GraceKennedy
GROUP

THE SPIRIT OF JAMAICA INSPIRING THE WORLD • THE SPIRIT OF JAMAICA INSPIRING THE WORLD • THE SPIRIT OF JAMAICA INSPIRING THE WORLD

THE CARIBBEAN • THE UNITED STATES OF AMERICA • THE CARIBBEAN • THE UNITED STATES OF AMERICA • CANADA • THE UNITED KINGDOM •

ANNUAL REPORT 2019

THE SPIRIT OF JAMAICA INSPIRING THE WORLD

THE SPIRIT OF JAMAICA INSPIRING THE WORLD

GraceKennedy
GROUP

ANNUAL REPORT

2019

GraceKennedy has been serving the needs of Jamaicans at home and across the world since its birth in 1922. Ninety-eight years later, our market spans many different countries, and our audience is broad and diverse. Our company has taken the best of brand Jamaica, and spread it to the world.

In our quest to continue that journey in a strategic and deliberate way, we have engaged and aligned with individuals who we feel are doing the same thing we are, to become our Brand Ambassadors. They represent the essence of our brand – strength, principle, determination – the best in their fields in the world. They are Alia Atkinson, Hansle Parchment, Kemar "Ding Dong" Ottey, and Shelly-Ann Fraser-Pryce.

GraceKennedy's journey to becoming a Global Consumer Group continues, and we work towards that goal while demonstrating the best of what Jamaica has to offer, embodying the theme, *"The Spirit of Jamaica Inspiring the World."*

OUR MISSION

To deliver the taste and experience of Jamaican and other multicultural 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.


GraceKennedy
HONESTY | INTEGRITY | TRUST

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CEO

INTERVIEW WITH DON

What kind of year was 2019 for GraceKennedy?

GraceKennedy recorded a historic 2019, achieving revenues of J$100 billion three years ahead of our 2022 target. At the end of the year, our company's performance was reinforced by the prestigious Jamaica Stock Exchange Governor General's Award for Excellence, presented to the company that ranks highest in the areas of investor relations, corporate disclosures, corporate governance, website design, annual reporting and overall performance on the Stock Exchange. For us, that was the ultimate cap on a challenging and rewarding year. Our team across the world worked closely and dedicatedly to deliver these results and I am very proud of them, and what we were able to achieve, together.

What's in store for GK into 2020?

In 2019, we took the time to identify several areas of opportunities which will enable further growth for GraceKennedy, and those opportunities form the basis of our strategic drivers and our strategic vision for 2020. Our vision is so clear. We are firmly focused on our goal to become a Global Consumer Group by 2022 when we celebrate 100 years, and so this year will continue to create the path to achieving that goal. More specifically, this year GraceKennedy will strategically look to expand the Group's reach and scope through mergers and acquisitions. We have already announced our offer to acquire Key Insurance, and will be focusing on growing our core business in the areas of Food & Financial services, both in Jamaica as well as the English speaking Caribbean.

What's going to be the secret to GK's success in 2020?

I wouldn't call it a secret, because it's the reason GK continues to achieve success. It comes down to sound strategy, executed by a great and committed team. I am so proud to lead GraceKennedy at such an exciting time in the company's journey.

Tell us about this year's theme

The theme for this year's Report, and for the business across the world, came out of a brainstorming session, where we asked ourselves what the GraceKennedy brand really represents to Jamaica, Jamaicans and our wider markets. There were several ideas, but the one we signed off on sparked consensus across the business. GraceKennedy started as a humble company, with ambitious goals and aspirations. Jamaicans at home and abroad feel a sense of pride when they see how the company has grown with quality and care as our hallmarks, and guided by our values of Honesty, Integrity and Trust. That is the essence of Jamaicans. We make our presence felt in a positive way wherever we go. We make an impact. That is what GraceKennedy has done for 98 years, and will continue to do. We're grateful to everyone who has supported us along that journey, and I am confident when I say that the best is yet to come!

FROM THEN 'TIL NOW

1922

64 Harbour St, Kingston, Jamaica

73 Harbour Street, Kingston, Jamaica

1997

2019

42-56 Harbour St, Kingston Jamaica

GRACEKENNEDY & THE INTERNATIONAL MARKET

In keeping with this year's theme, we want to give you a closer look into GraceKennedy's history in so far as the international market is concerned. Today, our Group operates in Jamaica, the Caribbean region, Central America, North America (US and Canada) and the UK. Our products are found even further away, as far as Russia, and our shareholders also span the globe, including countries as far away as Israel. GraceKennedy is indeed living this year's theme, as the spirit of Jamaica, inspiring the world.

But – did you know that our relationship with the international market has roots as far back as when our company was started in 1922? GraceKennedy's predecessor was a company called Grace Ltd., a subsidiary of W.R. Grace & Company based in New York, but with origins in Peru. Grace Ltd., which was involved in trading of items ranging from fertilizer to salt fish, had expanded to areas across the globe such as New Zealand, Europe and Jamaica. During the global recession of the early 1920s, the Company was forced to divest its Jamaican branch. Dr. John Grace, a member of the Grace family partnered with Fred W. Kennedy to buy the company, and changed its name to Grace, Kennedy & Co. Ltd.

On February 14, 1922, Grace, Kennedy & Co. Ltd. was established by Dr. John J. Grace and Fred William Kennedy, with James Moss-Solomon, Sr. as the first accountant, "to carry on general mercantile and commercial business or any other business the directors deemed desirable."

The company imported salted and pickled fish and meats, rice and flour, as well as a variety of other goods. As the company grew, and Jamaicans started to leave our shores, members of the diaspora started to clamour for a taste of home. That was our opportunity to start taking Grace Foods into other markets to satisfy that need. Consequently, Grace and Grace-owned brands can now be found the world over. Our foray in to the region with our financial services has also borne significant fruit, and further build-out in the region forms part of the basis of our goal to becoming a Global Consumer Group.

The following page, ***"From Jamaica to the World,"*** highlights some noteworthy moments and milestones regarding our foray into the international market.

FROM JAMAICA TO THE WORLD

GK Major Milestones in the International Market

GK IN THE FIFTIES 50s

1950s

‘58

A subsidiary of Grace, Kennedy & Co. (Canada) Ltd is established in Rotterdam, Holland.

‘59

Grace, Kennedy & Company (Canada) Ltd. creates the first Grace Brand, and starts selling Grace Canned Lobster to Germany. During this period the Company begins to seek opportunities to establish its own factories to produce its products so that it can control consistent, high quality.

—

Canada Jamaica Line established.

—

Grace, Kennedy (Europa) N.V. is established in Rotterdam, Holland.

GK IN THE SIXTIES 60s

1960s

‘67

Grace, Kennedy (Trinidad) Ltd. is established.

—

Dairy Industries (Jamaica) Ltd., a joint venture with New Zealand Dairy Board, is established to manufacture and market cheese and other dairy products.

‘69

The Grace trademark for food products is registered in the United States.

GK IN THE SEVENTIES 70s

1970s

‘77

GK’s interest in its overseas companies is sold to international trading business, Boerries Terfloth (B.Terfloth).

GK IN THE EIGHTIES 80s

1980s

‘82

Grace, Kennedy (Belize) Ltd. Is established.

‘83

Grace, Kennedy (Ontario) Inc. is formed.

‘84

There is a merger of Grace, Kennedy (UK) Ltd and B. Terfloth (UK) Ltd, creating the new trading company, Terfloth & Kennedy Ltd.

For more on our history, scan here

GK IN THE NINETIES 90s

1990s

'97

GraceKennedy buys back the Grace Brand from Terfloth & Co for US$3 million.

The Grace Brand re-launches worldwide under the campaign 'The New Face of Grace.

GK IN THE TWO-THOUSANDS 00s

2000s

'04

GK acquires 30% shareholding in the St Lucian EC Global Insurance Company Ltd.

'07

WT Foods Ltd. is purchased in the UK, and renamed Grace Foods (UK) Limited.

GK IN THE TWENTY-TENS 10s

2010s

'14

GK acquires US Food Company, La Fe Foods Inc. a processed & frozen foods business which mainly serves the Hispanic market. That company is now GraceKennedy Foods (USA) LLC.

'17

EC Global Insurance Co. Ltd. is renamed GK Insurance (Eastern Caribbean) Ltd.

GraceKennedy (Ontario) Inc. is renamed Grace Foods Canada Inc.

Consumer Brands Ltd., a distribution company for Procter & Gamble and other international and local principals, is acquired.

TEN-YEAR FINANCIAL REVIEW

	'000 2019	'000 2018	'000 2017	'000 2016
Number of Shares *(including treasury shares)*	995,005	994,887	994,887	994,887
Shareholders' Equity	52,326,410	44,614,427	45,222,812	42,063,925
Percentage Change Over Prior Year	17.3%	-1.3%	7.5%	10.6%
Market Capitalisation	69,083,197	63,175,325	43,615,846	40,083,997
Total Borrowings	24,032,254	16,529,313	16,515,615	13,242,037
PROFIT & LOSS ACCOUNT				
Revenues *Percentage change over year prior*	103,089,893 5.7%	97,544,731 5.5%	92,475,652 4.8%	88,267,589 10.7%
Profit Before Taxation *Percentage change over year prior*	6,127,595 -12.0%	6,963,025 19.6%	5,819,562 -4.6%	6,103,330 41.8%
Profit After Taxation *Percentage change over year prior*	5,099,916 -9.6%	5,643,577 18.3%	4,772,100 5.2%	4,534,862 39.4%
Net Profit Attributable to Stockholders *Percentage change over year prior*	4,487,389 -10.4%	5,005,915 21.6%	4,116,101 2.8%	4,004,539 45.1%
Dividends Paid to Stockholders *Percentage change over year prior*	1,539,049 14.9%	1,339,783 19.5%	1,121,519 11.0%	1,010,423 23.2%
IMPORTANT RATIOS				
Return on Equity %	9.3%	11.1%	9.4%	10.0%
Profit Before Taxation / Sales %	5.9%	7.1%	6.3%	6.9%
Profit After Taxation / Sales %	4.9%	5.8%	5.2%	5.1%
Dividend Payout Ratio %	34.3%	26.8%	27.2%	25.2%
Earnings per Stock Unit - Basic ($)	4.52	5.05	4.15	4.04
Productivity Per Employee (US$'000)	18.45	21.74	17.01	16.46
Number of Employees	1,828	1,789	1,894	1,940
Debt to Equity Ratio	45.9%	37.0%	36.5%	31.5%
Shareholders Equity per Stock Unit *(excluding treasury shares): JA$*	52.74	44.98	45.56	42.39
Closing Stock Price - JSE : JA $	69.43	63.50	43.84	40.29
Closing Stock Price - TTSE : TT$	3.95	2.90	3.00	2.67
Price-Earnings Ratio	15.36	12.57	10.56	9.97

'000 2015	'000 2014	'000 2013	'000 2012	'000 2011	'000 2010
992,837	993,669	1,000,977	1,005,957	996,990	995,133
38,047,441	36,533,101	32,765,684	30,702,837	28,601,255	26,697,805
4.1%	11.5%	6.7%	7.3%	7.1%	12.7%
26,889,363	20,214,540	18,374,601	16,769,303	20,936,790	16,917,261
13,936,107	11,064,160	11,571,790	10,338,328	11,808,923	13,764,164

79,742,230 12.6%	70,839,886 5.3%	67,257,502 9.6%	61,340,268 5.4%	58,216,732 5.2%	55,318,408 -3.6%
4,303,813 -6.2%	4,588,432 -9.6%	5,075,199 23.7%	4,102,404 1.7%	4,032,443 23.7%	3,259,648 -10.8%
3,254,020 -14.3%	3,799,127 0.1%	3,794,064 0.2%	3,786,332 26.5%	2,992,473 24.9%	2,396,256 -12.0%
2,759,498 -16.0%	3,285,174 2.0%	3,221,634 -7.4%	3,478,888 26.6%	2,748,813 22.2%	2,250,176 -12.6%
820,030 6.5%	770,239 5.9%	727,660 9.3%	665,937 34.6%	494,874 11.2%	445,007 17.5%

7.4%	9.5%	10.2%	11.7%	9.9%	8.9%
5.4%	6.5%	7.5%	6.7%	6.9%	5.9%
4.1%	5.4%	5.6%	6.2%	5.1%	4.3%
29.7%	23.4%	22.6%	19.1%	18.0%	19.8%
2.78	3.30	3.22	3.47	2.78	2.28
11.80	14.19	17.48	21.13	17.56	14.03
1,996	2,080	1,827	1,850	1,823	1,841
36.6%	30.3%	35.3%	33.7%	41.3%	51.6%
38.36	36.79	32.91	30.57	28.69	26.83
27.08	20.34	18.36	16.67	21.00	17.00
1.35	1.22	1.15	1.18	1.43	1.20
9.73	6.16	5.70	4.80	7.55	7.46

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, **27 May 2020 at 2:00 p.m.** for the following purposes:-

1 **To receive the Audited Group Accounts for the year ended 31 December 2019 and the reports of the Directors and Auditors circulated herewith.**

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

<u>Resolution No. 1</u>

"THAT the Audited Group Accounts for the year ended 31 December 2019 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 4 April 2019, 14 June 2019, 26 September 2019 and 13 December 2019 as final for the year under review.**

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

<u>Resolution No. 2</u>

"THAT as recommended by the Directors, the interim dividends paid on 4 April 2019, 14 June 2019, 26 September 2019 and 13 December 2019 be and they are hereby declared as final and no further dividend be paid in respect of the year under review."

3 **To elect Directors.**

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

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

<u>Resolution No. 3a</u>

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

<u>Resolution No. 3b</u>

"THAT Mr. Everton McDonald, Mrs. Gina Phillipps Black and Mr. Gordon Shirley 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 2019 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: 27 February 2020

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

In 2019 the GraceKennedy Group experienced both successes and challenges in the execution of our strategy. The Group balanced continuity with change as we sought to drive agility and efficiencies in the way we do business while keeping our customers at the centre of our strategy.

Our operational strategy for 2019 was focused on investing in our brands and expanding market share, deploying digital and innovative solutions for our customers. The Group continued to enhance its enterprise wide risk management and compliance processes and drive greater operational efficiencies within the Group. GraceKennedy Limited has positioned itself for future growth with the ongoing implementation of transformational structural and process improvement initiatives.

HISTORIC ACHIEVEMENT

SURPASSED J$100B MARK FOR REVENUE AHEAD OF 2022

$5.55B

INCREASE OVER 2018

Revenue for the Group totalled J$103.09 billion, an increase of J$5.55 billion over 2018. This is a historic achievement, the first time that the Group has surpassed the J$100 billion mark for revenue, ahead of our original target of 2022, which will be the Group's 100th anniversary.

Profit before other income, increased by J$598.5 million to J$3.74 billion, a 19% increase over 2018, indicating an improved operating margin. In 2019 GraceKennedy Limited incurred IAS 19 post-employment benefit expenses of J$1.22 billion. This is an increase of J$890 million over the IAS 19 post-employment benefit expenses of J$332 million in 2018. Excluding this non-cash expense, profit before other income would have shown an increase of 43%. Our results were also negatively impacted by the adoption of the new accounting standard on leases, IFRS 16, resulting in an increase in expenses of J$228 million.

Stockholders will recall that the GraceKennedy Group is a net earner of foreign exchange and has net foreign assets, whose values are subject to movements in foreign currency exchange rates. During the year, the volatility in the Jamaican foreign exchange market, particularly in the US Dollar exchange rate had a negative effect on the Group's results when compared to 2018.

Profit before Tax for 2019 was J$6.13 billion, a decrease of 12% or J$835 million compared to 2018. As previously reported, in 2018 the Group had non-recurring gains of J$1.13 billion from the dissolution of a non-operating subsidiary and an acquisition by an associated company. Excluding these gains in 2018, together with the IAS 19 and IFRS 16 expenses noted above, Profit before Tax for the year 2019 would have been higher than 2018 by J$1.42 billion or 23%.

FINANCIAL HIGHLIGHTS

Financial highlights:

- Group Revenue for 2019 was J$103.09 billion, representing an increase of J$5.55 billion or 5.7% over 2018 (J$97.54 billion).
- All business segments recorded increased revenue and profits for 2019 compared to 2018
- Profit before other income, excluding IAS 19 expenses, increased by 43%.
- Net profit attributable to the shareholders of the Company was J$4.49 billion for 2019 compared with J$5.01 billion for 2018 a J$518.53 million decrease. Earnings per share was J$4.52 in 2019 compared with J$5.05 in 2018, a 10.5% decrease.
- Total assets grew by 14.4% or J$19.47 billion from J$135.24 billion in 2018 to J$154.71 billion in 2019. On the adoption of IFRS 16 on January 1, 2019, the Group recognized a right-of-use asset of J$6.24 billion shown in fixed assets, with a corresponding amount being recognized as a lease liability shown in bank and other loans. At the end of 2019, these items increased to J$8.33 billion and J$8.51 billion respectively.
- Dividends totalling J$1.54 billion or J$1.55 per share were paid in 2019 compared with J$1.34 billion or J$1.35 per share in 2018, an increase of 14.8%.
- At the end of 2019, the GraceKennedy stock price closed at J$69.43. This represented a 9.3% increase over the stock price at the close of 2018.

The **Food Trading** segment recorded improved revenue and profitability for 2019 compared to 2018 due mainly to the performance of our Jamaican manufacturing and distribution business.

Our Jamaican food distribution business experienced double digit growth in both revenue and pre-tax profit coupled with improved operating margins with most of our core products reporting higher sales when compared to 2018. The "Grace Winna House" national consumer promotion, rebate and customized channel programs were major contributors to the performance of the business. Our chain of Jamaican supermarkets, Hi-Lo Foods Stores, showed improved operating performance when compared to 2018. This increase in revenues was mainly due to five of our locations showing significant sales growth over prior year. Our investments in the Catherine's Peak brand of pure spring water and Consumer Brands Limited continue to show satisfactory growth in line with our expectations. Our manufacturing companies performed well for the year due mainly to strong growth in Grace Viennas, Grace Frankfurters, Grace Bacon and Grace Tropical Rhythms exports to the United States of America (USA) and the United Kingdom (UK).

Our Grace Agro Processors (GAP) locations at Hounslow, St. Elizabeth and Denbigh, Clarendon in Jamaica continue to broaden their supplier base for agricultural products. This is expected to improve production yields, reduce shortages and improve quality control for our raw materials while strengthening our network of farmers. GAP Denbigh commenced its export of Grace Canned Ackee, Grace Canned Callaloo and Grace Jerked Seasoning to the USA, UK and Canada. Our ongoing partnership with farmers in Jamaica is aimed at securing steady and consistent quality supplies to satisfy the demand for our products in Jamaica and abroad.

GraceKennedy Foods (USA) LLC's ("LLC") performance for 2019 met management's expectations. The overall business showed significant improvement in gross profit. At LLC the Grace brand had a 10% growth in revenue and a 16% growth in gross profits expanding sales of key items including Grace Frozen Patties, Grace Tropical Rhythms and Grace Coconut Milk Products. The La Fe brand reported a 4% growth in gross profit with the major contributor being La Fe Frozen vegetables. We are seeing good growth in most of the key product categories for this business. On October 7, LLC opened its new Grace/La Fe distribution facility in Woodbridge, New Jersey. GraceKennedy invested US$5 million in outfitting the new facility, which boasts a state of the art layout and increased automation of functions, fully compliant with all health and safety standards. This investment is expected to drive increased operating efficiencies and improve staff and customer satisfaction. We are already seeing positive outcomes from this investment.

Grace Foods UK's performance was impacted by the decline in sales of its Nurishment brand. The Nurishment re-launch plans, which include a new label design for the can and a new advertising campaign was successfully launched in the last quarter of 2019. Additionally, a new format, Nurishment in a PET bottle, will be launched in the first quarter of 2020.

Grace Foods Canada Inc. reported reduced performance for 2019 when compared to the previous year. The company

faced distribution challenges throughout the year but was able to strengthen its relationship with numerous chains and independents to aggressively promote key products. Grace Coconut Water retained its number one position based on volumes.

THE GRACEKENNEDY FINANCIAL GROUP (GKFG) REPORTED GROWTH IN REVENUES AND PRE-TAX PROFIT FOR 2019 OVER 2018.

