

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27. Taxation

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current tax	1,542,417	1,323,159	37,113	12,991
Adjustment to prior year provision	(52,467)	(149,626)	-	-
Deferred tax (Note 13)	(170,502)	(126,071)	(48,161)	(167,735)
	1,319,448	1,047,462	(11,048)	(154,744)

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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Profit before tax	6,963,025	5,819,562	2,435,769	1,579,980
Tax calculated at a tax rate of 25%	1,740,756	1,454,891	608,942	394,995
Adjusted for the effects of:				
Different tax rates in other countries	26,933	68,857	-	-
Different tax rate of regulated Jamaican companies	361,696	276,446	-	-
Income not subject to tax	(525,230)	(296,163)	(637,315)	(582,440)
Expenses not deductible for tax purposes	318,953	230,385	17,325	33,432
Adjustment to prior year provision	(52,467)	(149,626)	-	-
Share of profits of associates and joint ventures included net of tax	(122,718)	(121,243)	-	-
Urban renewal tax credit	(427,697)	(416,449)	-	-
Other	(778)	364	-	(731)
Tax expense/(credit)	1,319,448	1,047,462	(11,048)	(154,744)

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27. Taxation (Continued)

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

	Group					
	2018			2017		
	Before tax	Tax charge	After tax	Before tax	Tax (charge)/ credit	After tax
	$'000	$'000	$'000	$'000	$'000	$'000
Items that will not be reclassified to profit or loss:						
Revaluation surplus	899,329	(214,691)	684,638	2,500	20,527	23,027
Fair value gains	156,268	(52,667)	103,601	-	-	-
Remeasurements of post-employment benefit obligations	(3,660,408)	925,771	(2,734,637)	72,015	(13,081)	58,934
Share of other comprehensive income of associates and joint ventures	30,249	-	30,249	3,436	-	3,436
	(2,574,562)	658,413	(1,916,149)	77,951	7,446	85,397
Items that may be subsequently reclassified to profit or loss:						
Foreign currency translation adjustments	(1,180,883)	-	(1,180,883)	(201,407)	-	(201,407)
Fair value (losses)/gains	(402,511)	122,562	(279,949)	321,921	(71,244)	250,677
Share of other comprehensive income of associates and joint ventures	15,373	-	15,373	(22,903)	-	(22,903)
	(1,568,021)	122,562	(1,445,459)	97,611	(71,244)	26,367
Other comprehensive income	(4,142,583)	780,975	(3,361,608)	175,562	(63,798)	111,764
Deferred tax (Note 13)	-	780,975	-	-	(63,798)	-

	Company					
	2018			2017		
	Before tax	Tax charge	After tax	Before tax	Tax credit/ (charge)	After tax
	$'000	$'000	$'000	$'000	$'000	$'000
Items that will not be reclassified to profit or loss:						
Revaluation surplus	7,412	(2,613)	4,799	-	-	-
Fair value losses	(6,932)	1,733	(5,199)	-	-	-
Remeasurements of post-employment benefit obligations	(3,354,775)	838,694	(2,516,081)	222,186	(55,547)	166,639
	(3,354,295)	837,814	(2,516,481)	222,186	(55,547)	166,639
Items that may be subsequently reclassified to profit or loss:						
Fair value gains	-	-	-	56,372	(14,093)	42,279
	-	-	-	56,372	(14,093)	42,279
Other comprehensive income	(3,354,295)	837,814	(2,516,481)	278,558	(69,640)	208,918
Deferred tax (Note 13)	-	837,814	-	-	(69,640)	-

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28. Net Profit Attributable to the Owners of GraceKennedy Limited

Dealt with as follows in the financial statements of:

	2018 $'000	2017 $'000
The company	2,446,817	1,734,724
Intra-group dividends, gain on disposal of subsidiaries within the Group and other eliminations on consolidation	(2,352,957)	(2,198,630)
Adjusted company profit/(loss)	93,860	(463,906)
The subsidiaries	4,421,182	4,095,035
The associates and joint ventures	490,873	484,972
	5,005,915	4,116,101

29. Dividends

	2018 $'000	2017 $'000
Paid,		
Interim – 40 cents per stock unit (2017 : 30 cents)	397,117	297,804
Interim – 45 cents per stock unit (2017 : 38 cents)	446,668	377,111
Final – 50 cents per stock unit (2017 : 45 cents)	495,998	446,604
	1,339,783	1,121,519

30. Earnings Per Stock Unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to owners by the weighted average number of ordinary stock units outstanding during the year.

	2018	2017
Net profit attributable to owners ($'000)	5,005,915	4,116,101
Weighted average number of stock units outstanding ('000)	991,865	992,654
Basic earnings per stock unit ($)	5.05	4.15

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) 2,493,000 (2017: 2,079,000) ordinary stock units for the full year in respect of stock options for directors.

(b) 3,633,000 (2017: 2,616,000) ordinary stock units for the full year in respect of the stock options for managers.

	2018	2017
Net profit attributable to owners ($'000)	5,005,915	4,116,101
Weighted average number of stock units outstanding ('000)	991,865	992,654
Adjustment for share options ('000)	1,602	964
	993,467	993,618
Diluted earnings per stock unit ($)	5.04	4.14

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31. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

		Group		Company	
		2018	**2017**	**2018**	**2017**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Net profit		5,643,577	4,772,100	2,446,817	1,734,724
Items not affecting cash:					
Depreciation	12	1,115,819	984,166	71,000	71,313
Amortisation	11	634,620	586,370	70,318	63,389
Change in value of investment properties		(10,000)	(34,000)	-	-
Change in value of investments		(135,228)	1,148	-	-
(Gain)/loss on disposal of fixed assets		(27,704)	8,200	(947)	(1,210)
Gain on disposal of investments		(1,069,837)	(45,699)	-	(10,531)
Gain on acquisition of subsidiary		-	(418,460)	-	-
Share-based payments	17	104,406	56,960	73,302	34,598
Exchange (gain)/loss on foreign balances		(210,951)	189,174	60,562	72,207
Interest income – non financial services		(427,501)	(378,212)	(504,893)	(541,547)
Interest income – financial services		(4,332,173)	(4,576,984)	-	-
Interest expense – non financial services		581,873	662,857	333,757	342,156
Interest expense – financial services		781,454	1,025,627	-	-
Taxation expense	27	1,319,448	1,047,462	(11,048)	(154,744)
Unremitted equity income in associates and joint ventures		(197,225)	(146,490)	-	-
Pension plan surplus		78,979	173,014	78,979	173,014
Other post-employment obligations		253,228	456,213	62,223	162,579
		4,102,785	4,363,446	2,680,070	1,945,948
Changes in working capital components:					
Inventories		(1,530,921)	452,306	(497,717)	168,509
Receivables		546,885	(1,858,404)	(528,674)	(83,080)
Loans receivable, net		654,147	(1,787,965)	-	-
Payables		847,465	1,763,059	998,656	(35,051)
Deposits		558,099	3,271,821	-	-
Securities sold under repurchase agreements		3,342,339	(8,388,536)	-	-
Subsidiaries		-	-	(1,180,214)	36,051
Total provided by/(used in) operating activities		8,520,799	(2,184,273)	1,472,121	2,032,377

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31. Cash Flows from Operating Activities (Continued)

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Cash provided by/(used in) operating activities	8,520,799	(2,184,273)	1,472,121	2,032,377
Interest received – financial services	4,404,330	4,555,353	-	-
Interest paid – financial services	(818,882)	(1,058,846)	-	-
Translation losses	(1,242,828)	(113,163)	-	-
Taxation paid	(1,418,683)	(1,692,831)	(61,894)	(53,073)
Net cash provided by/(used in) operating activities	9,444,736	(493,760)	1,410,227	1,979,304

Reconciliation of movements of liabilities to cash flows arising from financing activities:

Amounts represent bank and other loans, excluding bank overdrafts

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	13,833,665	11,276,191	4,022,443	3,391,830
Loans received	7,612,456	5,284,480	3,061,883	1,805,086
Loans repaid	(7,558,098)	(2,568,620)	(2,629,854)	(1,108,119)
Foreign exchange adjustments	104,937	(124,254)	126,788	(59,522)
Net interest movements	(10,248)	(34,132)	11,690	(6,832)
At 31 December	13,982,712	13,833,665	4,592,950	4,022,443

32. Commitments

(a) Future lease payments under operating leases at 31 December 2018 were as follows:

		$'000
In financial year	2019	1,366,102
	2020	1,080,861
	2021	944,297
	2022	722,364
	2023	566,589
	2024 and beyond	1,517,061

(b) At 31 December 2018, the Group had $452,651,000 (2017: $2,126,181,000) in authorised capital expenditure for which it had established contracts.

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33. Contingent Liabilities

(a) By letter dated 17 May 2018, the Guyana Revenue Authority (GRA) indicated that GraceKennedy Remittance Services Guyana ('GKRS') was "incorrectly" classified as a non-commercial company rather than a commercial company. Based on this, the GRA asserted that GKRS had wrongly paid corporation taxes at the lower non-commercial company rate. GKRS' tax liability was assessed by the GRA to be the equivalent of J$228,254,000, excluding penalties and interest if applicable. GKRS lodged objections to the GRA's assessment on the basis that the GRA wrongly assessed GKRS as a commercial company and that GKRS had filed (and the GRA had accepted), returns for a period of over 20 years as a non-commercial company. By letter dated 26 September 2018, received on 4 October 2018, the GRA indicated that it would maintain its assessments despite the objection.