The **Banking and Investments** segment reported an increase in revenue and pre-tax profit for 2019 compared to 2018. The customer loan portfolio increased by 15.9% compared to 2018 as First Global Bank (FGB) placed greater emphasis on developing products and capacity building activities for small and medium-sized enterprises, automated its loan approval process and continued its focus on relationship building. The Bank executed on its financial inclusion strategy through its sub-brand, First Global MoneyLink. The first nine (9) bank agents are now open in Jamaica with locations in the parishes of St. Andrew, St. Elizabeth, St. Thomas and Portland which will contribute to both the revenue and profit of FGB. This remains a key strategic focus for the Bank. GK Capital Management Limited (GKCM) produced a strong performance for 2019 in both revenue and profit.

GKFG significantly strengthened its financial services platform in the Caribbean through Signia's acquisition of Globe Finance Inc. in Q4 2018, forming the largest merchant bank in Barbados and fortifying our footprint in the regional financial services space. The successful merger, and subsequent rebranding in 2019 to "SigniaGlobe" resulted in the growth of our core banking revenues as well as the creation of synergies from the joint operations.

The **Insurance** segment reported an increase in revenue and pre-tax profit for 2019 compared to 2018. The segment continues to perform well with existing operations achieving growth and various new initiatives forming a base for future growth. GK General Insurance Company Limited (GKGI) reported revenue growth in its motor, engineering and property portfolios. GKGI continues to play a major role in the Insurance sector, providing insurance products for many of the large infrastructure projects across Jamaica. Allied Insurance Brokers performed exceptionally well for 2019 driven by significant gains in general and cover holder business when compared to prior year.

A key strategic driver for GK's insurance business expansion is mergers and acquisitions and as part of this strategy the GraceKennedy Financial Group Limited made an offer to purchase the outstanding shares of Key Insurance Company Limited, a general insurance company listed on the Junior Market of the Jamaica Stock Exchange (JSE). We see potential for the company to grow and it is GraceKennedy's intention to properly capitalize it, and maximize shareholder value through this acquisition. GraceKennedy intends to limit its share acquisition in this company to not more than 80% so that the company will remain listed on the JSE.

The **Money Services** segment reported an increase in both revenue and pre-tax profit for 2019 compared to 2018. The segment executed on its objective of enhanced customer convenience through digital offerings, which have showed increasing adoption by customers since their introduction. These offerings include WU.com, a digital money transfer platform which allows customers 24/7 access to send funds electronically to over 200 countries, Direct to Bank where customers can receive money through Western Union for deposit to their bank accounts, and Pay@WU which allows customers to pay for Amazon orders at more than 50 Western Union locations in Jamaica. Our strategic focus on growth is being supported by an increased presence through the expansion of our network in Jamaica and regionally through a combination of traditional and digital channels. The Group's continued investment in enhanced compliance measures has positioned the business for growth as we solidify our market leadership. It is anticipated that the strengthened oversight will offer greater protection for our customers throughout our network of agencies and result in a competitive advantage.

Other Highlights:

The construction of GraceKennedy Limited's new headquarters was completed during the first quarter of 2019. The building was officially opened on May 29 by Prime Minister Andrew Holness who was also the guest speaker at the opening ceremony. The building is energy efficient and has increased the company's green footprint through the use of solar panels and rain harvesting. The Group remains committed to the development of Downtown Kingston and has invested over J$3 billion in this project.

GraceKennedy Limited in association with the Jamaica Household Workers' Union was pleased to honour male and female household workers for their outstanding performance, through the sixth staging of the GraceKennedy/Heather Little-White Household Workers Awards in December 2019. This event publicly recognizes the contribution these workers make to families and households with whom they work.

In December 2019, GraceKennedy won the Governor General's Award for Excellence, in the Main Market category at the Jamaica Stock Exchange Awards Banquet. This prestigious award is presented to the company that ranks highest in the areas of investor relations, corporate disclosures, corporate governance, website design, annual reporting and overall performance on the Stock Exchange. GraceKennedy also won the award for Best Annual Report, was the second runner up for Corporate Disclosures, and the first runner up for Corporate Governance Best Practices. These awards demonstrate that the company is not only performing well, but also doing so in accordance with the highest standards, guidelines and best practices set by the Jamaica Stock Exchange, and benchmarked against our counterparts around the world. This prestigious achievement has only been possible through the combined efforts of our strong and loyal staff.

As we look ahead to our 100th anniversary and beyond, we remain focused on building and protecting long term value for all our stakeholders. We are humbled by the continued support that we have received as we realize our mission and vision of becoming a Global Consumer Group, guided always by our core principles of Honesty, Integrity and Trust.

Prof Gordon V. Shirley, OJ
Chairman

Don G. Wehby, CD
Group Chief Executive Officer

February 28, 2020

THE SPIRIT OF JAMAICA INSPIRING THE WORLD

Alia Atkinson has, as her mission, "To place Jamaica on the world map of swimming; to agitate for the improvement of the infrastructural support for swimming in Jamaica so as to be able to take it to the next level; and to realize my full potential for myself, my parents, and my country." This Olympian has done exactly that since her first Olympics in 2004. Several Olympic, Commonwealth, Pan American and Short Course World Championships later, her medal haul is record-breaking. And in January of this year, she copped one silver and one bronze medal at the FINA Series in Shenzhen. We hail Alia Atkinson as the greatest swimmer to ever come out of Jamaica. Our Alia. Our GraceKennedy Ambassador.


ATKINSON

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MD&A

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GK 2020 CAMPAIGN MAP

JAMAICAN TRADING GROUP

2018 | 2019 | 2020

PERFORMANCE DRIVEN ORGANIZATION

- Accountability & Execution culture
- Align all employees with the Strategy & Vision
- Build expertise to support global expansion
- Effective feedback & reward system aligned with strategy & performance
- Develop effective leaders & 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 capabilites
- Design solutions rooted in consumer needs, attitudes & behaviours
- Seek cross-product synergies & 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 & improve efficiency
- Manage capital effectively
- Enhance Risk Managament and Internal controls
- Standardise Operating Procedures across the Group
- Optimise Group structure
- Target international benchmarking for operational excellence

GLOBALLY RATIONALISE OPERATIONS

- Optimise IT platforms
- Internationalise policies & procedures to ensure compliance in all jurisdictions

GLOBAL CONSUMER GROUP

CARIBBEAN FINANCIAL SERVICES GROUP

RE-BALANCE 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 February 14, 1922, and is the parent Company of a Group of subsidiaries operating mainly in the Food and Financial Services industries. The Group's operations are structured into two Divisions:

1. **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.

2. **Financial Services:** This comprises our commercial banking, general and health 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 & accountability.
- **Our Customers & 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 Communites:** 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 & Growing

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 customers and consumers, delivering value in all segments of our business.

Financial

This aspect of our scorecard assesses how well the Group's strategy, implementation and execution have maximised shareholder value. The key metrics evaluated, relate to our revenue strategy and productivity levels. The Group carefully monitors revenue earned through existing and new markets, our ability to translate revenue to 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 2019 STATUS REPORT

During 2019, we focused on several strategic initiatives aimed at increasing market share and strengthening brand value, expanding our distribution channels, introducing new and innovative products and achieving greater operational efficiencies and staff engagement. A summary of our activities is shown below.

2019 / REPORT CARD

GOAL	STATUS
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	During 2019 we partnered with our Brand Ambassadors to deliver new communications, trade executions and community engagements for our Grace and Grace-owned brands. These were all built around exciting themes grounded in our culture as a Jamaican brand operating worldwide. Themes like Flava with a Beat, Flairy Mackerel, Run-a-Boat, Share the Flava- Share the Beat and Di Good Food Dem, not only brought us awards in Jamaica, regionally and internationally, but more importantly improved our brand image and engagement, leading to strong brand growth in some key areas of the business. We continue to invest in brand building activities for the La Fe brand and re-launched the La Fe brand in the USA during May 2019 with the brand being promoted as fresh, healthy and convenient. We continue to track our performance globally and through research, seek to understand the needs of our various consumer segments. This as we use recent successes as a launchpad for growing our consumer base. We completed the expansion of our Distribution Centre in the parish of St. Catherine, Jamaica in June 2019 which has created efficiencies from the consolidation of all our external distribution and warehousing operations under one roof; and capacity to accommodate the acquisition of new brands and product portfolios. Grace Foods (USA) LLC has invested over US$5 million in establishing a new logistics centre in Woodbridge, New Jersey. The 125,000 sq. ft. centre merges all of our North East operations and teams, enabling consolidated next-day shipments of dry, chilled and frozen products to our customers across the Tri-State area and beyond. We are also benefiting from the use of enhanced inventory management tools and higher density storage, within a new LEED certified energy-efficient building. The Centre eliminates inefficiencies in security, freight and handling costs associated with running multiple warehouses in the past. In addition, the change has allowed us to eliminate the substantial cost of outside storage in our frozen business.

2019 / REPORT CARD

GOAL	STATUS
Deploying new digital products/channels and increasing the services offered through current digital channels to improve customer experience	GraceKennedy Financial Group's (GKFG) Money Services segment saw the launch of Direct to Bank, a digital product that allows senders to remit money directly to the receiver's bank account. There has been significant customer adoption since its launch in 2019. There was also significant take up in our recently launched online products – Bill Express Online and WU.com. First Global Bank (FGB) in 2019 launched its merchant point of sale terminals and has already extended this line of business to over 130 clients. This initiative is aimed at increasing product offerings to customers while deepening new and existing relationships.
Improving earnings from the International Foods Division and the increased distribution of our products in these overseas markets	The performance of GraceKennedy Foods (USA) LLC met management's expectations for 2019. Grace Foods UK and Grace Foods Canada Inc. experienced several challenges which impacted revenue and earnings. Improving the performance of our international distribution business remains a key priority. For 2019, Grace Jerked Chicken Wings was introduced into the Canadian market through Sobey's Inc., the second largest food retailer in Canada. We also commenced distribution of Grace Frankfurters, Grace Bologna and Grace Ham Slices in St. Lucia through GF LACA, our business unit responsible for food distribution in the rest of the Caribbean and Latin America.
Accelerating the growth of recently launched products and services across the Group, while flawlessly executing on ideas for innovation	There has been significant effort towards accelerating the growth of the Grace Kennedy Financial Group's (GKFG's) recently launched products. These include GK Capital's micro lending (GK Proxim), GK Money Services' CoinXchange and Pay@WU, GK Insurance's Micro Insurance products and FGB's mobile point of sale. The overall performance of the Division's recently launched products exceeded expectations for 2019. Newly introduced food products benefitted from the overall brand refresh of both the Grace and La Fe brands, locally and internationally. The total revenue for new products introduced by our Jamaican food distribution business saw significant year over year growth for 2019.

GOAL	STATUS
Executing our financial inclusion and cross-selling strategy through GKONE and agency banking, to target the unbanked and underbanked	GKFG opened six (6) additional GKONE locations in 2019 all with Bank Agents. Two (2) additional Bank Agents were launched outside of GKONE increasing the total to nine (9) Bank Agent locations across Jamaica. At Bank Agents, customers can make loan and credit card payments and complete deposits and withdrawals.
Achieving greater operational efficiency within the GraceKennedy Group through the use of technology to ensure an agile, efficient and high performing corporate structure	GKFG has made strides towards operational efficiency through core system improvement across the Insurance segment, and business process improvement across the Banking and Investment segment. Initiatives for this segment included digitizing paper files and the electronic distribution of statements. We have also improved our corporate structure by implementing shared services to support the continued optimization of our organisation. The Foods division implemented two (2) strategic technology projects during the year which have improved real-time reporting and access to information. The Enterprise Resource Planning System SAP was implemented in our UK business which has allowed for quicker access to financial and supply chain information. Also, GK Foods USA executed its inventory management automation, which has eliminated the manual processing of transactions and allowed for more efficient posting and updating of inventory.
Continued enhancement to our risk & compliance framework to build an enterprise-wide best-in-class framework	In 2019, GraceKennedy's Risk Management and Compliance function bolstered its existing programme with a view to providing best in class value-added service with the agility to detect and respond appropriately to the risks within each industry and territory where GraceKennedy has a presence. Priority areas included the continued streamlining of risk and compliance processes across the Group for greater monitoring and increased oversight and reporting of risk at the financial group level. GKFG has implemented systems and processes to both safeguard our customers' funds and protect the business from fraud related risks especially in our Money Services business. In a bid to ensure a best-in-class compliance programme, GraceKennedy Money Services (GKMS) initiated an independent review and areas requiring strengthening have been completed or are at an advanced stage of completion. The Risk and Compliance unit has benefitted from increased staffing to enable focus and more effective technological solutions to better address Group-wide risks.

2019 / REPORT CARD

GOAL	STATUS
Strengthening the Group's talent pool through employee engagement, rotations, and talent and leadership development programmes	During 2019 our focus remained on building a highly skilled and motivated workforce through investment in the development of our people, succession management and implementing action plans to improve employee engagement. For further details please see section on "Our People".

2019 FINANCIAL PERFORMANCE

GROWTH IN REVENUE
5.7%

INCREASE IN PROFIT BEFORE OTHER INCOME
19.1%

INCREASE IN TOTAL ASSETS
14.4%

TOTAL REVENUE FOR THE YEAR
$103.09 BILLION

Revenue grew by 5.7% to total $103.09 billion for the year, the first time that the Group has surpassed the $100 billion mark for revenue. Profit before other income grew by 19.1% to $3.74 billion and reflects an improvement in the Group's operating margins. In 2019, IAS 19 post-employment benefit expenses of J$1.22 billion were incurred, an increase of J$0.89 billion over the prior year. Excluding this non-cash expense, profit before other income would have shown an increase of 43%. The results were also negatively impacted by the adoption of the new accounting standard on leases, IFRS 16, resulting in an increase in expenses of J$228 million.

Pre-tax profits declined by 12.0% to $6.13 billion, primarily due to the recognition of non-recurring gains of $1.13 billion from the dissolution of a non-operating subsidiary and an acquisition by an associated company in 2018. Excluding these gains in 2018, together with the IAS 19 and IFRS 16 expenses noted above, Pre-tax profits for 2019 would have been higher than the prior year by J$1.42 billion or 23%.

Net profit declined by 9.6% to $5.10 billion due to the non-recurring gains in 2018. Profit attributable to shareholders declined by 10.4% to $4.49 billion, and profit attributable to non-controlling interests declined by 3.9% to $612.53 million.

Total assets grew by 14.4% to $154.71 billion in 2019, while total liabilities grew by 12.9% to $99.99 billion. Capital comprised shareholders' equity of $52.33 billion and non-controlling interests of $2.39 billion. Return on equity for 2019 was 9.3% compared to 11.1% for 2018, while earnings per share declined from $5.05 to $4.52.

HOW WE EARNED

The Group's revenue growth was driven by increased revenues from all operating segments. Food Trading, Insurance and Banking & Investments reported improved operating margins with double-digit growth in pre-tax profits when compared to 2018, and Money Services showed a modest increase in profit. The Insurance segment reported the highest revenue growth of 8.6%, followed by Banking & Investments, which reported a growth rate of 6.7%. Food Trading reported revenue growth of 5.6%, while Money Services reported revenue growth of 2.9%. The Insurance segment reported the highest growth rate in pre-tax profit of 23.5%, followed by the Food Trading segment, which reported growth in pre-tax profit of 22.8%. Banking & Investments reported growth of 19.5%, while Money Services reported growth of 1.2% in pre-tax profit.

STATEMENT OF FINANCIAL POSITION REVIEW

During 2019, the increase in the Group's asset base was mainly attributable to the recognition of right-of-use assets totalling $8.14 billion on the adoption of IFRS 16, Leases, which became effective on 1 January 2019. The Group also reported growth in loans receivable of 15.9% or $4.21 billion to total $30.68 billion, mainly due to growth in the loan portfolio of the Group's banking subsidiary, First Global Bank Limited. Pension plan assets also grew by 78.0% or $2.55 billion to total $5.82 billion. The growth reflects both an increase in the Group's pension fund asset base, due to the achievement of double-digit returns in 2019, as well as a reduction in the pension plan obligations, driven mainly by the change in actuarial assumptions, namely, an increase in the discount rate in 2019.

The increase in the Group's liabilities was mainly attributable to the recognition of additional lease liabilities totalling $8.33 billion up on the adoption of IFRS 16.

The Group's equity increased mainly due to net profit for the year of $4.49 billion and other comprehensive income of $3.02 billion recognised as a result of the growth in the Group's pension fund asset base and a decline in the pension fund obligations.

SHAREHOLDER RETURN

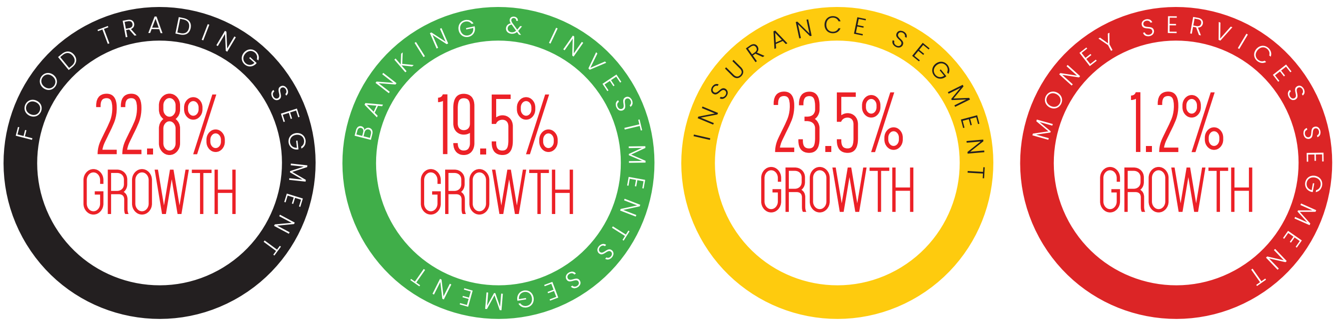
GraceKennedy's stock price recorded a 9.3% increase on the Jamaica Stock Exchange (JSE) during 2019, closing at $69.43 on December 31, 2019 ($63.50 on December 31, 2018). The Group also increased its dividend payment during the period by 14.9% with a dividend pay-out of approximately $1.54 billion.

GraceKennedy's stock as at December 31, 2019, traded at a price-earnings multiple of 15.36 times on the JSE, an increase over the 2018 multiple of 12.57 times. As at December 31, 2019, GraceKennedy's stock traded at 132% of its book value per share of $52.74, compared with a price-to-book ratio of 141% at the end of 2018.

In December 2019, GraceKennedy won the Governor General's Award for Excellence, in the Main Market category and was awarded Best Annual Report at the Jamaica Stock Exchange Awards Banquet. These awards demonstrate that the company is not only performing well, but also doing so in accordance with the highest standards, guidelines and best practices set by the Jamaica Stock Exchange.

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:



- The Food Trading segment reported 22.8% growth in pre-tax profits, primarily due to growth in revenues from our key products, improved gross profit margins, as well as strong performance of recently acquired Food Trading businesses.
- The Banking & Investments segment reported 19.5% growth in pre-tax profits, primarily due to higher interest income driven by growth in the loan portfolio, and higher foreign exchange trading gains.
- The Insurance segment reported 23.5% growth in pre-tax profits, primarily due to growth in revenues from the motor and property portfolios as well as higher investment gains.
- The Money Services segment reported 1.2% growth in pre-tax profits, due mainly to growth in revenues and operating efficiencies.

Overall, the Food Trading segment generated the largest share of revenue, accounting for 79.0% in both 2019 and 2018.

Pre-tax profit was earned in the following proportions:

- **MONEY SERVICES 50% UP** FROM 44% IN 2018
- **FOOD TRADING 32% UP** FROM 23% IN 2018
- **BANKING & INVESTMENTS 15% UP** FROM 11% IN 2018
- **INSURANCE 13% UP** FROM 9% IN 2018
- **CORPORATE & OTHER -10% DOWN** FROM 13% IN 2018

FOOD TRADING

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

Jamaica

We currently operate in the Jamaican market through our Distribution business units - Grace Foods & Services, Consumer Brands Limited (CBL), 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 Foods Processors (Canning), National Processors, Grace Agro Processors (Hounslow), Grace Agro Processors (Denbigh) and Dairy Industries (Jamaica) Limited.

Our Jamaican Food Trading subsidiaries reported improved performance over 2018. The Jamaican Foods distribution business had an exceptional 2019. Both revenue and pre-tax profits saw double digit growth, with most key products either achieving targets or in growth mode. The Grace brand reported a 6% growth over 2018. The products which contributed the highest to improved performance were the Catherine's Peak Pure Spring Water portfolio, Grace Corned Beef, Grace Vienna sausages and Grace Mackerel. The "Winna House" national consumer promotion, rebate and customised channel programmes were major contributors to the performance of the business. The Catherine's Peak portfolio was successfully integrated and achieved both volume and revenue objectives. The Homes and Offices channel increased our distribution footprint by 1,430 customers, and provided an opportunity for the cross selling of other products within our portfolio.

WBS recorded growth in revenue for 2019 compared to 2018. The improved performance was attributable to the strong performance of strategic brands as well as the increase in our distribution points. Two (2) new van sales routes were also added in 2019. Based on our strong performance for 2019, Mars Caribbean presented the WBS team with a plaque of commendation which reads "To World Brands Services In recognition of Your Outstanding Sales Performance, Devotion to Our Brands and Commitment to the Continued Development of Our Business".

CBL reported improved performance for 2019. The Procter & Gamble portfolio reported growth of over 8% compared with 2018, mainly due to the introduction of new products that found favour with consumers, particularly in the Fabric and Feminine Care category. Promotional activities with focus on specific categories helped to drive growth, including major brand campaigns such as Always "End Period Poverty". As the second largest principal for CBL, the Pyro brand experienced a turnaround year bolstered by the dengue mosquito threat in Jamaica.

The Chain of Hi-Lo Food Stores achieved revenue and profit growth compared to 2018. The increase in revenues was mainly due to the Barbican, Portmore, Liguanea, Spanish Town and Fairview locations showing significant sales growth. The Barbican store recovered from the impact of the previous year's road works in the area while both the Spanish Town and Fairview locations saw less impact on their customer flow from the State of Emergency than they had experienced in 2018.

As profitable revenue growth continues to be the focus for the Chain, its management is actively pursuing plans to increase its footprint to better serve the changing needs of the Jamaican consumer. As a first step, on May 29, 2019, Hi-Lo opened its pilot convenience format store, Hi-Lo Express, in GraceKennedy's new Headquarters in downtown Kingston.

Our Jamaican Manufacturing business unit reported improved revenue and profit compared to 2018. Revenue performance was mainly due to strong growth in Grace Vienna Sausages, Grace Frankfurters, Grace Bacon and Grace Tropical Rhythms exports to the US and UK. In addition, our National Processors factory experienced increased demand for Fresh Start and Grace Porridges in both the Jamaican market and for export. Both Grace Agro Processors (GAP) locations at Hounslow, St. Elizabeth and Denbigh, Clarendon continue to broaden their supplier base for raw materials. This is expected to improve production yields, reduce shortages and improve quality control for our raw materials while strengthening our network of farmers. GAP Denbigh commenced its export of Grace Canned Ackee, Grace Canned Callaloo and Grace Jerked Seasoning to the USA, UK and Canada.

International Market

The International Food Trading subsidiaries delivered mixed results for 2019 with our USA distribution business, GraceKennedy Foods (USA) LLC achieving new milestones for its business.

GraceKennedy Foods (USA) LLC, our distribution business in the USA, surpassed 2018's performance, achieving new milestones for its business. The overall business saw a marginal improvement in revenue but a significant improvement in gross profit and non-marketing operating expenses. The Grace Brand had a 10% growth in revenue and a 16% growth in gross profits as we expanded sales of key items such as Grace Frozen Patties, Grace Tropical Rhythms, Grace sauces, Jerked products and Grace Coconut Milk products. These products and product categories benefitted from new listings in key stores, strong display programs, and increased consumer off-take in our key Caribbean outlets with our Chill and Grill promotion. Our La Fe brand saw a 4% growth in gross profit. During 2019 we reinvested some of our savings from expense reductions in additional marketing of the La Fe brand. The business recorded double digit year over year growth in Presidente, Fresco Y Mas, Winn Dixie, WalMart, Foodtown and the Wakefern/Shop Rite stores. We remain confident that as we execute on the strategy to re-shape the business, we will continue to see improvement in profitability and provide the foundation for future growth.

On October 7, 2019, GraceKennedy opened its new Grace/La Fe distribution facility in Woodbridge, New Jersey. The company invested US$5 million in outfitting the new facility, which boasts a state of the art layout, fully compliant with all health and safety standards. This investment is expected to drive increased operating efficiencies and improve staff and customer satisfaction. Our efforts to reduce non-marketing expenses were very successful resulting in a 7% reduction in distribution costs and a 12% reduction in selling expenses.

Grace Foods Canada Inc. reported improved revenue for 2019 when compared to 2018. The company faced distribution challenges throughout the year but was able to strengthen its relationship with numerous chains and independents to aggressively promote key products. Three (3) variants of Grace Frozen Jerked Chicken Wings were introduced into Sobey's Inc., the second largest food retailer in Canada. Grace Coconut Water retained its number one position based on volumes.

Our Food operations in the **United Kingdom** experienced a decline in revenue and profit due to reduced sales of its Nurishment brand. The Nurishment brand refresh campaign was launched in the 4th quarter of 2019. This included a new label design for the can and a new advertising campaign. Additionally, a new format, Nurishment in a PET bottle will be available for sale in the 1st quarter of 2020. The bottle will be used to target the convenience channel for the on-the-go active consumers. The Grace branded products reported a 3% growth in revenue, supported by a 28% growth in Grace Plantain Chips.

GK Belize (GKB) reported flat revenue, due to the record low growth being recorded in the economy there. Despite the revenue challenges gross profit saw 3% growth over 2018. There was improved performance of a number of key strategic partner brands over the period, namely Carib Brewery, Dairy Champ and Icing Sugar.

GF LACA, our business unit responsible for food distribution in the rest of the Caribbean and Latin America, reported growth in revenue for 2019 compared to 2018. The growth was achieved despite low supply of key products including Grace Ackee and Grace Hot Pepper Sauce as well as low growth in our Latin American business. Grace Tuna, a new product introduction, performed well in the Caribbean Region. We continued to expand our distribution in Guyana, where the economy is expected to show strong growth in the coming years. Our main product categories for Guyana include: Coconut Milk Products, Canned Fish/Meats, Soups, Sauces, Seasonings and Spices and Beverages. We launched Grace Coffee and Grace Peanut Punch in Guyana during 2019 and both were very successful.

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, and Money Services

The GraceKennedy Financial Group (GKFG) reported strong growth in revenues and profits over the comparable period last year, primarily due to the improved performance of our core business: Banking, Investments, Insurance and Money Services.

We also expanded our offerings in the Insurance segment, with the addition of our new Health and Group Life Insurance company, Canopy Insurance Limited. Canopy – a partnership with Musson Group of companies, boasts impressive features designed to allow for easier administration through the use of digital platforms.

Our GK ONE initiative, which targets the unbanked and underbanked through the combined offering of services such as Remittance, Micro Lending, Bill Payment, Insurance and Commercial Banking grew in reach and number during 2019. GK ONE experienced a 200% increase in loans disbursed during 2019 when compared to 2018. We opened six (6) additional locations in 2019 bringing our total to 12 locations across eight (8) parishes in Jamaica.

Insurance

The Insurance segment reported an increase in both revenue and pre-tax profit over 2018. GK Insurance's (GKI) underwriting and brokerage businesses showed strong growth through portfolio building and expense management resulting in revenue and profits exceeding 2018's performance. The core Insurance business performed within expectations, with the commercial lines portfolio experiencing double-digit revenue growth, buoyed by the property and engineering portfolios. Motor claims continued to perform within expectations, in line with the growth of the portfolio. In the first half of 2019, a new cyber-insurance product, Cyber Control, was launched, continuing our commitment to respond to the unmet needs of our clients. The Motor segment also produced double digit growth, as the online insurance portfolio grew by 22% and existing channels continue to expand.

A key strategic driver for GK's insurance business expansion is mergers and acquisitions and as part of this strategy GKFG made an offer to purchase the outstanding shares of Key Insurance Company Limited, a company listed on the Junior Market of the Jamaica Stock Exchange. Our aim is to properly capitalize the company and maximize shareholder value through the repositioning of an entity that is suited for long-term, sustainable growth under GK's ownership.

In line with GK's ongoing initiative to expand its general insurance footprint in the wider Caribbean, operations in St. Lucia and St. Vincent have expanded with the onboarding of sales agents.

Allied Insurance Brokers (AIB) posted a double-digit increase in revenue for 2019, driven by significant gains in general and cover holder business when compared to 2018. While organic growth accounted for the majority of revenue increases, a number of tenders were won during the year. The company also launched a new core system in July 2019, which is expected to improve efficiency and workflow integrity while providing a robust platform for future customisation. The company continues to focus on increasing new business through targeting of particular sectors and regions while defending the existing business in an increasingly competitive environment.

Banking & Investments

The Banking & Investments segment experienced an increase in both revenue and pre-tax profit over 2019. First Global Bank (FGB) achieved significant profit growth and moderate revenue growth in 2019 driven mainly by improved performance in its core business, prudent expense management and foreign exchange trading. Loans disbursed increased by 77% compared to 2018 as the Bank put greater emphasis on developing products and capacity building activities for small and medium-sized enterprises (SME); improved automation of its loan approval process and continued its focus on relationship building. The SME Hub was launched in 2019 to facilitate our partnership with that key target segment, with $1.9 billion disbursed to SMEs over the year. Overall, net loans closed 16% higher than 2018 and deposits were up 8%. The Bank executed on its financial inclusion strategy via its sub-brand, First Global MoneyLink, with nine (9) bank agents now open in Jamaica across the parishes of St. Andrew, St. Elizabeth, St. Thomas and Portland contributing to both an increase in deposits and loans at FGB. The Bank received international recognition for this work, copping the 2019 International Banker Award for 'Innovation in Retail Banking, Jamaica'. FGB also launched its point-of-sale terminal services to several merchants with differentiated features around service, uptime and reporting.

GK Capital Management Limited (GKCM) increased 2019 revenues by 10% over 2018. Strong performances in corporate finance, stock brokerage and funds management drove top-line growth throughout the year. GKCM continued to provide innovative financing solutions to clients, most notably, successfully structuring and arranging financing valued in excess of US$10 million for a 7 megawatt cogeneration power plant at the Mona (Jamaica) Campus of the University of the West Indies (UWI).

GKFG significantly strengthened its financial services platform in the Caribbean through Signia's acquisition of Globe Finance in 2018, forming the largest merchant bank in Barbados and fortifying our footprint in the regional financial services space. The successful merger and subsequent rebranding exercise to SigniaGlobe, resulted in the growth of our core banking revenues as well as the creation of synergies from the joint operations. SigniaGlobe showed improved performance over 2018 despite operating in an environment where market pressures have forced interest rates downwards.

Money Services

The Money Services (GKMS) segment experienced an increase in both revenue and pre-tax profit when compared to 2018. We are pleased with the successes achieved in developing a robust compliance programme, an investment that provides for our customers' protection and peace of mind as they transact in our network. As we extract the returns from these investments and refocus on growth, the Jamaica remittance business delivered increased revenue over 2018. In addition, our remittance business in territories such as Anguilla, the British Virgin Islands, The Cayman Islands and The Bahamas delivered strong results. Guyana has become one of our most profitable markets and is now a very significant contributor to the performance of the Money Services Group. Our new coin processing service, Coin Xchange, also performed exceptionally well. The partnership with the Bank of Jamaica (BOJ), in which the BOJ covers the customer service fee, allows customers to redeem coins for cash at face value. In 2019, we had collections totalling over JMD$400 million in coins, an increase of over 300%, with further growth expected in 2020 through the addition of new machines across the island. The company continues to drive growth through innovation and efficiency, with two new services – Direct to Bank and Pay@WU – launched in 2019. Direct to Bank allows senders to remit funds directly to the receiver's bank account. Since its launch in April, this product has shown increasing consumer adoption. Pay@WU has also seen significant consumer adoption since commencing operation. Launched in November 2019, Pay@WU allows customers to pay for Amazon orders at more than 50 Western Union locations in Jamaica.

There was also significant take-up of Bill Express Online, with online transactions increasing over 2018. Our remittance digital channel, WU.com, has been trending upward since its launch in 2018 with transaction growth doubling in 2019.

To drive efficiency, the Group implemented a receipt and signature capture solution, which allows customers to receive receipts via email and will be utilised to provide customer feedback. This solution, which was deployed to our Western Union agent network in Jamaica in 2019, with further deployment scheduled to other markets in 2020, will be utilised to solicit customer feedback. Despite significant growth in digital transactions, expansion remains a principal focus for the Group as we solidify our top position in the market. We will continue to aggressively grow our network with plans to double our location numbers in 2020. We also protected the strides made in enhancing and strengthening our risk and compliance framework, as we firmly believe that robust customer protection mechanisms are a competitive advantage.

GK Proxim, a quick and simple, micro-lending product, which was introduced during 2018 by GKMS, in partnership with GKCM, continues to show growth in the number of loans disbursed.

WHERE WE EARN

REVENUE BY GEOGRAPHICAL AREA J$ MILLIONS	2015	2016	2017	2018	2019	2019 % CONTRIBUTION TO REVENUE
Jamaica	40,248	45,344	47,657	51,777	57,413	55.7%
North America	19,744	22,218	24,023	24,801	25,760	25.0%
Europe including UK	14,290	14,058	13,862	13,838	12,901	12.5%
Other Caribbean Countries	5,248	6,339	6,673	6,941	6,879	6.7%
Africa	96	164	125	29	-	-
Other Countries	116	145	135	159	137	0.1%
TOTAL	79,742	88,268	92,476	97,545	103,090	

GraceKennedy's vision of being a Global Consumer Group includes achieving 60% of our revenue outside Jamaica. For 2019, our Group generated 44.3% of its revenue outside Jamaica, compared to 46.9% in 2018, due to a faster rate of growth by our Jamaican operations.

North America accounted for a marginally smaller share of our revenue - 25.0% in 2019, compared to 25.4% in 2018.

Revenue from the European (including UK) markets accounted for 12.5% of revenue in 2019, compared to 14.2% in 2018. This is primarily due to lower sales from our Grace Foods UK operations, stemming from a decline in sales of its Nurishment brand.

OUR OPERATING ENVIRONMENT

JAMAICA

Economic Growth

- 2019 was the seventh year of consecutive growth of real GDP, growing by 0.9%.
- Economic growth continues to be fuelled by increased external demand for Jamaica's export industries, increased domestic demand, underpinned by lower levels of unemployment and improved macroeconomic stability.
- Key growth industries included: Services 1.6%; Manufacturing 1.8%; Other Services 1.9%; Finance & Insurance Services 3.4%; and Hotels & Restaurants 4.9%.

GROSS DOMESTIC PRODUCT 2010 TO 2019

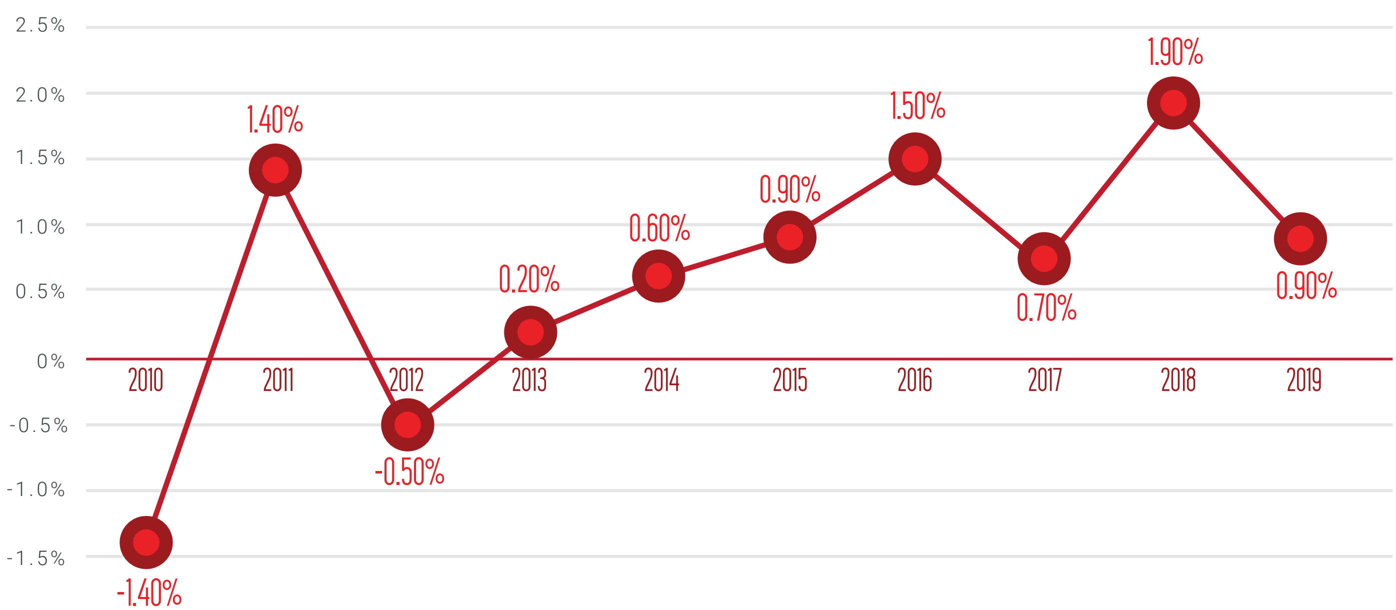


Table 1: GDP 2010 to 2019

Interest Rates

- Throughout the year, the BOJ maintained a very accommodative monetary policy stance for the purpose of meeting its soft inflation target range.
- This further easing of the monetary policy stance was aimed at fostering increased credit expansion, stronger growth in Gross Domestic Product (GDP) and increased job creation to support inflation within the target.

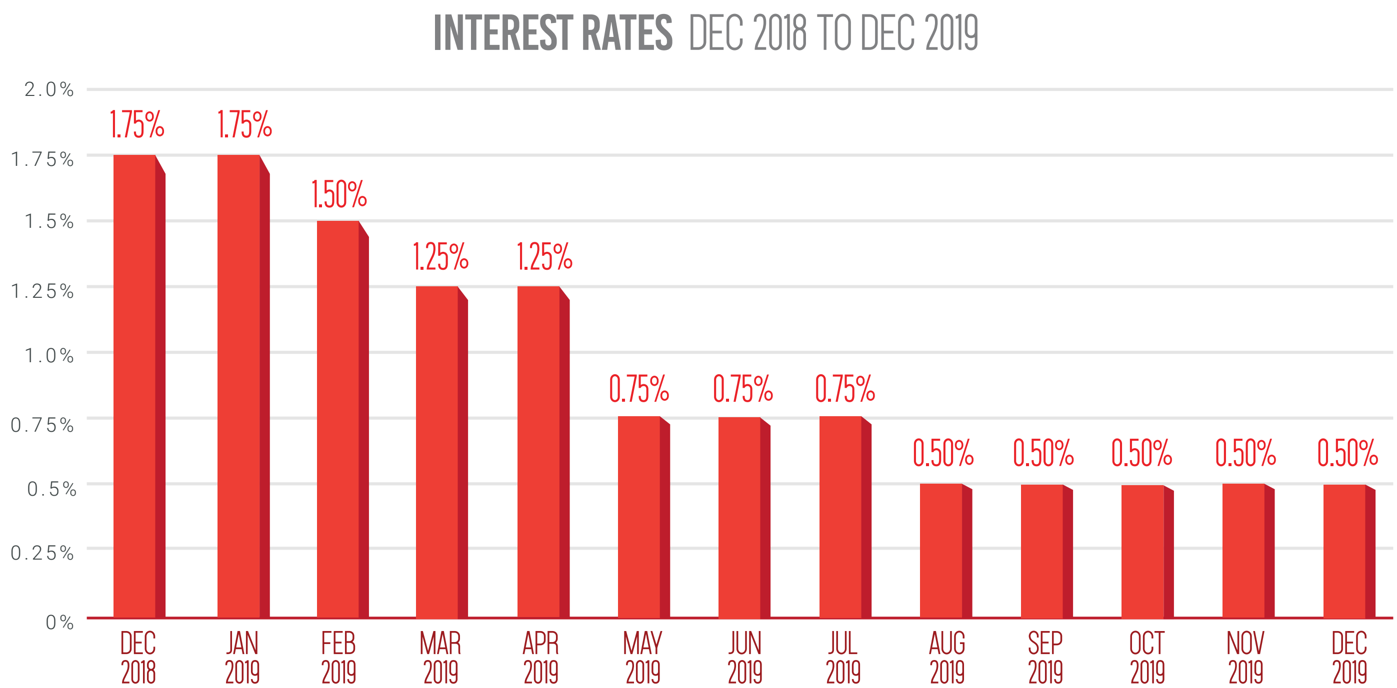
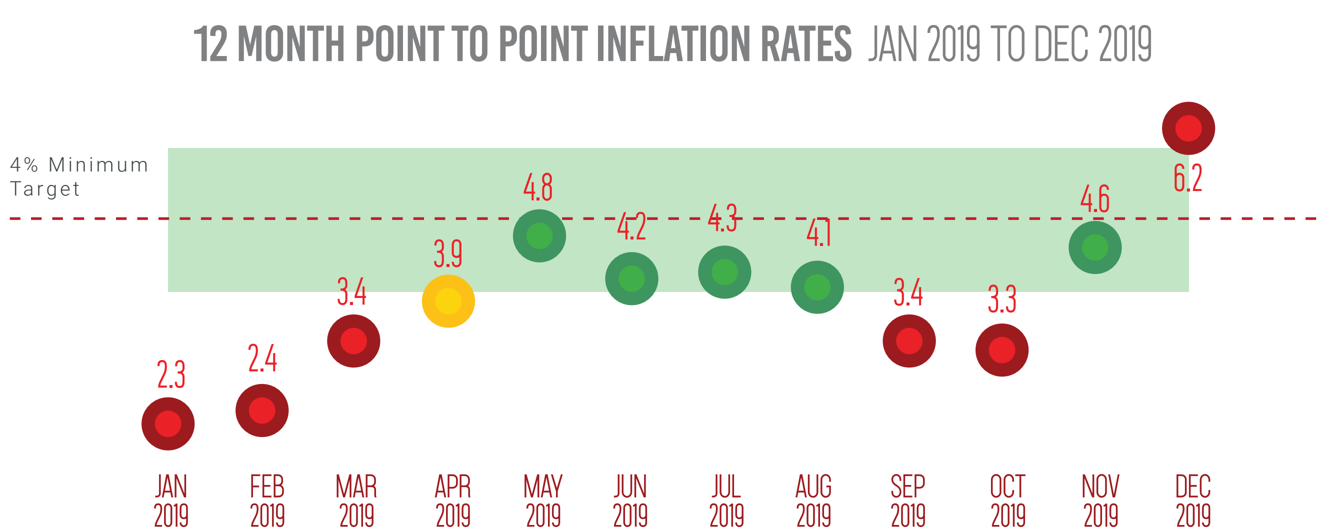


Table 2: Bank of Jamaica policy Interest rates December 2018 to December 2019

Inflation

During 2019, annual headline inflation fell below the Bank's inflation target of 4.0 per cent to 6.0 per cent on six occasions, and within the target on five occasions. However, it closed the year slightly above the target.