GKRS instructed counsel to file an appeal to a Judge in Chambers in the matter. The appeal was filed on 26 October 2018 and defence in response filed by the GRA on 21 December 2018. Written Submissions were also filed by both parties thereafter. Both parties are expected to make oral submissions before the Judge in chambers by the end of March 2019, providing any clarification on the written submissions filed, subsequent to which the judge will deliver a decision.

GKRS is confident that it has a strong basis of appeal having regard to counsel's advice, that the requirement to pay taxes as a commercial company, as set out in the Corporation Tax Act of Guyana, does not apply because the company does not satisfy the criterion for this classification. Based on this, no amounts have been provided for in these financial statements in respect of this matter.

(b) On 27 December 2018, the company established a Standby Letter of Credit (SBLC) for the equivalent of J$190,207,000 in favour of the lessors for a new warehouse to be utilised by a Food Trading subsidiary. The facility is priced at 2% per annum and expires after 1 year. It is expected to be renewed for a further 12 months.

(c) Various companies in the Group are involved in certain legal proceedings incidental to the normal conduct of business. The management of these companies believes that none of these proceedings, individually or in aggregate, will have a material effect on the Group.

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34. Related Party Transactions and Balances

The following transactions were carried out with related parties:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
(a) Sales of goods and services				
Sales of goods	2,104	2,610	460,952	418,210
Sales of services	82,976	91,443	2,689,342	2,166,356
(b) Purchase of goods and services				
Purchases of goods	4,096,454	3,094,559	7,894,680	7,076,255
Purchases of services	-	-	563,539	472,557
(c) Interest				
Interest income	1,369	1,670	126,759	180,219
Interest expense	16,173	25,273	86,741	93,685

Dividends received by the company from subsidiaries and associates were $2,102,957,000 (2017: $1,893,369,000) and $250,000,000 (2017: $300,000,000) 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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Salaries and other short-term employee benefits	411,074	371,093	284,976	240,645
Fees paid to directors	35,976	35,204	28,799	29,057
Post-employment benefits	(28,052)	(4,550)	(33,536)	(13,851)
Share-based payments	68,963	37,742	59,486	27,604
	487,961	439,489	339,725	283,455

The following amounts are in respect of directors' emoluments:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Fees	35,976	35,204	28,799	29,057
Management remuneration	132,100	135,774	132,100	135,774
Consultancy services	9,019	-	9,019	-
Post-employment benefits paid	16,074	37,208	3,020	7,262
	193,169	208,186	172,938	172,093

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34. Related Party Transactions and Balances (Continued)

(d) Transactions with key management (continued)

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Sale of goods and services –				
Sales of goods	1,180	1,153	861	1,153
Sales of services	2,364	2,583	-	-
Purchase of goods and services –				
Purchase of services	4,095	-	4,095	-
Interest earned and incurred –				
Interest income	1,148	1,513	-	-
Interest expense	4,001	8,740	-	-

Transactions with companies controlled by directors and other key management personnel

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Sale of goods and services –				
Sales of services	298	557	-	-

(e) Year-end balances with related parties

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Cash and deposits with subsidiaries	-	-	1,081,416	262,812
Investment securities with subsidiaries	-	-	86,159	227,035
Receivable from subsidiaries	-	-	1,867,140	1,063,372
Receivable from associates and joint ventures (Note 7)	29,591	14,122	17,465	3,168
Loans receivable from subsidiaries (Note 9)	-	-	1,336,805	3,238,328
Payable to subsidiaries	-	-	3,027,509	3,403,955
Payable to associates and joint ventures (Note 16)	429,556	246,867	201,742	143,778
Loans & leases payable to subsidiaries	-	-	249,243	245,073
Deposits payable to associates and joint ventures	493,982	538,500	-	-

(f) Loans to related parties

Loans receivable from subsidiaries are repayable in the years 2019 - 2025 and bear interest at 4.0% - 8.0% (2017: 0% - 9.5%). No provision was required in 2018 and 2017 for loans made to subsidiaries.

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34. Related Party Transactions and Balances (Continued)

(f) Loans to related parties (continued)

	Company	
	2018	**2017**
	$'000	**$'000**
Loans to subsidiaries:		
At 1 January	3,238,328	3,012,013
Loans advanced during the year	698,199	970,000
Loan repayments received	(2,671,547)	(718,285)
Exchange differences	113,765	(57,744)
Interest charged	46,312	143,451
Interest received	(88,252)	(111,107)
At 31 December	1,336,805	3,238,328

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

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Receivables	357	633	58	183
Loans receivable	73,869	75,818	52,833	59,114
Deposits payable	226,327	300,958	-	-

(h) Loans to directors and other key management

The loans receivable attract interest at rates ranging between 0% - 10.5% (2017: 0% - 10.5%) and are repayable in the years 2021 - 2025. These loans are secured and are made on terms similar to those offered to other employees. No provision was required in 2018 and 2017 for the loans made to directors and senior managers.