Exchange Rate

- Throughout the year the USD/JMD pair was characterized by its volatility, which culminated in difficulty for some businesses that require foreign exchange (FOREX).
- A strong point of the dollar was in March, trading at JMD$124.79, relative to its lowest trading point in November where it traded at JMD$142.23.
- Depreciation of the dollar was 3.8% in 2019, relative to a 2.17% depreciation in 2018.

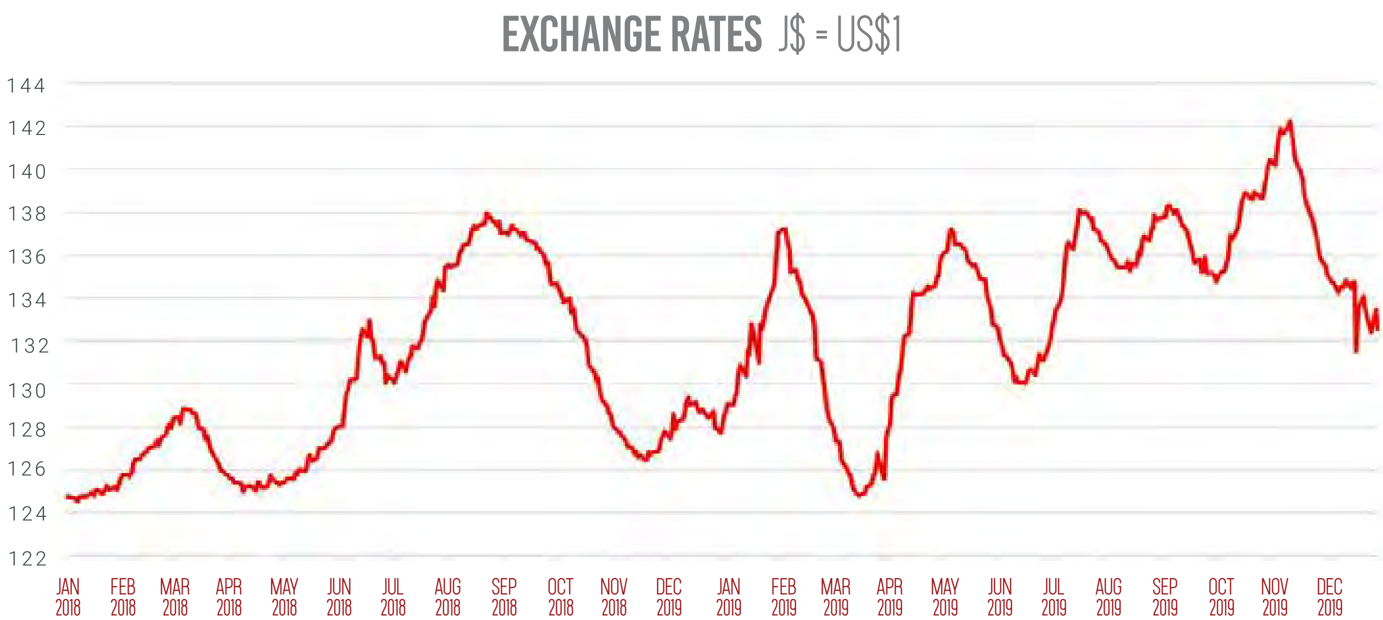


Table 4: JMD$ to US$ rate January 2018 to December 2019

Fiscal Performance

Jamaica's overall Fiscal performance in 2019 was very strong and reflects continued improvements. The near-term outlook for growth in the Jamaican economy continues to be positive.

Major accomplishments during 2019 included:

- **PRIMARY SURPLUS OF J$158.6 BILLION** (J$155 BILLION IN 2018)
- **REVENUE & GRANTS GROWTH** (MAINLY THROUGH TAXES)
- **LOWER EXPENDITURES**
- **SUCCESSFUL COMPLETION OF THE FINAL IMF REVIEW**
- **IMPROVED AGENCY RATINGS: STANDARD & POOR, MOODY'S, & FITCH**

UNITED STATES

Gross Domestic Product

- The 2019 annual growth rate of 2.3% represents the lowest rate of growth in three years.
- The increase in real GDP in 2019 reflected positive contributions from personal consumption expenditure (PCE), non-residential fixed investment, federal government spending, state and local government spending, and private inventory investment which were partly offset by a negative contribution from residential fixed investment.
- The deceleration in real GDP in 2019, compared to 2018, primarily reflected decelerations in non-residential fixed investment and PCE, which were partly offset by accelerations in both state and local and federal government spending.

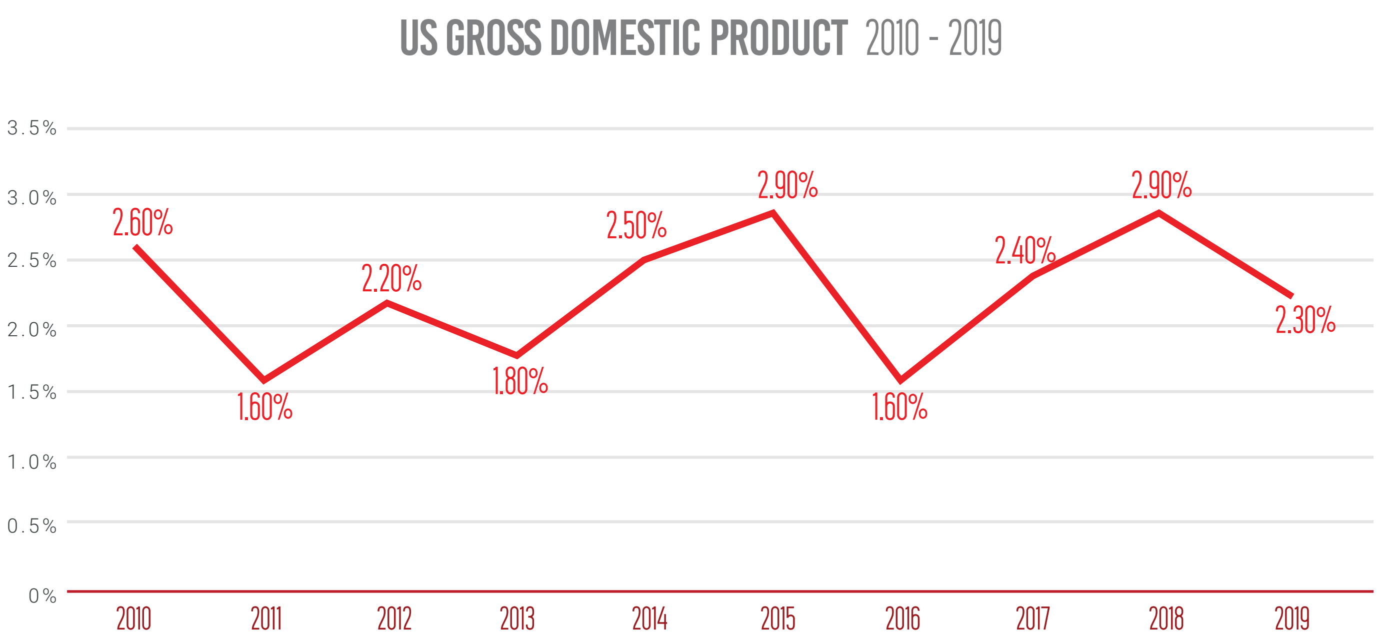


Table 5: United States of America Gross Domestic Product (GDP) 2010 to 2019

Interest Rates

- On the 11th of December 2019, the US Federal Reserve (the Fed) decided to leave its policy interest rate unchanged at 1.50% - 1.75% following three rate cuts throughout the 2019 calendar year.
- Chairman Jerome Powell has expressed the Fed's intention to leave interest rates at their current levels until a significant pickup in inflation is seen.
- Throughout the year, the Fed maintained an increasingly accommodative monetary policy stance in order to guard the economy from dragging factors such as heightened trade tensions between the US and China, and weak global growth which loomed over the US economy throughout the year.
- Over the year, the 20-year Treasury Bill yields have trended generally lower, as expected from the increasingly accommodative stance of the Fed over year. Yields peaked at 3.13% at the beginning of March and saw their lowest in August at 1.94%.

Inflation

- According to the most recent data from the US Bureau of Labour Statistics from December 2018 to December 2019, consumer prices for all items rose 2.3%.
- Over that period, food prices increased by 1.8%, a slightly larger percentage increase than the 12-month increase of 1.6% in 2018. Energy prices rose 3.4% in 2019, after falling slightly in 2018.
- Medical care prices rose 4.6% in 2019, well above a 2.0% increase in 2018 and the largest over-the-year increase since 2007.
- The inflation rate targeted by the Federal Reserve, the annual change in the Personal Consumption Expenditure (PCE) Index, was 1.5% in November.
- Over the year, the PCE Index stood below the Fed target of 2.0% for every month of the year thus far, continuing an approximately two-year trend of the Fed missing its target.

Fiscal Performance

- According to the US Bureau of Economic analysis, for 2019, the goods and services deficit was US$616.8B, down US$10.9B (1.7%) from US$627.7B in 2018.
- This represents the first decrease in the deficit for six years, which occurred against the background of the US-China trade tensions which have been ongoing for almost two years.
- Exports were US$2,499.8B, down US$1.5B (0.1%) from 2018.
- Imports were US$3,116.5B, down US$12.5B from 2018.
- The 2019 decrease in the goods and services deficit reflected a decrease in the goods deficit of US$21.4B, or 2.4%, to US$866.0B, and a decrease in the services surplus of US$10.4B, or 4.0%, to US$249.2B.
- As a percentage of US GDP, the goods and services deficit was 2.9% in 2019, down from 3.0% in 2018.
- The largest trade deficit for the US, was with China which decreased by US$73.9B or 27.2% to US$345.6B in 2019.
- Exports decreased US$13.5B to US$106.6B, and imports decreased US$87.4B to US$452.2B.

CANADA

Gross Domestic Product

- Canada's annual real GDP growth rate was reported at 1.90% for 2019 relative to 2.0% growth in 2018, with 16 of 20 sectors reporting growth.
- Slower growth was realized amidst weaker international trade and a decline in investment.
- Service-producing industries grew by 2.5%, with professional, scientific and technical services reporting a year-over-year growth of 4.5%.
- This was followed by Wholesale trade which grew by 4.2%.
- Goods-producing industries grew modestly by 0.3%, with the Country's Construction industry reporting the highest growth of 3.1%.
- Growth in Goods producing industries was however slowed by a 2.3% contraction in Mining, quarrying, and oil and gas extraction due to declines in diamond and potash mining, as well as 0.8% contraction in manufacturing, led by a decline in non-durable manufacturing.
- Importantly, the Country's Information and Communication Technologies Industry reported the strongest annual growth of 5.8%.

CANADA GROSS DOMESTIC PRODUCT 2010 - 2019

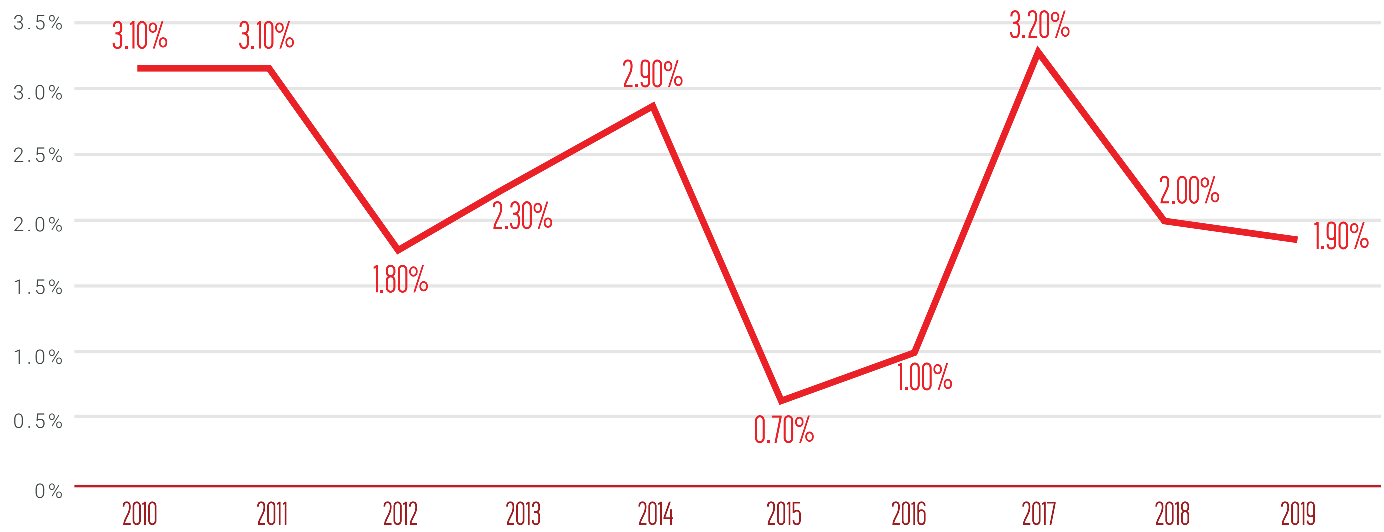


Table 6: Canada Domestic Product (GDP) 2010 to 2019

Interest Rates

- The Bank of Canada maintained its target for the overnight interest rate of 1.75% throughout 2019, with the Bank Rate and Deposit Rate also being maintained at 2.00% and 1.50% respectively throughout the year.
- Treasury yields for 2019 steadily increased relative to 2018 yields, where six-month Treasury bill yields averaged 1.69% for the 2019 calendar year, a premium when compared to the average of 1.54% in 2018.

Inflation

- Canada reported a 12-month inflation rate of 2.2% up to December 2019, up from the reported 2.0% for the comparative period in 2018.
- Over the 12-month period, transportation reported the strongest increase, with prices growing by 3.7% largely due to higher gasoline prices, which grew by 7.4% mainly due to international political events relative to lower prices as a result of increased global supplies in December 2018.
- Higher transportation prices were also impacted by the growing number of new model-year passenger vehicle purchases.
- Food prices rose by 3.0% year-over-year followed by a 2.9% increase in clothing and footwear prices.
- Meanwhile, household operations, furnishings and equipment prices reported a 0.4% contraction.

UNITED KINGDOM

Gross Domestic Product

- Gross Domestic Product for the UK was estimated to have increased by 1.4% during 2019.
- GDP was flat for the fourth quarter of 2019.
- The economy's growth was impacted by lower exports and investment spending. This was mainly due to weaker global activity due to political tension and a rise in trade uncertainties, as well as Brexit-related uncertainties.

UK GROSS DOMESTIC PRODUCT 2010 - 2019

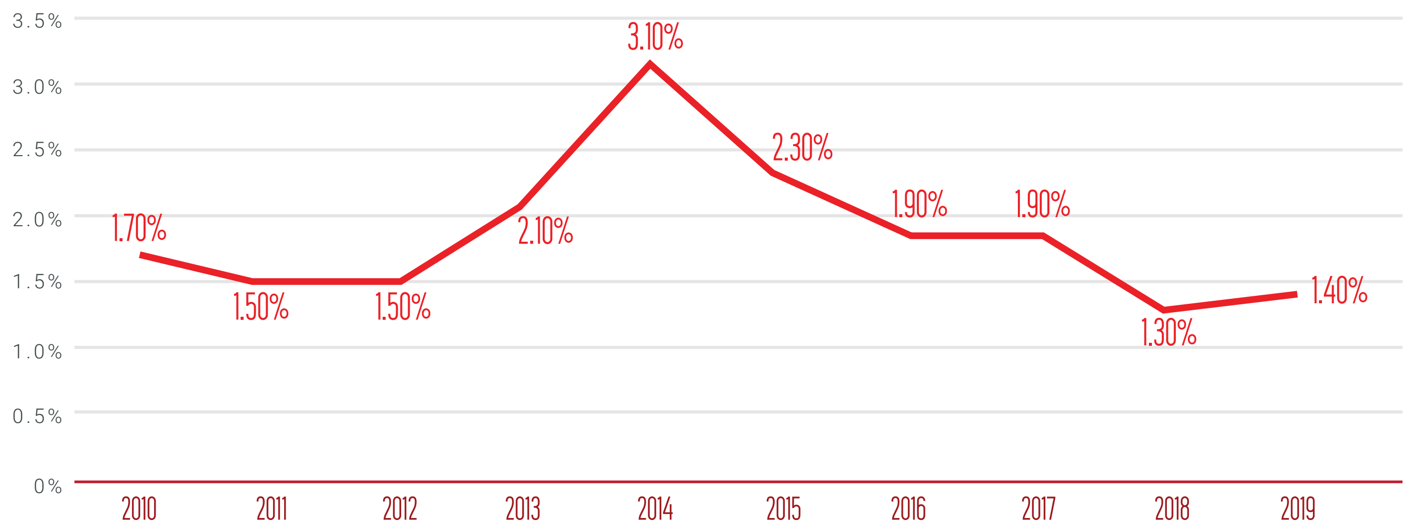


Table 7: United Kingdom Gross Domestic Product (GDP) 2010 to 2019

Interest Rates

- Throughout 2019, The Bank of England maintained its bank rate of 0.75% in its attempt to achieve and maintain a low and stable inflation target of 2.0%.

Inflation

- The UK's Consumer Prices Index (inclusive of owner occupiers' housing costs, CPIH) 12-month inflation rate was reported at 1.4% in December 2019, a discount of 60 basis points (bps) relative to the Bank of England's inflation target of 2%.
- This compares to a 12-month inflation rate of 2.0% in December 2018.
- The largest upward contributions to the rise in CPIH came from housing, water, electricity, gas and other fuels.
- Meanwhile, the largest downward contributions in the 12-month inflation rate primarily came from restaurants & hotels, due to declining overnight hotel accommodation.

Fiscal Performance

- For the 2019 third quarter (July-Sept), the UK's current account deficit was reported at £15.9B, an improvement of £8.3B relative to the deficit of £24.2B for the second quarter.
- This reflected a current account deficit as a percentage of the country's gross domestic product (GDP) of 2.8%, which compares to 3.6% for the comparative period in 2018.
- Importantly, the UK's current account deficit as a percentage of GDP represents the lowest since the first quarter of 2012 when the country's current account deficit to GDP was reported at 2.6%.
- The reduction in the current account deficit was primarily influenced by a narrowing of the UK's trade deficit from £10.9B for the second quarter of 2019 to £0.4B for the third quarter, or 0.1% of GDP.
- This represents the narrowest deficit since the first quarter of 1998.
- The improvement in the country's trade was led by increased exports of the following products and services; machinery and transport equipment to the world, chemicals to the European Union, other business services, mostly professional and management consulting services and financial services.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is important to who we are as a Company. Our ethos is the heart of who we are as a global corporate citizen, which means that we pursue causes that are important to our staff, our customers and consumers, shareholders, communities and the countries in which we operate, guided by our principles of Honesty, Integrity and Trust.