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Loans to directors and other key management:				
At 1 January	75,818	115,235	59,114	99,637
Loans advanced during the year	28,723	4,170	4,781	-
Loan repayments received	(30,760)	(43,051)	(11,062)	(40,523)
Exchange differences	-	(536)	-	-
Interest charged	1,148	1,513	-	-
Interest received	(1,060)	(1,513)	-	-
At 31 December	73,869	75,818	52,833	59,114

(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 2,493,000 (2017: 2,079,000).

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35. Fair Values Estimation

Financial Instruments

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

The following tables provide an analysis of the Group's and company's financial instruments held as at 31 December that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair values are observable, as follows:

- Level 1 includes those instruments which are measured based on quoted prices in active markets for identical assets or liabilities.
- Level 2 includes those instruments which are measured using inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 includes those instruments which are measured using valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

	Group			
	2018			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through other comprehensive income:				
Quoted equities	577,070	-	-	577,070
Government of Jamaica securities	-	5,589,468	-	5,589,468
Foreign governments	-	430,355	-	430,355
Other	-	424	-	424
Financial assets at fair value through profit or loss:				
Quoted equities	463,211	-	-	463,211
Total Assets	1,040,281	6,020,247	-	7,060,528

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35. Fair Values Estimation (Continued)

Financial Instruments (continued)

	Group			
	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Assets				
Available-for-sale securities:				
Quoted equities	579,692	-	-	579,692
Bank of Jamaica	-	9,912,692	-	9,912,692
Government of Jamaica securities	-	12,944,286	-	12,944,286
Foreign governments	-	885,415	-	885,415
Corporate bonds	-	9,472,499	-	9,472,499
Other debt securities	-	2,954,634	-	2,954,634
Other	-	5,779	-	5,779
Financial assets at fair value through profit or loss:				
Quoted equities	25,344	-	-	25,344
Total Assets	605,036	36,175,305	-	36,780,341

	Company			
	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Assets				
Financial assets at fair value through other comprehensive income:				
Quoted equities	41,570	-	-	41,570
Total Assets	41,570	-	-	41,570

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35. Fair Values Estimation (Continued)

Financial Instruments (continued)

	Company			
	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Assets				
Available-for-sale securities:				
Quoted equities	48,502	-	-	48,502
Government of Jamaica securities	-	2,995,852	-	2,995,852
Corporate bonds	-	1,954,336	-	1,954,336
Other debt securities	-	1,514,573	-	1,514,573
Other	-	335	-	335
Total Assets	48,502	6,465,096	-	6,513,598

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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35. Fair Values Estimation (Continued)

Financial Instruments (continued)

Note that all of the resulting fair value estimates are included in level 2 except for certain corporate bonds as explained below.

The following table presents the changes in level 3 instruments for the years ended 31 December.

	Group	
	2018	2017
	$'000	$'000
At beginning of year	-	969
Disposals	-	(969)
At end of year	-	-

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 18). 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 $6,417,246,000 (2017: $5,741,334,000) and $82,000,000 (2017: $72,576,000) for the Group and company respectively. Included in Group's land and buildings is the Distribution Centre with a carrying value of $3,822,000,000 (2017: $3,207,522,000).

The carrying value of investment properties classified as level 3 is $628,000,000 (2017: $618,000,000).

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
		2018			2017	
	$'000	$'000	$'000	$'000	$'000	$'000
At beginning of year	3,207,522	2,533,812	5,741,334	3,285,000	2,559,749	5,844,749
Additions and transfers in	48,598	61,764	110,362	4,806	26,628	31,434
Revaluation adjustment	648,879	250,450	899,329	-	2,500	2,500
Disposals and transfers out	-	(242,244)	(242,244)	-	-	-
Depreciation	(82,999)	(27,791)	(110,790)	(82,284)	(27,274)	(109,558)
Translation adjustment	-	19,255	19,255	-	(27,791)	(27,791)
At end of year	3,822,000	2,595,246	6,417,246	3,207,522	2,533,812	5,741,334

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

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35. Fair Values Estimation (Continued)

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

A reconciliation of the opening and closing balances for the company's land and buildings and the Group's investment properties are disclosed in Notes 12 and 37 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 2018 $'000**	**Fair value at 31 December 2017 $'000**	**Valuation technique(s)**	**Unobservable inputs**	**Range of unobservable inputs**	**Relationship of unobservable inputs**
Distribution centre	3,822,000	3,207,522	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	2018: 10% - 12% 2017: 10% - 12%	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	2018: 10% - 12% 2017: 10% - 12%	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
	3,822,000	3,207,522				