GRACEKENNEDY FOUNDATION

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

ENVIRONMENTAL PROGRAMMES

James Moss-Solomon Snr. Chair in Environmental Management

In 2019, the holder of the James Moss-Solomon Snr. Chair, Professor Mona Webber continued to conduct research in the areas of coastal and marine sciences, particularly concerning sargassum and mangrove restoration of Refuge Cay, as well as contributing to student development and outreach. She was also one of the presenters at the GraceKennedy Foundation's Annual Lecture concerning Kingston Harbour.

International Coastal Cleanup

In observation of International Coastal Cleanup Day on September 21, 2019, the GKF coordinated a substantial clean-up of Buccaneer and Gun Boat beaches, located on the Palisadoes strip in Kingston, Jamaica.

The effort saw the involvement of over 365 volunteers comprising GraceKennedy employees, members of Campion College's Green Generation Club, the St. George's College Environmental Club, the Kingston Church of Christ Teen Ministry, Portmore Church of God, Passage Fort Youth Club, Youths For Sustainable Development, students and parents from Hopefield Preparatory and staff of the Mona GeoInformatics Institute and American Airlines. In just two hours, the team collected more than 7,930 kgs of garbage. GraceKennedy has been the leading corporate collector at a single clean-up site for the past four consecutive years.

Clean Kingston Harbour Project

The GraceKennedy Foundation continues to spearhead 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. A comprehensive strategic plan was completed for the project, seeking to mobilize public and private sector participation in the project. GKF is also actively working on securing international grant funding for the project, and was successful in the award of a grant from the Caribbean Biodiversity Fund to initiate the process.

PROMOTING HEALTHY LIFESTYLES

GK Campus Connect Food Bank

As a part of GraceKennedy's efforts to support students in a multifaceted way at the tertiary level, the GraceKennedy Foundation has opened Food Banks at the University of the West Indies (UWI) and University of Technology (UTech) campuses. This is to address one of the critical issues affecting many tertiary level students – hunger. Since the opening of the GK Campus Connect Food Bank in April 2019, over 150 students have received food packages.

The Food Bank has partnered with a local retailer to enable Jamaicans living abroad, many of whom are graduates of local universities, to become involved in providing support. Known as the 'Good Graces Barrel', Jamaicans overseas can contribute US$50 to fill a barrel with Grace products for students supported by the Food Bank. GraceKennedy scholars in Jamaica use their volunteer hours to operate 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
- The Annual Lecture Series
- Funding of a Professorial Chair and an Executive-In-Residence at the University of the West Indies
- The GraceKennedy Jamaican Birthright Programme
- Scholarships

Grant Funding

Grants totalling over $3.6 million were awarded to projects focusing on Early Childhood Education, Science, Technology, Engineering, Arts and Mathematics (STEAM) education and the environment. In 2019, the early childhood STEAM project report and curriculum were presented at the Early Childhood Commission Conference, and will be utilized as a model for early childhood practitioners.

Annual Lecture Series

The 2019 GraceKennedy Foundation Lecture, was held at the Jamaica Pegasus Hotel on April 3, under the theme, '*Clean Kingston Harbour - Pipe Dream or Pot of Gold'*. The lecture took the format of a panel discussion with Professor Mona Webber, Director, Centre for Marine Sciences, UWI and the GraceKennedy-funded James Moss-Solomon Sr. Chair in Environmental Management; Dr. Wayne Henry, Chairman and Director General of the Planning Institute of Jamaica and Tijani Christian, Chairperson for the Commonwealth Youth Council. The discussion was moderated by Professor Dale Webber, Pro-Vice-Chancellor and Principal of the UWI's Mona Campus.

The lecture highlighted the extreme degradation of one of Jamaica's greatest natural resources, the Kingston Harbour. The lecturers helped the audience to understand the scientific, economic and social causes of the Harbour's deterioration, as well as its potential to be a "pot of gold" if restored to its former glory.

Executive-In-Residence

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

GraceKennedy Jamaican Birthright Programme

For the last 15 years, the GraceKennedy Jamaican Birthright Programme has provided a unique opportunity for 49 second and third-generation Jamaican diaspora university students residing in the USA, UK and Canada to acquire first-hand experience of their Jamaican heritage. Established in 2004 by then Chairman and CEO of GraceKennedy, Douglas Orane, the aim is 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 a professional internship within the GraceKennedy Group, and cultural excursions.

Kayla Jessup, a senior at University of Chicago, Tarik Graham, a sophomore at Harvard University, Callum McCarthy, a recent graduate of the University of Cambridge and Sapphira Thompson-Bled, a graduate student at University of Toronto, were the 2019 Birthright interns who visited Jamaica and participated in the Birthright Programme between June 28 and August 7, 2019.

Scholarship Programme

In 2019, the GraceKennedy Foundation invested over $21 million in scholarships to the children of GraceKennedy employees through the Carlton Alexander Memorial Awards, and to students attending UWI and UTech, The Edna Manley College of the Visual and Performing Arts and the Caribbean Maritime University. Added to the list of scholarships disbursed in 2019 was the Sister Angella Harris/ICHS scholarship, created in honour of retired principal of the Immaculate Conception High School (ICHS), Sister Angella Harris. This scholarship is awarded to a past student of the Immaculate Conception High School who attends the UWI.

GK Campus Connect

Since its establishment in October 2019, the GK Campus Connect initiative has provided GKF scholarship recipients with the opportunity to serve as Campus Ambassadors for GraceKennedy brands including Grace Foods, First Global Bank, GK Insurance, GK Money Services and Hi-Lo Food Stores. This exposure helps to develop their leadership, time management, communication and problem-solving skills, while building self-confidence and strong inter-personal relationships. Ultimately, initiatives focusing on our youths, at home and in the diaspora, demonstrate our commitment to fostering the development of the next cadre of leaders in Jamaica and its diaspora.

GRACE & STAFF COMMUNITY DEVELOPMENT FOUNDATION

October 2019 marked 40 years of the Grace & Staff Community Development Foundation (Grace & Staff), carrying out its mandate of building a bridge of human care and understanding. This bridge meaningfully connects GraceKennedy with our neighbouring communities. Grace & Staff remains focused on serving in three main areas: education, community development and volunteerism.

The GraceKennedy Parade Gardens Science Technology Engineering and Mathematics (STEM) Centre, facilitated students and teachers in practising STEM approaches. Our Youth Development/Homework Centres served over 800 students across several communities in Kingston, Spanish Town and Savanna-La-Mar. Students are supported by our dedicated volunteers at these centres. Over $28.5 million was directly invested into programmes to develop and assist our nation's children. Tertiary students benefitted from 44% of the overall spend, while over $6.4 million was dedicated to the operations of the Homework Centres and just over $5 million spent on covering secondary fees. Over 600 high school and tertiary students received educational bursaries.

A major initiative in 2019 stemmed from a partnership with the British Council in Jamaica, The Boys Can Mentorship Project. This project targets 75 at-risk boys in secondary schools across the island, who are at risk of dropping out of school mentally and/or physically. This project delivers well-needed positive male mentorship for our boys.

Through charitable giving individuals are directly positively impacted, while organisations obtain necessary support to carry out community developmental work. Annual Labour Day projects, support of the Rae Town Salvation Army Geriatric Clinic and our annual Christmas Outreach activities are some ways the Foundation has been contributing to creating better lives for our citizens. Nearly 2000 persons benefit directly from these activities.

Grace & Staff's success is built on the support of the GraceKennedy employees who make financial contributions as well as give of their time and talents. Over 18% of total funding was received from the GraceKennedy staff, with 224 staff volunteering as tutors and mentors.

SPORTS

GraceKennedy continued our sponsorship of the largest secondary school sporting event in the Caribbean, the ISSA/GraceKennedy Boys' and Girls' Championships. We are proud of our investment into youth development and nation building through our support and sponsorship of sporting initiatives, which also include the school cricket competitions "The ISSA Grace Shield" and "The ISSA Grace Headley Cup."

RISK MANAGEMENT & INTERNAL CONTROLS

GraceKennedy recognizes that risk is an inherent feature in any business operation and therefore effectively identifying, assessing, managing, monitoring and reporting risks on a continuous basis plays a pivotal role in ensuring that our stakeholder value is protected.

Therefore, to adequately address the risk exposure arising from our operations, which extends to a multiplicity of industries, geographical regions, and cultures, a robust and agile risk management framework has been implemented. This allows us to promptly and effectively respond to any existing and emerging risks within our operating environment.

GRACEKENNEDY RISK MANAGEMENT FRAMEWORK

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 have been designed to encourage the Group'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 unit (SBU) levels.

RISK MANAGEMENT GOVERNANCE

GraceKennedy's Enterprise-Wide Risk Management (ERM), provides a common basis for the systematic identification, assessment, management, monitoring and reporting of risks. Within GraceKennedy, a risk-based approach to managing our business is adopted and is designed to provide reasonable assurance that business objectives will be met.

Some key components of the ERM framework include:

1. A **Board approved Risk Policy**, last revised in 2019, which governs the Risk Management Framework. It clearly outlines the responsibilities of the Board of Directors, Audit Committee and Management which mirrors the three lines of defence in managing risk. In summary:
    - At the third and highest level is the **Board of Directors** which is ultimately accountable for determining the Group's risk profile and ensuring that management has appropriate policies and internal controls in place in respect of risk management.

- At the second level is the **Audit Committee** whose role is to evaluate the effectiveness of the risk management processes and activities and provide assurance to management and the Board in respect of the same. The Audit Committee has been charged by the Board with the responsibility for overseeing the Risk Management Programme on its behalf in accordance with its Terms of Reference. (Our Group Internal Audit's assessment of internal controls is based on the COSO framework and all audits are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing).
- At the first level is the **Management** who is responsible for identifying, assessing, quantifying, reporting, and managing all risks within their lines of business. They are accountable to the Board for designing, implementing, and monitoring of the risk policy and the process of risk management and integrating it into the day-to-day activities of the Group. They ensure alignment of business strategy with corporate culture, appetite, and policy.

2. A **Risk Appetite Statement** that defines the level of risk which the Group is willing to undertake and informs decision making at all levels within GraceKennedy. It also provides a common understanding between the Board and management and guides the risk appetite statements at the subsidiary level.
3. 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 audits.
4. The Risk Assessment Reporting Standard that identifies the mandatory requirements or activities relating to risk assessment and mitigation.
5. 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 inclusive of the need for a mitigation plan for any risk rated as High or Moderate.
6. Self-Audit Guidelines and an accompanying tool kit that have been designed to encourage the Group's business and support units to proactively identify and act quickly on process and control weaknesses.

Using the Balanced Scorecard as a reporting guide, risk management focuses its key objectives across the following four perspectives:

FINANCIAL

Increasing Stakeholder Value by creating a safe environment for the Group to successfully achieve its strategic objectives.

INTERNAL

Efficient risk management tools to facilitate risk mitigation with minimal disruption to business processes.

CUSTOMER (INTERNAL)

Value creation to various stakeholders (board, executive management, management and staff) by educating, creating useful and clear frameworks and reporting on emerging risks and opportunities across the GraceKennedy Group.

LEARNING & GROWING

Trained and competent risk management professionals with the tools needed to effectively mitigate risk and identify opportunities.

MILESTONES & CHALLENGES IN 2019

As GraceKennedy continued its journey to realise its vision of being a Global Consumer Group by 2020, the Risk Management and Assurance function responded by bolstering its existing programme with a view to providing best in class value-added service with the agility to detect and respond appropriately to the risks within each industry and territory where GraceKennedy has a presence.

Areas given focus included:

- Continued streamlining of risk and compliance processes across the Group for greater focus and monitoring;
- Focused oversight and reporting of risk at the Financial Group-level, in line with the establishment of the financial holding company (GK Financial Group Limited);
- Keeping pace with changes in the regulatory and geo-political landscape; and
- Providing support to the Group in pursuit of its merger and acquisition strategy.

Capacity-building of the Risk and Compliance team across the Group remained an area of focus during the year and we expect this to continue well into the coming years given our recognition of the fact that our staff is a pivotal component of what we do and who we are as a Group.

Key Areas of Focus

During the year, the following external risks were given special focus:

- Digitalization of financial offerings;
- The dynamic and increasingly complex compliance environment globally and performing the requisite preparatory work in readiness for the corresponding changes;
- Regulatory efforts globally to promote healthy foods and changes in the consumer demand towards health foods;
- The dynamism in the international political landscape; and
- Climate change and the impact of extreme weather on supply chain management.

With GraceKennedy operating in the Financial, and Food Manufacturing and Distribution sectors, the major risks impacting the Group were strategic, operational, insurance, credit, liquidity and market risks. A synopsis of each is captured in the following table:

RISK	CONSIDERATION
	Any risks which could hinder GraceKennedy's ability to achieve its strategic objectives are referred to as strategic risks. Therefore, effective management is important given that successful strategic risk management protects shareholder value by ensuring the business has properly assessed potential risks to the Group Strategy and has developed an appropriate course of action to mitigate the exposure. It is for this reason, that risk management is embedded within the Group's annual strategic planning sessions conducted at both the subsidiary and Group levels. To ensure that the risk is appropriately managed, regular assessments throughout the year are conducted.

RISK	CONSIDERATION

OPERATIONAL RISK

Operational risk arises where inadequate or failed internal processes, people and systems or external conditions result in the risk of loss. The Group addresses this risk by:

- holding all employees accountable for managing the risk and internal control environment as well as providing them with the mechanism to report violations of policies, procedures, laws by way of our Whistleblowing policy, and annual disclosure programme in force.
- having Internal Audit conduct regular reviews in order to provide assurance that the risk and internal controls frameworks are operating effectively.
- establishing standards for assessing, managing, monitoring, and reporting of the risk

Additionally, to ensure minimum disruption to business operations due to factors including natural disasters, a comprehensive Business Continuity Plan - which is revised on an ongoing basis – is in place for entities within the Group.

INSURANCE RISK

Factors that continue to 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 Group'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.

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. GraceKennedy operates in several territories which use different currencies – mainly the US dollar, the Canadian dollar and the UK pound - which trade at varying values. As a consequence, the Group is exposed to foreign exchange risk which 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. The Group manages this risk by maximising foreign currency earnings and holding foreign currency balances.

RISK	CONSIDERATION

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-statements 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 business to similar risks to loans and these are mitigated by the same control policies and processes.

LIQUIDITY RISK

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

This risk is closely managed at both the SBU and Company levels and include measures such as daily, weekly and monthly cash flow measurement and projections; assessing the maturities of assets and liabilities.

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. This is monitored by our Research and Treasury departments carrying out extensive research and monitoring of the price movement of financial assets locally and internationally.

RISK	CONSIDERATION
	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. This is managed in the Group by the respective Boards establishing limits on the mismatch of interest rate re-pricing, along with having an appropriate mix of fixed and variable rate instruments, and managing the maturities of interest bearing financial assets and liabilities.

THE WAY FORWARD

Following the efficiency exercise in 2018, the risk and compliance framework was enhanced to allow for greater focus. By rationalizing functions and removing duplicated activities, it paved the way for moving forward with greater agility. This effort continued in 2019, as the unit focused on further buttressing of the ERM programme through greater leveraging of technological capabilities and process improvements.

CYBER SECURITY RISK

GraceKennedy remains vigilant with respect to protecting the organisation and its customers and business partners against the ever-evolving cyber threat landscape. We continue to conduct ongoing network penetration and other security-related tests on our network, and to leverage multiple external solutions to augment our own internal IT security resources. In addition to our security policies, procedures and technology, all employees and external Directors are mandated to complete our annual cybersecurity training.

In 2019, we implemented a security alert menu option in our email client to provide employees with the ability to quickly identify and report suspicious emails. We also conducted monthly security campaigns which simulated security threats to practically test employee cybersecurity awareness and incident response behaviour. Our annual Director's Workshop included training in cybersecurity threats in the digital age and emphasized the importance of automating cybersecurity measures.

There were no significant cybersecurity incidents in 2019. We believe that our proactive approach to cybersecurity positions us well to guard against many threats, and to respond quickly and effectively to others.

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, which is reviewed annually and approved by GraceKennedy (the 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 and Boards 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 (6) times in 2019.

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 receives 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 reports to the Board in writing 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 are reinforced through our GraceKennedy Code of Ethics, Anti-Fraud and Whistleblowing policies and use of its 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 & MILESTONES

Internal Audit continued to improve its quality and effectiveness during 2019 with a focus on continuous improvement, greater use of technology to drive efficiency and continued client support and relationship building. The activities in 2019 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 2019 included:

- 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;
- 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;
- Completed special reviews and investigations requested by Executive Management.

By the end of 2019, Group Internal Audit conducted 73 audits, with significant focus on Regulatory Compliance, IT Governance and Security, Financial Controls and the general control environment.

The focus of 2020 for the Internal Audit Department continues to be:

- Continuous Risk Assessment, Enhancing Risk Management and Governance practices;
- Addressing Key Stakeholder Priorities;
- Continued focus on Compliance across the Group towards the goal of being best in class;
- Optimising Internal Audit Processes and Resources;
- Continued training of team to meet new challenges in the environment;
- Continued leveraging technology to increase efficiency.

OUR PEOPLE

A critical pillar to achieving our vision of becoming a Global Consumer Group is to attract, develop and retain great people who execute on our strategy. During 2019 our focus remained on building a highly skilled and motivated workforce through investment in the development of our people and implementing action plans to improve employee engagement.

TALENT DEVELOPMENT

We embarked on critical skills building to support our digital thrust, and to equip team members to effectively respond to changing market conditions and new business innovations. Participants in the first cohort of our Diamonds Programme (primarily for our Millennials) completed the final professional development module. Our Supervisory Development Programme (SDP) exposed participants to in-class modules and culminated in the implementation of individual projects which resulted in significant cost saving, revenue generation and efficiency improvements to their respective subsidiaries. We also launched a new cohort of our Senior Leadership Development Programme (SLDP), even as we saw the appointment of several SLDP graduates to Senior Management positions in 2019.

In support of our strategy of having a strong pipeline of talent and potential leaders, several new team members joined the GK team through our various management trainee, internship and accelerated development programmes.

SUCCESSION MANAGEMENT

Succession Management remained a priority area for our leaders as we reviewed our plans, enrolled new potential successors for key roles and commenced execution of targeted development activities to close gaps. This focus allowed us to make significant leadership changes in 2019 seamlessly, as ready successors moved into place. Strategic talent acquisition and accelerated development also formed part of our strategy to ensure readiness of successors.

EMPLOYEE ENGAGEMENT

We implemented various planned initiatives aimed at achieving the targeted improvement in employee engagement for 2019, including the results of our Job Evaluation exercise. Training arising from development plans, job rotations and cross-training and promotions from within, were also positive contributors to improvement in our Growth Opportunities pillar. Through our Wellness Programmes, our team members are able to access the services of our team of psychologists as well as participate in exercise programmes internally and externally.

To integrate its newly implemented shared services model and build a unified Financial Division, the leadership team embarked on a cultural transformation programme with three (3) main work streams focusing on leadership, communication and work/life balance. Throughout the year, team members participated in various workshops, focus groups and surveys, including social events to build staff engagement.

We are also particularly proud of the volunteer work done by our team members with our two Foundations in ensuring that we contribute to making positive changes to the lives of the people in our communities and to the environment.

With a team of such great people, we anticipate even greater successes in 2020 and beyond.

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.*

GraceKennedy remains focused on achieving its goal of becoming a Global Consumer Group, delivering the taste of multi-cultural foods to the world and leading financial services to the region. During 2019, significant achievements included the opening of a new world-class distribution centre in New Jersey; the launch of Canopy Insurance, a joint venture company in the health and life insurance space; and the commencement of production at the Denbigh Factory. In 2020, our commitment to sustainable growth and innovation will see the Group pursuing ventures and initiatives that will accelerate the pace at which we extract value from our strategic investments and move forward with our long-term strategy. As we approach our centennial, we reflect on our rich history and the fact that it is closely tied to our Jamaican roots. During 2020 we will celebrate this through our annual theme - "GraceKennedy the Spirit of Jamaica, Inspiring the World", and endeavour to continue this proud tradition. To this end, we will execute our mission which is built around the following business perspectives:

- **GROWTH & SUSTAINABILITY**
- **CUSTOMER CENTRICITY & INNOVATION**
- **OPERATIONAL EXCELLENCE**
- **PERFORMANCE DRIVEN ORGANISATION**

GROWTH & SUSTAINABILITY

Expansion throughout the Caribbean region and in our international markets is a major tenet of the Group's plans. A key initiative for the GraceKennedy Financial Group (GKFG) is to increase its reach through the opening of more GKONE locations across Jamaica. GKONE allows customers to conveniently access all our financial services in one location, and is aimed at promoting financial inclusion and improving accessibility throughout Jamaica. GK Capital Management will seek to bolster its core business by growing its private equity and investment banking portfolios. First Global Bank will also be growing its bank agent network during 2020, following the opening of seven locations over the past year. Plans are also in train for GK Money Services to open additional Western Union locations in Jamaica and several other regional countries including Cayman and the Bahamas.

As the Group focuses on growing our Foods and Financial Services businesses in Jamaica and internationally, opportunities for mergers and acquisition are also being pursued and reviewed as part of the long-term strategy. Most recently, GKFG made an offer to acquire the shares of Key Insurance Company Limited.

In fulfilling its aspiration of becoming consumers' first choice for great food both in Jamaica and internationally, the Foods Division is focussed on ensuring convenient access through increased distribution. Internationally, we will be exploring new markets for distribution and implementing initiatives to increase supply in our current channels. Grace Foods Canada's expansion into the western provinces is on track with plans in place for partnerships with stores in those provinces, as well as Quebec. In the United States, we will be working on winning new listings and displays in key chains through improved service delivery and building strong relationships. In the UK, we recognise the significant potential to export to more European countries and other markets worldwide, and will be exploring these opportunities further in 2020.

The Jamaican Marketing and Food Distribution companies will be implementing programmes to improve our reach in various distribution channels, ensuring that the products we supply to the market are easily accessible to our consumers. Strategic focus has been placed on increasing the number of principals we represent, and we recently partnered with a major brand, with hopes to expand this arrangement in the future. We will also be looking at adding to the number of products manufactured locally through new product development and co-packing agreements.

CUSTOMER CENTRICITY & INNOVATION

The GraceKennedy Financial Group (GKFG) has recognised consumers' need for a simple and seamless way to conduct digital transactions. To this end, the GKFG mobile application will be launched later this year allowing persons to access and interact with several of the businesses in this Division in one place. We expect that this innovation will make our financial offerings the most convenient choice for our customers. In 2020, First Global Bank will continue its emphasis on the SME sector by expanding the SME Hub, creating new and enhancing existing products for this segment, and through continued capacity building through our SME Summit and BizNets. The aim is to assist in equipping our customers with the tools and capital they need to succeed and contribute to the development of Jamaica.

GraceKennedy maintains its promise to its customers to provide value by continually offering quality goods and services to meet their needs. The Foods Division will be launching innovative products that cater to consumers' desire for fresh, convenient, and healthy options. GraceKennedy Foods (USA) LLC will be exploring more quick meal solutions, following the success of the frozen jerk seasoned chicken wings option that has been launched in that market, and more recently, in Canada. Grace Foods UK will be investing in additional formats for its Nurishment brand and has already launched the ultra-convenient bottle format. The production of more frozen products, such as Grace Frozen Ackees, at our new Denbigh factory is also in line with plans to manufacture more convenient products.

OPERATIONAL EXCELLENCE

The consistent and flawless execution of our business strategies is made possible through employing efficient processes. In 2020, we will be investing in and building on the operational efficiencies that have been implemented throughout the Group. GK Financial Group will be investing in a Group-wide business intelligence tool that will optimise operations and better enable the sharing of data among the business units. GK Foods (USA) LLC will continue to extract value from its recently opened Distribution Centre in New Jersey which is a LEED certified energy-efficient building and has led to efficiencies in several costs including freight and handling. Throughout our six Jamaican factories, we will invest in plant modernisation to ensure that our operations are best-in-class, and drive output through increased production and additional manufacturing partnerships to ensure improved capacity utilisation. A supply chain optimisation project will also be executed to extract additional value throughout the Foods Division.

PERFORMANCE DRIVEN ORGANISATION

Qualified and highly motivated staff is the key to successfully achieving any organisation's long-term vision. GraceKennedy recognises the importance of creating value for our team members and fostering high morale throughout the Group. In 2020, we executed on the results of our employee engagement survey highlighting the areas of growth opportunities, total rewards, meaningful work, and ensuring a positive work environment. We will also be making further investments in the use of change management, as this becomes the framework to successfully implement our key strategic initiatives. Focus will also be placed on providing our employees with appropriate training and opportunities for advancement including the Senior Leadership Development Programme and Diamonds training for future leaders. We believe that an organisation's greatest asset is its human resources and our team continues to embody the GraceKennedy spirit.

COVID-19

It is important to note that the 2020 outlook for GraceKennedy, and indeed many companies globally, will be heavily influenced by the COVID-19 pandemic and associated costs of containment. In light of this, GraceKennedy expects economic contraction in the first two quarters of 2020 in all its major markets. GDP growth will likely be stagnant, as countries put measures in place to contain the spread of the virus and navigate the costs of returning a healthy population to the workforce.

For Jamaica, the immediate impact will be felt in tourism, remittances, import/export and financial services.

However, GraceKennedy's other major markets (Canada, the USA and the United Kingdom) will also be heavily impacted by closed borders and contractions in trade. In addition, social isolation, if protracted, will have a dual impact. On the one hand, consumers will spend less in food services, while on the other, they will be spending more in the supermarkets. As a global company, GraceKennedy will also be subject to increased exchange rate volatilities in all the markets that we operate. Our local and international subsidiaries continue to monitor and adjust their operations to reduce the negative impacts that these movements may have on performance.

How GraceKennedy fares in this uncertain environment will be heavily dependent on the length of time for potential trade restrictions, trade border closures, mandatory quarantines and its status as a provider of essential services (food manufacturing, food distribution, food retail and remittances) in the countries in which we operate. We are as a company however, closely watching international developments in order to learn and adjust as necessary. At present, the trade borders for major markets remain open, so despite restrictions on people movement, products are able to be traded internationally.

In a joint statement with the International Chamber of Commerce (ICC), World Health Organization Director-General Tedros Adhanom Ghebreyesus, highlighted that "early, bold and effective action will reduce short-term risks to employees and long-term costs to businesses and the economy... As an immediate priority, businesses should be developing or updating, readying or implementing business continuity plans."

While the global experience is demonstrating that much is beyond our control and the situation is unpredictable in its possible magnitude and duration, we are learning from what has been happening elsewhere and taking proactive steps to protect the business and its stakeholders.

In response to the global crisis, GraceKennedy has established a Committee which is focused on tracking and monitoring developments globally, and which is actively assessing possible opportunities which may arise during these uncertain times. In addition, several steps have been taken to mitigate the varying risks which may arise. They include:

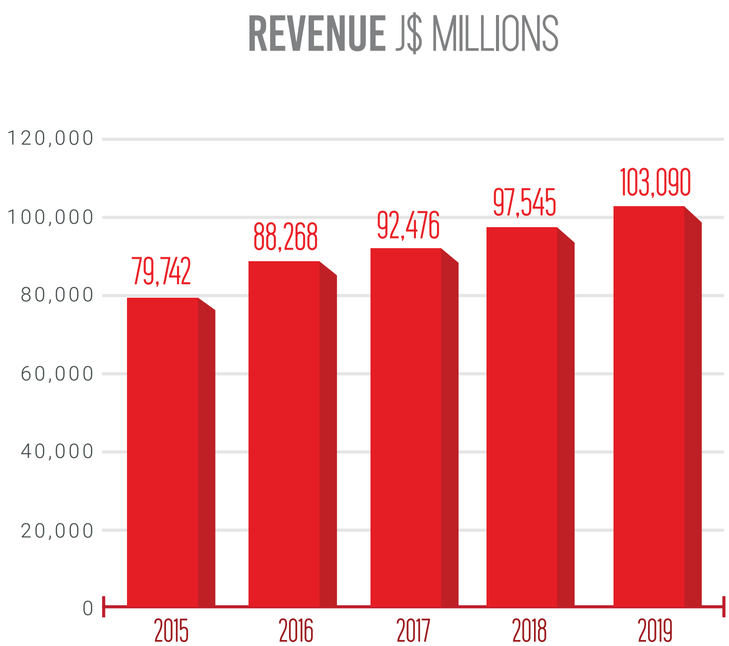
1. Implementing GK's Business Continuity Plan, specifically as it relates to the GK Pandemic Business Guidelines segment;
2. A Supply Chain Risk Assessment Action Plan, monitored and updated dynamically in response to changes in the state and situation of our suppliers, shipping lines, trans-shipment ports and in-country regulators;
3. Stringent inventory management, paying special attention to our key products and engagement of alternate suppliers for key products, where applicable;
4. A Comprehensive COVID-19 action plan addressing group-wide manufacturing;
5. Travel restrictions for staff, and a company-mandated isolation and self-monitoring policy;
6. Initiating a Group-wide telecommuting policy for applicable roles;
7. More focused monitoring of potential default risks within our Banking and Investments segment;
8. Consistent training of GraceKennedy staff around preventative methods and more aggressive cleaning and sanitization across the GraceKennedy Group, with special focus on areas with heavy customer traffic.

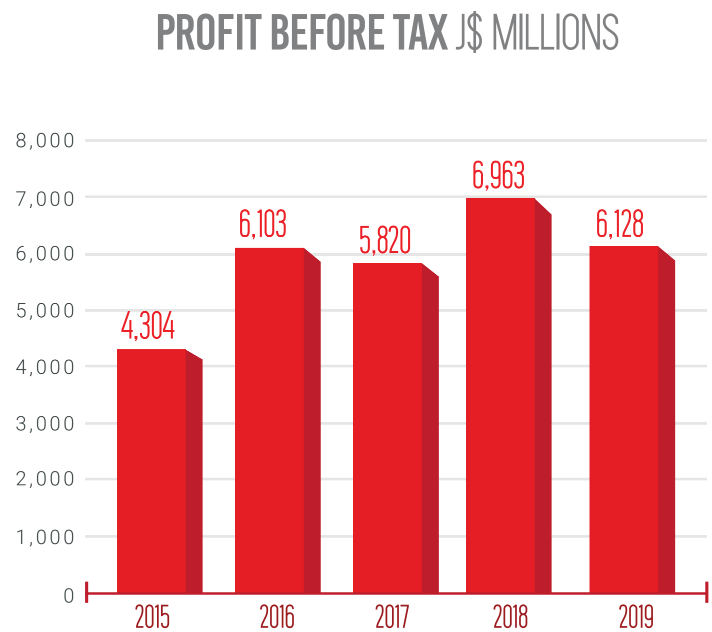
Furthermore, the Company has implemented several internal measures geared at supporting and protecting GraceKennedy team members and the wider public, as we attempt to manage this pandemic. As we uphold the commitment to our "We Care" credo, our various subsidiaries are also looking at innovative ways to support our customers and other stakeholders. To date, we have introduced special discounts for some of our retail customers, specifically our senior citizens and healthcare workers; contributed to the purchase of critical medical equipment in Jamaica; instituted payment holidays with our Banking and Investments segment; and enhanced benefits such as discounts for our internal GK family. As the situation develops we will be continuously looking for opportunities to support our people and the communities in which we operate.

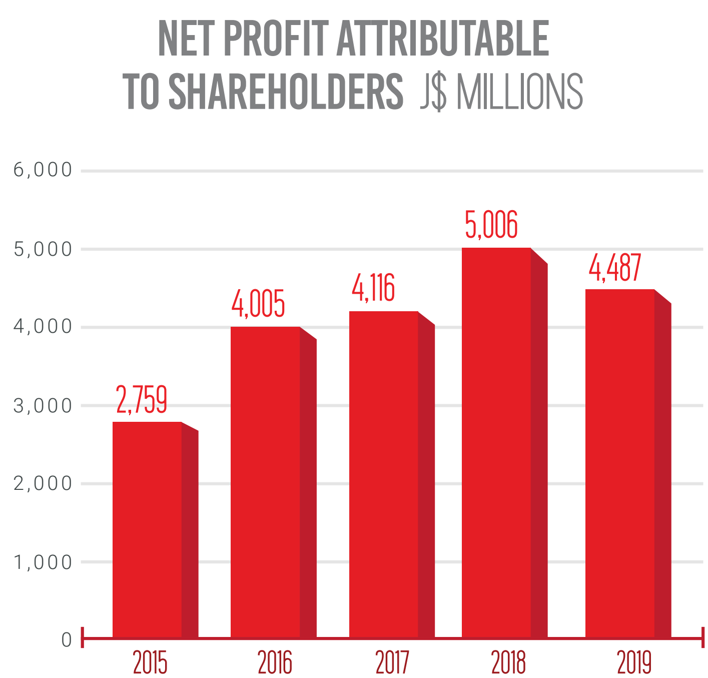
Against the foregoing we see our financial performance as being dynamic in the near term. We will therefore provide interim outlook reports as the situation continues to unfold.

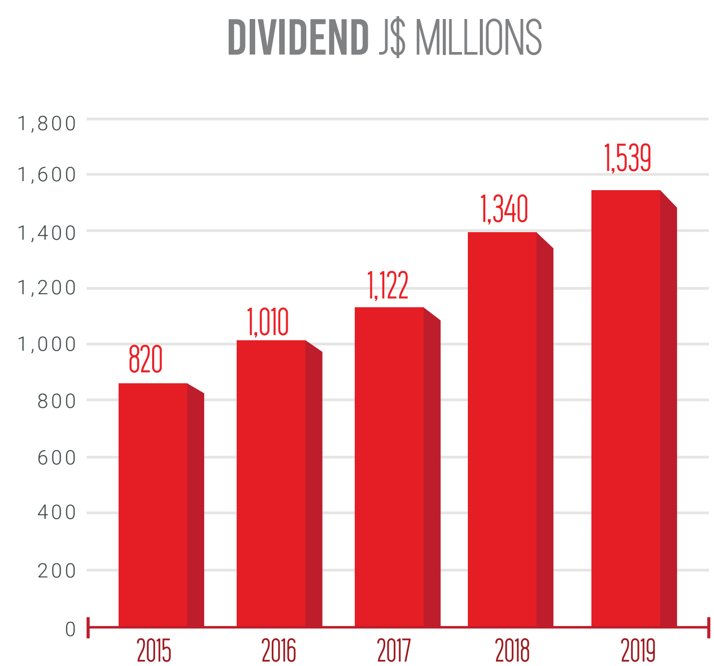
KEY EXPECTATIONS FOR 2020

- Continuing to grow our businesses through greenfield projects, joint ventures, mergers and acquisitions or through strategic partnerships.
- Bolstering our presence in the Jamaican food market by increasing our reach in various channels, executing strategic partnerships and introducing new products.
- Accelerating the introduction of digital products/channels in the Financial Division to meet consumer needs.
- Optimizing our Foods distribution channel in international markets through strategic investments and additional focus on brand building to increase earnings.
- Executing a cross-selling strategy that effectively introduces and markets our wide range of products and services across the Food and Financial Services Divisions to existing and potential customers.
- Strengthening the use of change management across the Group through training and certification and the application of its principles in project management.
- Improving the capabilities of employees through increased training, leadership development programmes and the strengthening of succession management throughout the Group.

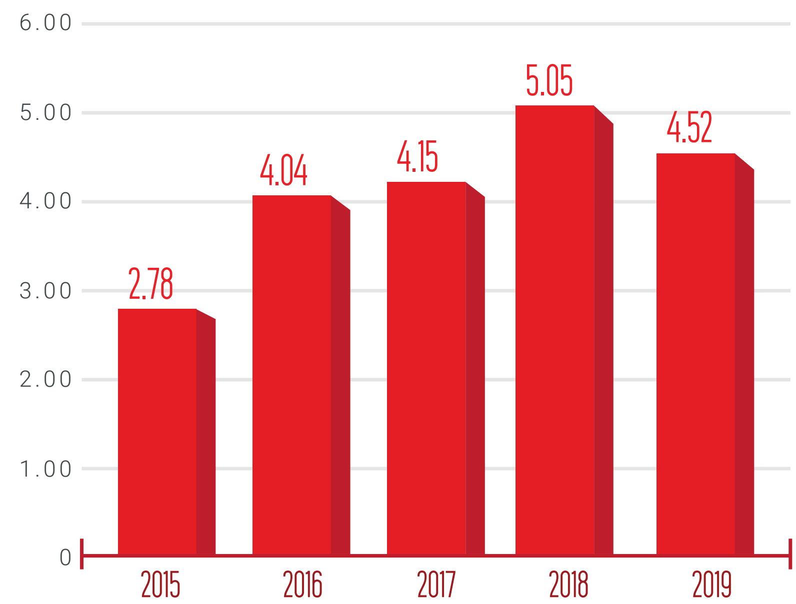

REVENUE J$ MILLIONS
120,000
100,000
80,000
60,000
40,000
20,000
0
79,742
88,268
92,476
97,545
103,090
2015
2016
2017
2018
2019


PROFIT BEFORE TAX J$ MILLIONS
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
4,304
6,103
5,820
6,963
6,128
2015
2016
2017
2018
2019

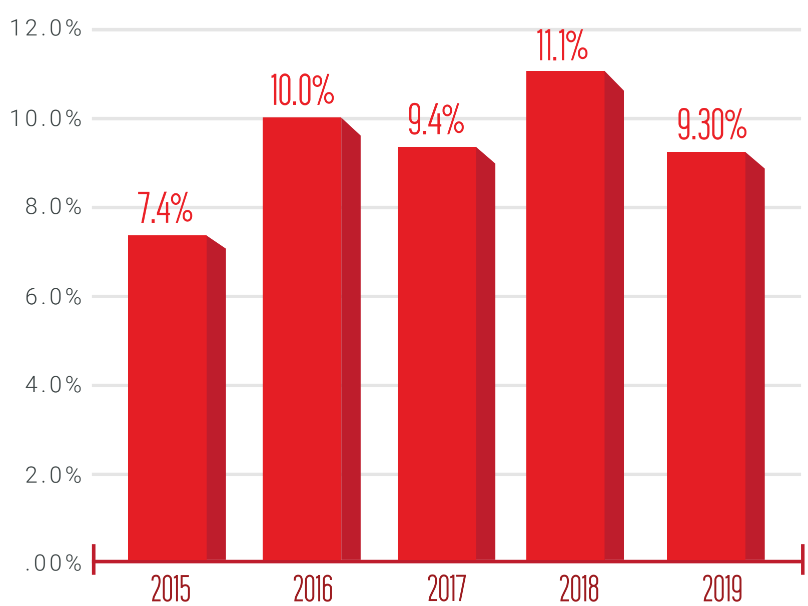

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS J$ MILLIONS
6,000
5,000
4,000
3,000
2,000
1,000
0
2,759
4,005
4,116
5,006
4,487
2015
2016
2017
2018
2019


DIVIDEND J$ MILLIONS
1,800
1,600
1,400
1,200
1,000
800
600
400
200
0
820
1,010
1,122
1,340
1,539
2015
2016
2017
2018
2019