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36. Financial Instruments by Category

	Group			
	Assets at amortised cost $'000	**Assets at fair value through profit or loss $'000**	**Assets at fair value through other comprehensive income $'000**	**Total $'000**
As at 31 December 2018:				
Cash and deposits	14,824,799	-	-	14,824,799
Investment securities and pledged assets	31,132,140	463,211	6,597,317	38,192,668
Loans receivable	26,469,557	-	-	26,469,557
Trade and other receivables	12,190,272	-	-	12,190,272
Total financial assets	84,616,768	463,211	6,597,317	91,677,296

	Group			
	Loans and receivables $'000	**Assets at fair value through profit or loss $'000**	**Available for for sale $'000**	**Total $'000**
As at 31 December 2017:				
Cash and deposits	12,084,245	-	-	12,084,245
Investment securities and pledged assets	-	25,344	36,754,997	36,780,341
Loans receivable	27,548,329	-	-	27,548,329
Trade and other receivables	13,789,630	-	-	13,789,630
Total financial assets	53,422,204	25,344	36,754,997	90,202,545

	Group
	Other financial liabilities at amortised cost $'000
As at 31 December 2018:	
Deposits	34,371,026
Securities sold under agreements to repurchase	7,208,337
Bank and other loans	16,529,313
Trade and other payables	19,985,250
Total financial liabilities	78,093,926

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36. Financial Instruments by Category (Continued)

	Group
	Other financial liabilities at amortised cost
	$'000
As at 31 December 2017:	
Deposits	33,530,523
Securities sold under agreements to repurchase	3,792,720
Bank and other loans	16,515,615
Trade and other payables	19,366,495
Total financial liabilities	73,205,353

	Company		
	Assets at amortised cost	**Assets at fair value through other comprehensive income**	**Total**
	$'000	**$'000**	**$'000**
As at 31 December 2018:			
Cash and deposits	3,960,985	-	3,960,985
Investment securities and pledged assets	5,705,912	41,570	5,747,482
Loans receivable	1,434,966	-	1,434,966
Trade and other receivables	1,583,879	-	1,583,879
Subsidiaries	1,867,140	-	1,867,140
Total financial assets	14,552,882	41,570	14,594,452

	Company		
	Loans and receivables	**Available for for sale**	**Total**
	$'000	**$'000**	**$'000**
As at 31 December 2017:			
Cash and deposits	1,944,451	-	1,944,451
Investment securities and pledged assets	-	6,513,598	6,513,598
Loans receivable	3,359,306	-	3,359,306
Trade and other receivables	1,360,633	-	1,360,633
Subsidiaries	1,063,372	-	1,063,372
Total financial assets	7,727,762	6,513,598	14,241,360

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36. Financial Instruments by Category (Continued)

	Company
	Other financial liabilities at amortised cost
	$'000
As at 31 December 2018:	
Bank and other loans	6,114,341
Trade and other payables	3,558,129
Subsidiaries	3,027,509
Total financial liabilities	12,699,979

	Company
	Other financial liabilities at amortised cost
	$'000
As at 31 December 2017:	
Bank and other loans	4,053,268
Trade and other payables	2,544,670
Subsidiaries	3,403,955
Total financial liabilities	10,001,893

37. Investment Properties

	Group	
	2018	**2017**
	$'000	**$'000**
At 1 January	618,000	584,000
Change in fair value	10,000	34,000
At 31 December	628,000	618,000

The following amounts have been recognised in the income statement:

	Group	
	2018	**2017**
	$'000	**$'000**
Rental income arising from investment properties	40,176	26,086
Direct operating expenses arising from investment properties	10,718	9,690

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

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38. Business Combinations

In the prior year, the Group acquired 100% of the share capital of Consumer Brands Limited (CBL), a distributor of recognised international and local third party branded household products in Jamaica. The acquisition has expanded the range of branded products that the Group distributes in Jamaica and complements the Group's expertise in managing top tier brands and deep distribution channels.

The following table summarises the purchase consideration, net assets acquired and gain on acquisition:

	31 August 2017 $'000
Purchase consideration:	
Cash paid on date of acquisition	496,330
Cash paid subsequent to acquisition in relation to completion	228,181
Cash paid subsequent to acquisition in relation to contingent consideration	275,049
Balance due on contingent consideration	108,610
Total purchase consideration	1,108,170
Fair value of net assets acquired	1,526,630
Gain on acquisition of subsidiary (Note 25)	(418,460)
Purchase consideration settled in cash	496,330
Cash and cash equivalents in business acquired	(357,590)
Cash outflow on acquisition	138,740
Purchase consideration settled in cash	999,560
Cash and cash equivalents in business acquired	(357,590)
Cash outflow at end of prior year	641,970

Contingent consideration

From the date of acquisition, on the retention of certain supplier relationships over the next two years, further consideration up to an amount of $108,610,000 is payable in cash with 50% being payable on 31 August 2018 and the remaining amount on 31 August 2019.