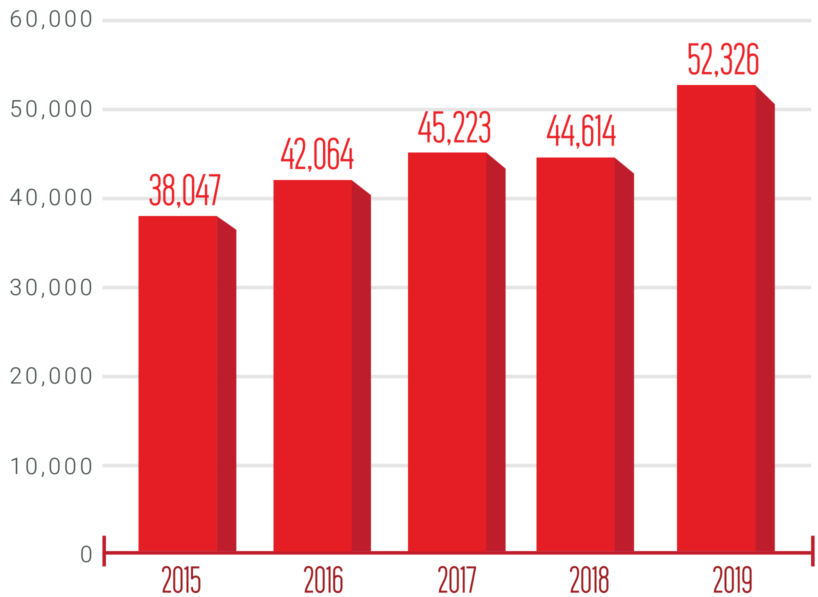
EARNING PER STOCK J$



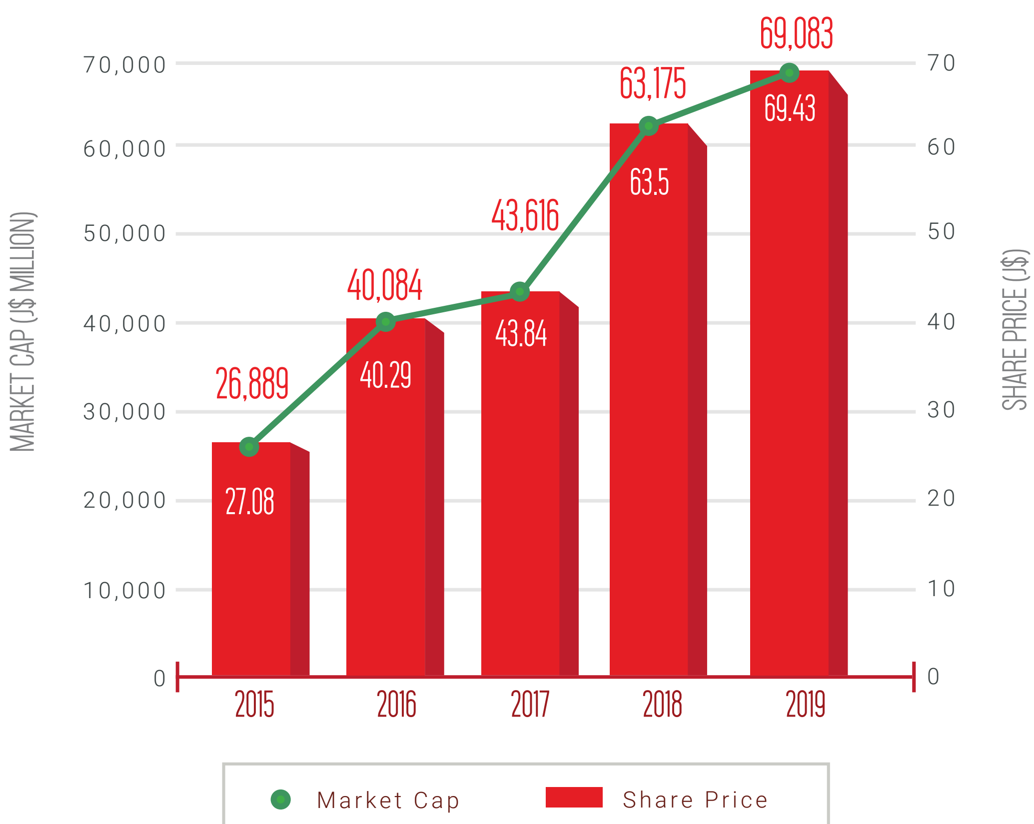
RETURN ON EQUITY %



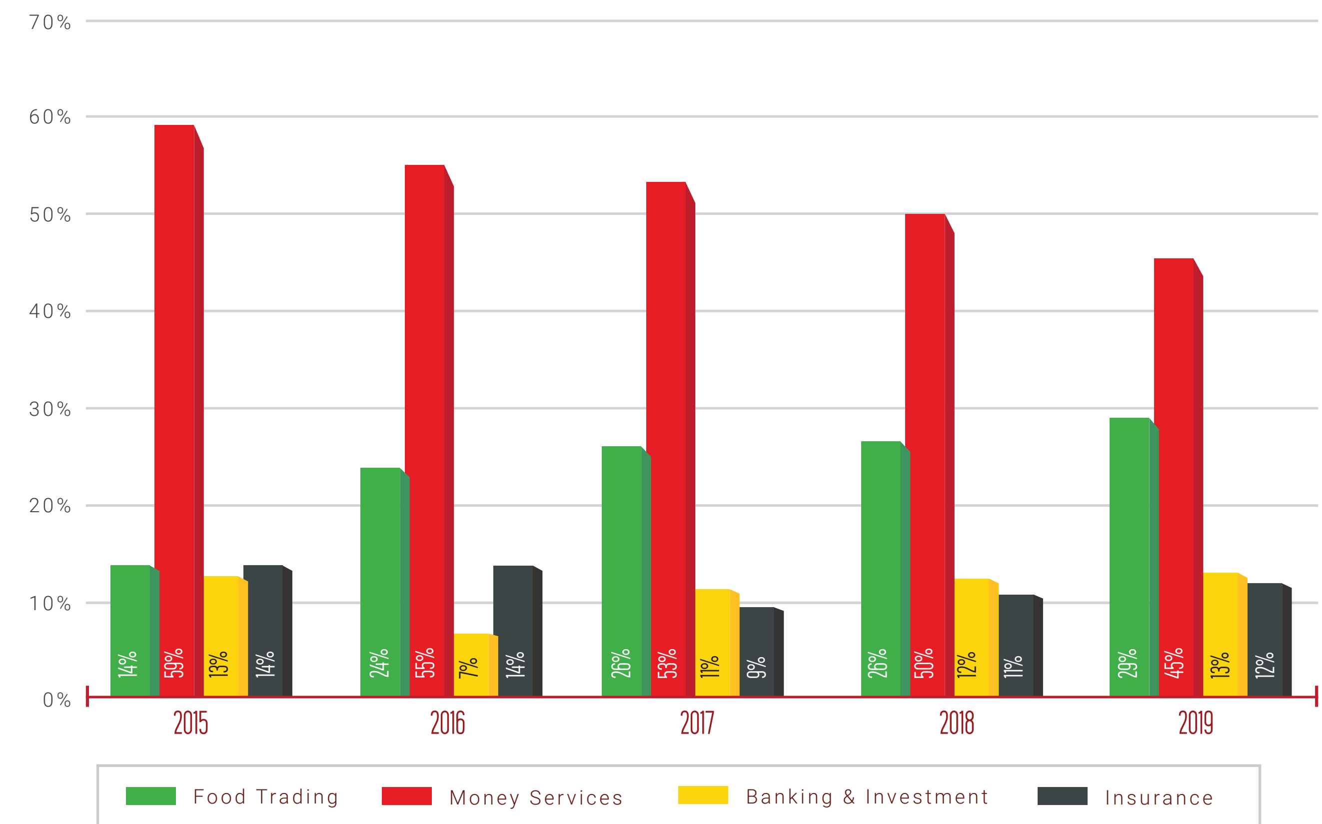
SHAREHOLDERS' EQUITY J$ MILLIONS



MARKET CAPITALISATION & SHARE PRICE

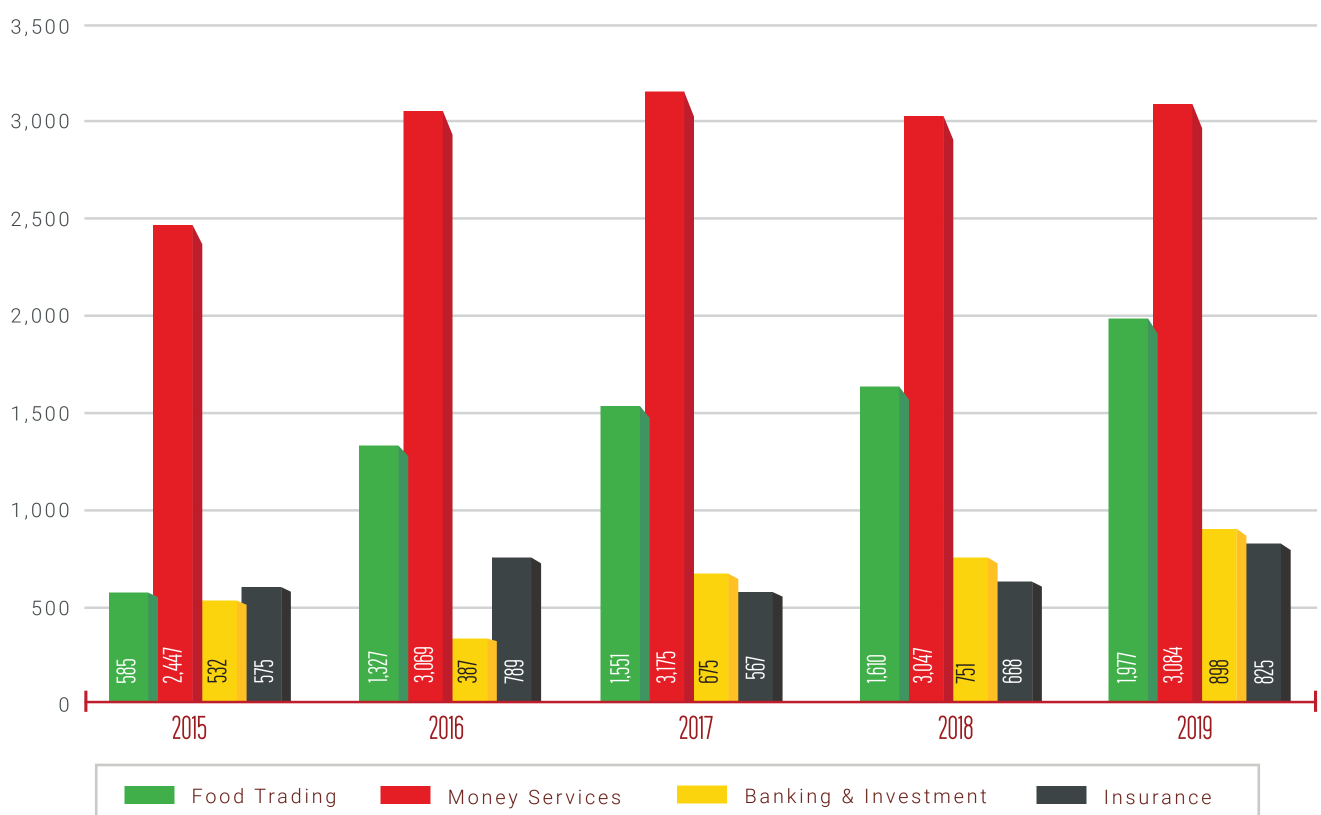


CONTRIBUTION TO PRE-TAX PROFIT BY SEGMENT %



Excludes Corporate & Other Unallocated Income

CONTRIBUTION TO PRE-TAX PROFIT BY SEGMENT J$ MILLIONS



Excludes Corporate & Other Unallocated Income

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LEADERSHIP TEAM & CORPORATE DATA

THE SPIRIT OF JAMAICA INSPIRING THE WORLD

Hansle Parchment, Champion hurdler, has the heart of a Champion. At the 2012 Olympics, he won bronze in the finals of the 110M hurdles, in a new Jamaican record. At the 2015 World Championships in Beijing, Hansle took silver. In 2018, he mined gold at the North American, Central American and Caribbean (NACAC) Championships in a time of 13.28, and he continues to work to keep making Jamaica proud on the world stage.
Our Hansle. Our GraceKennedy Ambassador.

BOD

Board of Directors as at 28 February 2020

Dr Parris A. R. Lyew-Ayee, Jr

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

Gina M. Phillipps Black

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

Everton L. McDonald, OD

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

Mary Anne V. Chambers, O. Ont, MSM

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

Prof Gordon V. Shirley, OJ

Chairman, GraceKennedy Limited. President & Chief Executive Officer of the Port Authority of Jamaica. Chairman of GraceKennedy's Compensation Sub-Committee and a member of GraceKennedy's Corporate Governance & Nomination Committee.

Don G. Wehby, CD

GraceKennedy Group Chief Executive Officer

Dr Indianna D. Minto-Coy

Academic Director (MScs) and 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

Hon Peter H. Moses, OJ, CD

Retired Bank Executive and a member of GraceKennedy's Audit Committee and Corporate Governance & Nomination Committee.

Andrew Messado

GraceKennedy Group Chief Financial Officer

DIRECTORS & CORPORATE DATA

As at 28 February 2020

DIRECTORS

Prof Gordon V. Shirley, OJ
Chairman

Don G. Wehby, CD
Group Chief Executive Officer

Mary Anne V. Chambers, O. Ont., MSM

Andrew Messado
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

CORPORATE SECRETARY

Gail Moss-Solomon

AUDITORS

PricewaterhouseCoopers
Scotiabank Centre, Duke Street
Kingston, Jamaica

ATTORNEYS

DunnCox
48 Duke Street
Kingston, Jamaica

REGISTERED OFFICE

73 Harbour Street
Kingston, Jamaica

REGISTRAR & TRANSFER OFFICE

GraceKennedy Limited
73 Harbour Street
Kingston, Jamaica

WEBSITES

www.gracekennedy.com

BANKERS

- The Bank of Nova Scotia Jamaica Limited
- Citibank N.A.
- CIBC FirstCaribbean International Bank (Jamaica) Limited
- First Global Bank Limited
- National Commercial Bank Jamaica Limited
- Sagicor Bank Limited
- JMMB Bank (Jamaica) Limited

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SENIOR MANAGEMENT

EXECUTIVE OFFICE

As at 28 February 2020

DON WEHBY
Group Chief Executive Officer

ANDREW MESSADO
Group Chief Financial Officer

GAIL MOSS-SOLOMON
General Counsel & Chief Corporate Secretary

NAOMI HOLNESS
Chief Human Resources Officer

KERRY-ANN RICHARDS
Group Comptroller

LEE-ANNE BRUCE
Group Chief Risk & Compliance Officer

RADCLIFFE DALEY
Chief Audit Executive

SIMONE CLARKE-COOPER
Chief Communication & Sponsorships Officer

DEIDRE COUSINS
Chief Information Officer

TERRY-ANN GRAVER
Senior Manager, Treasury & Corporate Finance

GK FOODS DOMESTIC

As at 28 February 2020

FRANK JAMES
Chief Executive Officer, GK Foods Domestic Business

NAOMI HOLNESS
Chief Human Resources Officer, GraceKennedy Limited

LEE-ANNE BRUCE
Chief Risk & Compliance Officer, GraceKennedy Limited

DEBRA DODD
Divisional Chief Financial Officer

ZAK MARS
Head of Global Sourcing & Manufacturing

CARL BARNETT
Senior General Manager - Manufacturing

DIANNE ROBINSON
Chief Supply Chain Officer

SHAUN LAWSON-FREEMAN
Senior Legal Counsel – GK Foods Domestic & International

GRACE FOODS LIMITED

ANGELINE GILLINGS
Managing Director

GRACE FOOD PROCESSORS DIVISION

CARL BARNETT
General Manager

GK FOODS & SERVICES LIMITED

ANDREA COY
Managing Director

GRACE FOODS & SERVICES

TAMARA THOMPSON
General Manager

DAIRY INDUSTRIES (JAMAICA) LTD

RADCLIFFE WALKER
General Manager

HI-LO FOOD STORES DIVISION

CATHRINE KENNEDY
General Manager

NATIONAL PROCESSORS DIVISION

DAVE MITCHELL
General Manager

WORLD BRANDS SERVICES DIVISION

RENEE NATHAN
General Manager

CONSUMER BRANDS LIMITED

TAMARA THOMPSON
General Manager

GRACE AGRO PROCESSORS DIVISION

MAUREEN DENTON
General Manager

GRACE FOOD PROCESSORS (CANNING) DIVISION

ANDREW WILDISH
General Manager

GK FOODS INTERNATIONAL

As at 28 February 2020

ANDREA COY
Chief Executive Officer

LUCKY LANKAGE
Chief Operating Officer

DANIELLE LONGMAN
Head of Planning & Strategy,
GK Foods International Business

GRACE FOODS CANADA, INC.

NIMAL AMITIRIGALA
President

JACK ZHU
Chief Financial Officer

GRACE FOODS LATIN AMERICAN AND CARIBBEAN (GF LACA)

DANIELLE LONGMAN
General Manager

GRACE FOODS UK LTD

ANDREA COY
Managing Director

BRIAN MITCHELL
Chief Financial Officer & Operations Director

GRACEKENNEDY (BELIZE) LIMITED

DANIELLE LONGMAN
General Manager

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

GK FINANCIAL GROUP

As at 28 February 2020

GRACEKENNEDY FINANCIAL GROUP LIMITED
GRACE BURNETT
Chief Executive Officer

STEVEN WHITTINGHAM
Chief Operating Officer

ALLIED INSURANCE BROKERS LIMITED
AMANDA BEEPAT
Managing Director

GK GENERAL INSURANCE COMPANY LIMITED
STEVEN WHITTINGHAM
Director

CHALUK RICHARDS
General Manager

GK INSURANCE BROKERS LIMITED
MARIE BECKFORD
General Manager

GK INSURANCE (EASTERN CARIBBEAN) LIMITED
GRACE BURNETT
Director

TAMMARA GLAVES-HUCEY
General Manager

FIRST GLOBAL HOLDINGS LIMITED
GRACE BURNETT
Chief Executive Officer

FIRST GLOBAL BANK LIMITED
MARIAME ROBINSON
President and CEO

STACIE-ANN WRIGHT
Chief Operating Officer

GK CAPITAL MANAGEMENT LIMITED
ANDREW LEO-RHYNIE
Managing Director

GK INVESTMENTS LIMITED
ANDREW LEO-RHYNIE
Managing Director

GRACEKENNEDY PAYMENT SERVICES LIMITED
GRACE BURNETT
CEO & President

GRACEKENNEDY CURRENCY TRADING SERVICES LIMITED
GRACE BURNETT
CEO & President

GRACEKENNEDY REMITTANCE SERVICES LIMITED
GRACE BURNETT
CEO & President

MARGARET CAMPBELL
Country Manager

GRACEKENNEDY REMITTANCE SERVICES (GUYANA) LIMITED
TROY WILLIAMS
Country Manager

GRACEKENNEDY (TRINIDAD & TOBAGO) LIMITED
DONALD EDWARDS
Country Manager

GRACEKENNEDY MONEY SERVICES (CARIBBEAN) SRL
GRACE BURNETT
CEO & President

GRACEKENNEDY MONEY SERVICES (BVI) LIMITED
DAYNA BISHOP
Regional Manager

GRACEKENNEDY MONEY SERVICES (ANGUILLA) LIMITED
DAYNA BISHOP
Regional Manager

GRACEKENNEDY MONEY SERVICES (ANTIGUA & BARBUDA) LIMITED
DAYNA BISHOP
Regional Manager

GRACEKENNEDY MONEY SERVICES (MONTSERRAT) LIMITED
DAYNA BISHOP
Regional Manager

GRACEKENNEDY MONEY SERVICES (ST KITTS & NEVIS) LIMITED
DAYNA BISHOP
Regional Manager

GRACEKENNEDY MONEY SERVICES (ST VINCENT) LIMITED
DAYNA BISHOP
Regional Manager

GRACEKENNEDY MONEY SERVICES (CAYMAN) LIMITED
ANNALISE HAREWOOD
Business Development & Regional Manager

GRACEKENNEDY MONEY SERVICES (TURKS & CAICOS) LIMITED
ANNALISE HAREWOOD
Business Development & Regional Manager

GRACEKENNEDY MONEY SERVICES (BAHAMAS) LIMITED
ANNALISE HAREWOOD
Business Development & Regional Manager

EXECUTIVE MANAGEMENT

As at 28 February 2020

Andrew Messado
Group Chief Financial Officer

Andrea Coy
Chief Executive Officer, GK Foods International

Mariame McIntosh Robinson
President & CEO, First Global Bank

Don Wehby
Group Chief Executive Officer

Grace Burnett
Chief Executive Officer, GraceKennedy Financial Group

Steven Whittingham
Chief Operating Officer, GraceKennedy Financial Group

Gail Moss-Solomon
General Counsel & Chief Corporate Secretary

Naomi Holness
Chief Human Resources Officer, GraceKennedy Limited

Frank James
Chief Executive Officer, GK Foods Domestic

ORGANISATIONAL CHART

GK FOODS

- GK Foods (UK) Limited
- Grace Foods UK
- Enco Products Limited
- Funnybones Foodservice Limited
- Chadha Oriental Foods 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 (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
- GraceKennedy Money Services (Antigua & Barbuda) 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
- Canopy Insurance Limited (formerly GKMusson Limited)
- Greenfield Media Productions Limited
- GraceKennedy Properties Limited
- SigniaGlobe Financial Group Inc.
- Pelican Power Limited