The following table summarises the change in contingent consideration:

	$'000
Balance at 1 January 2018	108,610
Payment during the year	(54,331)
Balance at 31 December 2018	54,279

39. Subsequent Event

On 28 February 2019, the Board of Directors approved an interim dividend in respect of 2019 of 35 cents per ordinary stock unit. The dividend is payable on 4 April 2019 to shareholders on record as at 15 March 2019.

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40. Adoption of New Accounting Standards

New accounting standards have been applied from 1 January 2018 and the financial statements of the Group have been restated as of that date to reflect the effect of the adoption of IFRS 9 'Financial instruments' and IFRS 15 "Revenue from contracts with customers'.

As noted in the accounting policies for the new standards, the transition provisions applied by the Group do not require comparative figures to be restated. The total impact of adoption is therefore recognised in the opening statement of financial position on 1 January 2018 as shown in Tables 1a and 1b below for the Group and company respectively.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have either not been included or are shown in aggregate. The adjustments are explained in more detail by standard below.

Table 1a - Impact on statement of financial position as at 1 January 2018:

	Group			
	December 31 2017 As originally presented	**Effects of IFRS 9**	**Effects of IFRS 15**	**January 1 2018 As restated**
	$'000	**$'000**	**$'000**	**$'000**
Assets				
Investment securities and pledged assets	36,780,341	(553,921)	-	36,226,420
Receivables	15,848,567	(75,260)	-	15,773,307
Loans receivable	27,548,329	(441,683)	-	27,106,646
Investments in associates	1,798,220	(47,732)	-	1,750,488
Deferred tax assets	836,477	208,980	-	1,045,457
Other assets unaffected by adoption of new standards	47,176,706	-	-	47,176,706
Total Assets	129,988,640	(909,616)	-	129,079,024
Liabilities				
Payables	22,210,899	-	143,322	22,354,221
Deferred tax liabilities	1,369,294	(94,810)	-	1,274,484
Other liabilities unaffected by adoption of new standards	59,396,334	-	-	59,396,334
Total Liabilities	82,976,527	(94,810)	143,322	83,025,039
EQUITY				
Capital & reserves attributable to the company's owners				
Capital and fair value reserves	6,089,245	(605,449)	-	5,483,796
Retained earnings	32,120,056	(205,869)	(143,322)	31,770,865
Share capital, banking and other reserves	7,013,511	-	-	7,013,511
	45,222,812	(811,318)	(143,322)	44,268,172
Non-Controlling Interests	1,789,301	(3,488)	-	1,785,813
Total Equity	47,012,113	(814,806)	(143,322)	46,053,985
Total Equity and Liabilities	129,988,640	(909,616)	-	129,079,024

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40. Adoption of New Accounting Standards (Continued)

Table 1b - Impact on statement of financial position as at 1 January 2018:

	Company		
	December 31 2017 As originally presented	**Effects of IFRS 9**	**January 1 2018 As restated**
	$'000	**$'000**	**$'000**
Assets			
Investment securities	6,513,598	(352,913)	6,160,685
Receivables	1,434,445	(9,243)	1,425,202
Other assets unaffected by adoption of new standards	31,756,800	-	31,756,800
Total Assets	39,704,843	(362,156)	39,342,687
Liabilities			
Deferred tax liabilities	882,998	(90,539)	792,459
Other liabilities unaffected by adoption of new standards	12,445,336	-	12,445,336
Total Liabilities	13,328,334	(90,539)	13,237,795
EQUITY			
Capital & reserves attributable to the company's owners			
Capital and fair value reserves	404,977	(228,369)	176,608
Retained earnings	25,365,279	(43,248)	25,322,031
Share capital and other reserves	606,253	-	606,253
Total Equity	26,376,509	(271,617)	26,104,892
Total Equity and Liabilities	39,704,843	(362,156)	39,342,687

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40. Adoption of New Accounting Standards (Continued)

Table 2a - Impact on equity components as at 1 January 2018:

	Group		
	Capital and Fair Value Reserves	**Retained Earnings**	**Non-Controlling Interests**
	$'000	**$'000**	**$'000**
Closing equity components 31 December 2017 – IAS 39/IAS 18	6,089,245	32,120,056	1,789,301
IFRS 9 Impact			
Increase in provision for loans receivable	-	(441,683)	-
Increase in provision for trade receivables and other receivables	-	(72,466)	(2,794)
Increase in provision for debt investments at amortised cost	-	(181,883)	(380)
Increase in provision for debt investments at FVOCI	90,545	(90,545)	-
Increase in deferred tax assets relating to impairment provisions	-	220,787	-
Share of associates increase in impairment provision	-	(47,732)	-
Reclassify investments from AFS to FVPL	(20,194)	20,194	-
Reclassify investments from AFS to amortised cost	(371,344)	-	(314)
Decrease in deferred tax liabilities relating to reclassification of investments from AFS to amortised cost	83,003	-	-
Transfer from loan loss reserve	(387,459)	387,459	-
	(605,449)	(205,869)	(3,488)
IFRS 15 Impact			
Recognition of liability for customer loyalty programme	-	(98,289)	-
Recognition of contract liability for commission and fee income earned over time	-	(45,033)	-
	-	(143,322)	-
Adjustment to equity from adoption of IFRS 9 and IFRS 15 on 1 January 2018	(605,449)	(349,191)	(3,488)
Opening equity components 1 January 2018 – IFRS 9 and IFRS 15	5,483,796	31,770,865	1,785,813

Table 2b - Effect on equity components as at 1 January 2018:

	Company	
	Capital and Fair Value Reserves	**Retained Earnings**
	$'000	**$'000**
Closing equity components 31 December 2017 – IAS 39/IAS 18	404,977	25,365,279
IFRS 9 Impact		
Increase in provision for trade receivables and other receivables	-	(9,243)
Increase in provision for debt investments at amortised cost	-	(48,421)
Increase in deferred tax assets relating to impairment provisions	-	14,416
Reclassify investments from AFS to amortised cost	(304,492)	-
Decrease in deferred tax liabilities relating to reclassification of investments from AFS to amortised cost	76,123	-
Adjustment to equity from adoption of IFRS 9 on 1 January 2018	(228,369)	(43,248)
Opening equity components 1 January 2018 – IFRS 9 and IFRS 15	176,608	25,322,031

GraceKennedy Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

40. Adoption of New Accounting Standards (Continued)

(i) IFRS 9 'Financial Instruments' – impact of adoption

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

		Group				
		AFS	**Amortised Cost**	**FVOCI**	**FVPL**	**Total**
Financial assets – 1 January 2018	Note	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Closing balance 31 December 2017 – IAS 39		36,754,997	-	-	25,344	36,780,341
Reclassify debt instruments from AFS to amortised cost	(a)	(29,369,416)	28,815,495	-	-	(553,921)
Reclassify debt instruments from AFS to FVOCI	(b)	(6,832,951)	-	6,832,951	-	-
Reclassify equity instruments from AFS to FVOCI	(c)	(426,580)	-	426,580	-	-
Reclassify equity instruments from AFS to FVPL	(d)	(126,050)	-	-	126,050	-
Opening balance 1 January 2018 – IFRS 9		-	28,815,495	7,259,531	151,394	36,226,420

		Company				
		AFS	**Amortised Cost**	**FVOCI**	**FVPL**	**Total**
Financial assets – 1 January 2018	Note	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Closing balance 31 December 2017 – IAS 39		6,513,598	-	-	-	6,513,598
Reclassify debt instruments from AFS to amortised cost	(a)	(6,464,761)	6,111,848	-	-	(352,913)
Reclassify equity instruments from AFS to FVOCI	(c)	(48,837)	-	48,837	-	-
Opening balance 1 January 2018 – IFRS 9		-	6,111,848	48,837	-	6,160,685

The Group's investments securities that were previously classified as AFS have now been reclassified to amortised cost, FVOCI or FVPL.

(a) Certain debt instruments were reclassified from AFS to amortised cost as the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest. Fair value gains or losses previously recognised in OCI have been reversed. Impairment losses were recognised directly against the asset.

(b) Certain debt instruments were reclassified from AFS to FVOCI, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest.

(c) The Group elected to present in OCI changes in the fair value of some of its equity investments previously classified as AFS because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term.

(d) For other equity investments, where the Group has the intention to periodically sell, these investments were reclassified from AFS to FVPL. The associated fair value gains and losses previously recognised in OCI have been reclassified to opening retained earnings.

(e) Equity instruments that are held for trading are required to be held as FVPL under IFRS 9. The classification for investments already held by the Group under this business model is unchanged.

(f) There was no impact on the amounts recognised in relation to the financial assets described in items (b) to (e) from the adoption of IFRS 9.

GraceKennedy Limited

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40. Adoption of New Accounting Standards (Continued)

Reclassifications of financial instruments on adoption of IFRS 9

On 1 January 2018 (the date of initial application of IFRS 9), the financial instruments of the Group were as follows, with any reclassifications noted:

	Group				
	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original $'000	New $'000	Change $'000
Cash and deposits	Amortised Cost	Amortised Cost	12,084,245	12,084,245	-
Investment securities - debt	AFS	Amortised Cost	29,369,416	28,815,495	(553,921)
Investment securities - debt	AFS	FVOCI	6,832,951	6,832,951	-
Investment securities - equity	AFS	FVOCI	426,580	426,580	-
Investment securities - equity	AFS	FVPL	126,050	126,050	-
Investment securities - equity	FVPL	FVPL	25,344	25,344	-
Trade and other receivables	Amortised Cost	Amortised Cost	13,789,630	13,714,370	(75,260)
Loans receivable	Amortised Cost	Amortised Cost	27,548,329	27,106,646	(441,683)

	Company				
	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original $'000	New $'000	Change $'000
Cash and deposits	Amortised Cost	Amortised Cost	1,944,451	1,944,451	-
Investment securities - debt	AFS	Amortised Cost	6,464,761	6,111,848	(352,913)
Investment securities - equity	AFS	FVOCI	48,837	48,837	-
Trade and other receivables	Amortised Cost	Amortised Cost	1,360,633	1,351,390	(9,243)
Subsidiaries	Amortised Cost	Amortised Cost	1,063,372	1,063,372	-
Loans receivable	Amortised Cost	Amortised Cost	3,359,306	3,359,306	-

<u>Impairment of financial assets</u>

The Group has four types of financial assets that are subject to the new expected credit loss model under IFRS 9:

- Loans receivable
- Receivables
- Debt instruments carried at amortised cost
- Debt instruments carried at FVOCI

The Group revised its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's and company's retained earnings is disclosed in Tables 2a and 2b above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

GraceKennedy Limited

Notes to the Financial Statements

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

40. Adoption of New Accounting Standards (Continued)

(ii) IFRS 15 – impact of adoption

The Group's adoption of IFRS 15 resulted in adjustments to the amounts recognised in the financial statements. The adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 January 2018) and are shown in Table 1a above.

The impact on the Group's retained earnings as at 1 January 2018 is shown in Table 2a above.

Below is an outline of the items affecting the opening retained earnings:

Customer loyalty programme

The Group has concluded that it acts as an agent in the customer loyalty programme. Revenue which was previously deferred is now recognised at the point of sale and the related breakage has been reversed. A liability was established for amounts payable to third parties with primary responsibility for satisfying the performance obligation in respect of the awards.

Income earned over time

The Group recognised contract liabilities in respect of contracts with customers in the insurance brokerage and banking industries, for which consideration was received or due before the Group transferred the service to the customer. This resulted in revenue deferral of $22,326,000 and $22,707,000 in relation to Insurance Commissions and Credit Card Fees respectively.

As a result of applying IFRS 15 in the current reporting period ended 31 December 2018, line items in the income statement were affected as follows:

	Group		
	Revenue from products and services $'000	Direct and operating expenses $'000	Net impact of IFRS 15 on profit or loss $'000
Components of the income statement for the 12 months ended 31 December 2018 – IAS 18*	93,822,059	(94,185,712)	
Effects of adopting IFRS 15			
Reclassification of return of goods, discounts and loyalty reward points from expenses to revenue	(265,862)	265,862	-
Provision for discounts available to customers and expected returns	(23,929)	-	(23,929)
Net impact on contract liabilities from the recognition of commission and fee income earned over time	(9,684)	-	(9,684)
Net impact of IFRS 15 on profit or loss	(299,475)	265,862	(33,613)
Components of the income statement for the 12 months ended 31 December 2018 – IFRS 15	93,522,584	(93,919,850)	(33,613)

	Company		
	Revenue $'000	Cost of goods sold $'000	Net impact of IFRS 15 on profit or loss $'000
Components of the income statement for the 12 months ended 31 December 2018 – IAS 18*	19,056,273	(15,076,538)	
Effects of adopting IFRS 15			
Reclassification of return of goods and discounts	(88,008)	88,008	-
Provision for discounts available to customers and expected returns	(10,341)	-	(10,341)
Net impact of IFRS 15 on profit or loss	(98,349)	88,008	(10,341)
Components of the income statement for the 12 months ended 31 December 2018 – IFRS 15	18,957,924	(14,988,530)	(10,341)

* after accounting for the effects of IFRS 9

GraceKennedy GROUP

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, 29 May 2019 at 2:00 p.m. at GraceKennedy Headquarters, 42-56 Harbour Street, Kingston, Jamaica** and at any adjournment thereof.

	For	Against
Resolution 1		
Resolution 2		
Resolution 3		
Resolution 3-b		
Resolution 3-c		
Resolution 3-d		
Resolution 3-e		
Resolution 4		
Resolution 5		

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

Dated this .... day of 2019

....
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.

GraceKennedy GROUP

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