CORPORATE FINANCE & ACCOUNTING

RISK MANAGEMENT

INFROMATION 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 2019

DIRECTORS	TOTAL	DIRECT	CONNECTED PARTIES	% OWNERSHIP
Don G. Wehby	11,572,370	9,217,763	2,354,607	1.16%
Gordon V. Shirley	660,683	660,683	-	0.07%
Andrew Messado	454,901	454,901	-	0.05%
Everton McDonald	218,121	218,121	-	0.02%
Mary Anne Chambers	215,553	215,553	-	0.02%
Gina Phillipps Black	168,366	168,366	-	0.02%
Parris Lyew-Ayee	132,471	132,471	-	0.01%
Indianna Minto-Coy	14,251	14,251	-	0.00%
Peter Moses	14,251	14,251	-	0.00%
TOTAL	**13,450,967**			

SHAREHOLDINGS OF EXECUTIVE COMMITTEE MEMBERS & SENIOR OFFICERS

As at 31 December 2019

	TOTAL	DIRECT	CONNECTED PARTIES	% OWNERSHIP
Don G. Wehby	11,572,370	9,217,763	2,354,607	1.16%
Frank James	2,395,946	2,395,946	-	0.24%
Grace Burnett	638,185	638,185	-	0.06%
Andrea Coy	643,408	643,408	-	0.06%
Andrew Messado	454,901	454,901	-	0.05%
Mariame McIntosh Robinson	441,667	441,667	-	0.04%
Steven Whittingham	342,254	342,254	-	0.03%
Naomi Holness	58,939	58,939	-	0.01%
Radcliffe Daley	27,200	27,200	-	0.00%
Lee-Anne Bruce	3,600	3,600	-	0.00%
Gail Moss-Solomon	-	-	-	0.00%
Terry-Ann Graver	-	-	-	0.00%
Kerry-Ann Richards	-	-	-	0.00%
Total	**16,578,470**			

STOCKHOLDERS' PROFILE

As at 31 December 2019

STOCKHOLDER	STOCK UNITS	%
Insurance Companies, Trust Companies & Pension Funds	316,179,247	31.78%
Private Individuals	306,287,350	30.78%
Investment Companies/Unit Trusts	176,197,832	17.71%
Others	87,699,659	8.81%
Private Companies	77,344,313	7.77%
Directors & Senior Managers	18,002,166	1.81%
Nominee Companies	10,950,385	1.10%
Public Listed Companies	2,343,404	0.24%
	995,004,356	**100.00%**

TOP TEN (10) STOCKHOLDERS

As at 31 December 2019

NAME	ORDINARY STOCK UNITS
1 NCB Insurance Co. Ltd. A/C WT 109	54,412,956
2 National Insurance Fund	46,090,036
3 GraceKennedy Limited Pension Scheme	44,922,201
4 Sagicor Pooled Equity Fund	43,823,374
5 JCSD Trustee Services Ltd - Sigma Equity	32,907,153
6 ATL Group Pension Fund Trustees Nominee Ltd.	23,404,561
7 Resource in Motion Limited	24,796,032
8 Douglas Orane	20,557,188
9 SJIML A/C 3119	20,019,439
10 Michele Marie Kennedy	18,496,716

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CORPORATE SOCIAL RESPONSIBILITY

THE SPIRIT OF JAMAICA INSPIRING THE WORLD

Shelly-Ann, a face of Grace for over a decade. GraceKennedy has watched Shelly-Ann grow from an impressive schoolgirl athlete, into a world-class phenom, mature, God-fearing woman, and an amazing wife and devoted mother. Her story is one of never giving up and overcoming adversity. In 2019, she showed the world that she is nowhere near done. "Mommy Rocket", as she is affectionately known, returned to competition at the World Championships in Doha, Qatar, two years after the birth of her son. There, she became the oldest woman to win a 100m World or Olympic title, in a time of 10.71 seconds.

Our Shelly-Ann. Our GraceKennedy Ambassador.


FRASER-
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IF IT'S GOOD FOR JAMAICA, IT'S GOOD FOR GRACEKENNEDY

Corporate Social Responsibility (CSR) has been a part of GraceKennedy's DNA since our birth in 1922, because our social investment over those years has shown us, that what is good for Jamaica, is good for GraceKennedy.

Our Company also engages in philanthropic initiatives through donations and other types of support, not only in Jamaica, but throughout our operations across the world.

Our CSR and philanthropy has positively impacted our people, the planet, and by extension, our profits. Why? Because, as studies have shown, customers and consumers respond better to companies driven by a purpose to make their countries, and the world, a better place. Consumers and customers who feel as if a company is doing 'good in their neighbourhood' (and beyond), have a more positive image of that company, tend to trust it more, tend to be more loyal to it and will recommend it to others.

Of even greater importance is the effect of our CSR and philanthropic efforts on the employees of our company. Companies in which CSR and philanthropy are main areas of focus tend to have more engaged employees, who are less likely to leave the company, because they feel they are a part of something 'bigger'. This can help increase productivity, and make your team members your biggest cheerleaders. To that end, GK encourages companies to determine their social purpose and align with causes relevant to overall sustainability, and by extension, to the sustainability of their businesses. According to Towers Perrin, a professional services firm specialising in human resources and financial services consulting, (now called Towers Watson), "...one thing is increasingly clear. It's not a choice any longer. Your employees expect it, and your company needs it...it is in fact linked to how well your employees perform. In other words, CSR extends to the bottom line."

WE ASPIRE TO SHOW WE CARE BY BUILDING COMMUNITIES, EMPOWERING PEOPLE THROUGH EDUCATION AND SPORTS AND SECURING THE ENVIRONMENT NOW, FOR THE FUTURE.

Grace Foods mascot, Vinnie, having some fun with the kids!

GK Group CEO Don Wehby hands over trophies to the 2019 ISSA/ GraceKennedy Boys and Girls Champions, Kingston College and Edwin Allen High

Group CEO Don Wehby and little Sierra Moss-Solomon spread some Christmas cheer at Grace & Staff's Elderly Treat

OUR CSR POLICY

POLICY/ CORPORATE SOCIAL RESPONSIBILITY

GraceKennedy Limited is a Jamaican owned Company with a global reach, which was founded on the ethos, "We Care". Our ethos is the heart of who we are as a global corporate citizen, which means that we pursue causes that are important to our staff, our customers and consumers, shareholders, communities and the countries in which we operate, guided by our principles of Honesty, Integrity and Trust. As we work towards becoming a Global Consumer Group, we aspire to show we care by building communities, empowering people through education and sports and securing the environment now, for the future.

Employment

Our commitment to our employees is to create a healthy and safe working environment conducive to their well-being, and to foster an atmosphere of cooperation and harmony in the workplace. We will also respect their rights and dignity and treat them fairly and without discrimination. We are tolerant of each other's differences. We believe in team work, the sharing of knowledge throughout our organisation, and we recognize the contribution of every team member. We offer our employees clear and fair terms of employment, and provide resources to enable their continued development. We provide our employees with opportunities to offer feedback and participate in discussions on issues in the workplace that affect their health, well-being or productivity.

Education, Community Development & Nation Building

Education is the single greatest way to empower people to be agents of change, and promote economic and social development. As such, we are driven to invest in educational, training and employment initiatives that will give young people an opportunity to change their lives and communities.

Our initiatives include scholarships and bursaries, food banks for students at universities, education assistance programmes involving student tutoring, internships, and mentorship programmes.

We build the communities in and around which we operate, by establishing Homework Centres, fostering programmes for youth in these communities to advance in the STEAM subject areas, and by offering financial support and counselling to parents and their children. These investments lay a solid foundation for strengthening community development, and the actualisation of the full potential of community members, so that they can contribute positively to national development. In addition to these focal areas, GraceKennedy supports national development and nation-building through government social programmes that are geared towards crime and poverty reduction, youth development and arts and culture.

Sports

Jamaica has had iconic success in the sporting arena globally, and GraceKennedy is aware of the importance of sport as a tool in national development. We believe that sports can play an integral role in promoting peace and unifying communities. It is also a viable vehicle for many young people to nurture their interests, harness their talents and exponentially improve their lives, through local, and ultimately global achievements. To that end, GraceKennedy invests heavily in sporting initiatives and activities, mainly in our schools, youth and in our country Jamaica. We believe the return on that investment will be there for our country and GraceKennedy in the medium to long term.

Sustainability

GraceKennedy's success is also measured by how we help to improve the health of our planet and people through sustainable business practices. It is our responsibility to grow sustainably and reduce our environmental impact, while promoting the health and well-being of all persons who use our products and services. Our nutritional programmes in schools, and the expansion of our food and beverage product lines to introduce more nutritious offerings, foster wholesome living. Responsible supply chain management, public environmental education, and recycling and energy conservation to reduce our Company's carbon footprint, are some of the ways in which we aspire to be responsible and act responsibly for the future of our planet.

Our Partnerships

We believe that our Foundations, staff, customers, consumers and other partners can work with us to advance our purpose as a good global corporate citizen by giving of their resources, time and talent. We continue to encourage all our partners to help us to achieve our corporate social responsibility mandate.

Other Policies

For more information and other important GraceKennedy policies, scan the QR Code:

= scan with camera app

= scan with QR Code scanner app

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PHILANTHROPY

BOARD OF DIRECTORS

As at 28 February 2020

DR. FRED KENNEDY
Chairman

JAMES MOSS-SOLOMON

CATHRINE KENNEDY

CHALUK RICHARDS

HILARY WEHBY

U. PHILIP ALEXANDER

DEIDRE COUSINS

ALLISON RANGOLAN

DR. CAROL GENTLES

RADCLIFFE DALEY

CAROLINE MAHFOOD
Executive Director

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

ENVIRONMENTAL PROGRAMMES

James Moss-Solomon Snr Chair in Environmental Management

In 2019, the holder of the James Moss-Solomon Snr Chair, Prof. Mona Webber, continued to contribute to the sustainable development of Jamaica through research, student development and outreach. Much of the work focused on coastal and marine rehabilitation and protection, including research on sargassum to decrease its threat to marine and coastal life; restoration of mangroves at Refuge Cay; supporting the establishment of a monitoring system for ocean acidification (OA); continued monitoring and distribution of recycling bins on The University of the West Indies (UWI) campus and coordinating new graduate student training for final year students. Prof Webber was also selected as one of the presenters at the GraceKennedy Foundation's Annual Lecture, which addressed issues related to the cleaning up of the Kingston Harbour. These initiatives are all aimed at increasing the island's resilience to natural disasters, and creating awareness regarding the impact of climate change.

International Coastal Cleanup Day

In observance of International Coastal Cleanup Day on September 21, 2019, the GKF coordinated a substantial 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 365 volunteers comprising GraceKennedy employees, members of Campion College's Green Generation Club, St. George's College Environmental Club, Kingston Church of Christ Teen Ministry, Portmore Church of God, Passage Fort Youth Club, Youths For Sustainable Development, students and parents from Hopefield Prep, the staff of the Mona GeoInformatics Institute and American Airlines. In just two hours, they collected more than 17,500lbs of garbage and plastics! GraceKennedy continues to be the leading corporate collector at a single cleanup site for the past four consecutive years of this event.

The recycling programme, which was introduced in the GraceKennedy Group in 2014, continues to engage the interest and commitment of the staff. In 2019, the 14 subsidiary companies involved in the programme collected over 15,200lbs of plastic. Since 2014, over 77,000lbs of plastics have been collected among the subsidiaries.

Clean Kingston Harbour Project

The Foundation continues to spearhead 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

GK CAMPUS CONNECT FOOD BANK

GK Campus Connect Food Bank

As a part of GraceKennedy's efforts to support students in a multifaceted way at the tertiary level, the GraceKennedy Foundation has opened food banks at the University of the West Indies (UW) and University of Technology (UTech) campuses. This is to address one of the critical issues affecting many tertiary level students – hunger. Since the opening of the GK Campus Connect Food Bank in April 2019, over 150 students have received food packages. Grace Foods committed food items valued at $1 million for the year, while Dairy Industries Jamaica Limited and Grace Food Processors Division also donate items monthly. Hi-Lo Food Stores is directing all donations from its 'Cans For A Cause Initiative' at its Liguanea branch to the Food Bank.

GraceKennedy scholars and volunteers preparing food packages at 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
- The Annual Lecture Series
- Funding of a Professorial Chair and an Executive-In-Residence at the University of the West Indies
- The GraceKennedy Jamaican Birthright Programme
- Scholarships

Grant Funding

In 2019, grants totalling over $3.6M were awarded to projects focusing on early childhood education, STEAM Education and the environment. In 2019, the early childhood STEAM project report and curriculum were presented at the Early Childhood Commission Conference, and will be utilized as a model for early childhood practitioners.

Annual Lecture Series

The 2019 GraceKennedy Foundation Lecture, held at the Jamaica Pegasus Hotel on April 3, took the format of a panel discussion with presenters, Professor Mona Webber, Director, Centre for Marine Sciences, The University of the West Indies (UWI) & the GraceKennedy-funded James Moss-Solomon Sr Chair in Environmental Management; Dr Wayne Henry, Chairman and Director General of the Planning Institute of Jamaica and Tijani Christian, Chairperson for the Commonwealth Youth Council. The discussion was moderated by Professor Dale Webber, Pro-Vice-Chancellor and Principal of the UWI's Mona Campus.

The lecture, 'Clean Kingston Harbour, Pipe Dream or Pot of Gold', highlighted the extreme degradation of one of Jamaica's greatest natural resources, the Kingston Harbour. The lecturers helped the audience to understand the scientific, economic and social causes of the Harbour's deterioration, as well as its potential to be a "pot of gold" if restored to its former glory.

2019 GraceKennedy Foundation Lecture

Executive-In-Residence

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

Birthright Programme

The GraceKennedy Jamaican Birthright Programme, for the past 15 years, has provided a unique opportunity for the 49 second and third-generation Jamaican university students who have participated in the programme. These young people, residing in the USA, UK and Canada, get a first-hand experience of their proud Jamaican heritage. Established in 2004, by then CEO of GraceKennedy, Douglas Orane, the concept is 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 a professional internship within the GraceKennedy Group, and cultural excursions.

Kayla Jessup, a senior at University of Chicago, Tarik Graham, a sophomore at Harvard University, Callum McCarthy, a recent graduate of the University of Cambridge and Sapphira Thompson-Bled, graduate student at University of Toronto, were the 2019 Birthright interns, who visited Jamaica between June 28 and August 7, 2019.

When speaking of his experience Callum said, "The Programme was far better than I could ever have imagined. It had everything I could have wanted. It was honestly one of the best experiences of my life and I feel so privileged to have been selected."

Scholarship Programme

In 2019, the GraceKennedy Foundation invested over $21 million in scholarships to the children of GraceKennedy 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 the Visual and Performing Arts and the Caribbean Maritime University. Added to the list of scholarships disbursed in 2019 was the Sister Angella Harris/ICHS scholarship, created in honour of retired principal, Sister Angella Harris. This scholarship is awarded to a past student of the Immaculate Conception High School who attends the UWI.

GK Campus Connect

Since its establishment in October 2019, the GK Campus Connect initiative has provided GKF scholarship recipients to serve as Campus Ambassadors for GraceKennedy brands including Grace Foods, First Global Bank (FGB), GK Insurance, GK Money Services and Hi-Lo Food Stores. This exposure helps to develop their leadership, time management, communication and problem-solving skills, while building their self-confidence and inter-personal relationships. Scholarship awardees are required to open First Global Bank accounts and give back hours of volunteer service.

GRACE & STAFF COMMUNITY DEVELOPMENT FOUNDATION

"Building a bridge of human care and understanding

BOARD OF DIRECTORS

As at 28 February 2020

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 MCKENLY

JOAN MARIE POWELL

SIMONE CLARKE-COOPER

TANKETA CHANCE-WILSON
Secretary

October 2019 marked forty (40) years of Grace & Staff Community Development Foundation building a bridge of human care and understanding. This bridge meaningfully connects GraceKennedy with our neighbouring communities. A newspaper supplement was published to commemorate this milestone, and a function held in recognition of the dedicated Directors and remarkable students.

The GraceKennedy Parade Gardens Science, Technology, Engineering and Mathematics - STEM Centre, facilitated students and teachers in practising STEM approaches. Our youth development/Homework Centres served over 800 students across several communities in Kingston, Spanish Town and Savanna-La-Mar. Students are supported by our dedicated volunteers at the centres. Over $28.5million was directly invested in our nation's children. Tertiary students benefitted from forty four percent (44%) of the overall spend, while over $6.4million was dedicated to the operations of the Homework Centre, and just over $5million spent on covering secondary fees.

Dr Curtis Sweeney hosting Career Seminar at the GK Parade Gardens STEM Centre

Tameica Lewis, Grace & Staff's Field Officer, spends some quality time with students

Young people receive holistic support in academics, career guidance, counselling and creativity through Grace & Staff. Entries in the 2019 Jamaica Cultural Development Commission's (JCDC) Visual Arts competition, saw our students winning one merit, one bronze and one silver. During the year students also benefitted from motivational and character-building camps.

A major initiative in 2019 was a partnership with the British Council in Jamaica, for The "Boys Can Mentorship Project", which targets 75 at-risk boys in secondary schools across the island who are likely to drop out of school mentally and/or physically. This project delivers well needed positive male mentorship for the boys.

A strategic collaboration was also facilitated between the Council of Community Colleges and the Grace factories under the USAID funded Advance Programme. This programme will see community colleges offering support of two-to-three-year technical degree programmes to at-risk and vulnerable youth as a viable path towards employment.

Through charitable giving, Grace & Staff directly impacts individuals, while organisations obtain necessary support to carry out community development work.

Andrew Leo-Rhynie, Labour Day, Tower Street Homework Centre

Annual Labour Day projects, support of the Rae Town Salvation Army Geriatric Clinic and our annual Christmas Outreach activities are some ways the Foundation is contributing to creating better lives for our citizens. Nearly 2000 persons benefit directly from these activities.

Maria Lewis with her daughter at the Labour Day Project

Gail Moss-Solomon and Steven Whittingham share a laugh at the Tower Street Homework Centre on Labour Day 2019.

Grace & Staff's success is built on the support of the GraceKennedy employees, who make financial contributions, as well as give of their time and talents. Over eighteen percent of total funding was received from the GraceKennedy staff. Two Hundred and twenty-four staff volunteered as tutors and mentors, and gave of themselves. Thanks also to the Grace & Staff team who remain devoted to the job.

As we aim to reach 1000 students by 2022, 2020 will see a further increase in student support numbers. We will further extend our reach throughout the island by maximizing synergies and increasing impact in education, community development and volunteerism.

Computer Camp participants with tutor, GK Summer Employee, Nicolas Jumpp

40 YEARS OF CHANGING LIVES

Grace & Staff Community Development Foundation Celebrate 40 Years of Changing Lives

On Thursday, October 31, GraceKennedy's community outreach arm - the Grace & Staff Community Development Foundation ('Grace & Staff') - celebrated its 40th anniversary milestone with a fitting dinner at the Spanish Court, Worthington. During that event, the Foundation's founders, former and current Directors, as well as its student beneficiaries were honoured for their outstanding contribution and performance at different periods over Grace & Staff's 40 year history.

GraceKennedy Group CEO, Don Wehby presents (longest serving) Grace & Staff Chairman, James 'Jimmy' Moss-Solomon, with his award for service to the organisation since its inception.

Group CEO Don Wehby underscored the organisation's mission to contribute to nation building by supporting community development through partnerships in education and empowerment activities. The Foundation spends some J$21M each year on educational and psychosocial assistance for young people from communities in and around GraceKennedy's operations.

"GRACE & STAFF IS A LIVING EXAMPLE OF THE ROLE WE CAN PLAY IN MAKING JAMAICA BETTER. EVERY JAMAICAN DESERVES THE RIGHT TO A GOOD EDUCATION. EDUCATION IS NOT A PRIVILEGE, IT IS A RIGHT,"

Mr Wehby said. When GraceKennedy spends its money on education, it is not an expense, it is an investment," he added, noting that his aim was to increase the number of children who currently receive support from Grace & Staff, to 1000 by 2022, when the company celebrates 100 years. That number now stands at just over 600 students.

General Manager of Grace & Staff, Tanketa Chance-Wilson, in her remarks, noted "We approach the work that we do as a labour of love, doing what we say we will and never taking our students, parents, communities, volunteers or GraceKennedy staff for granted. There is so much gratitude owing to everyone who makes a contribution each month to our programmes. We thank the company, the team and our leaders, who show that GraceKennedy truly cares by investing heavily in Grace & Staff."

Impacting lives! Grace & Staff Chairman, James Moss-Solomon with just some of the young people whose lives have been positively impacted by the Foundation.

The Grace & Staff Community Development Foundation was established in 1979, in response to increasing violence in nearby communities and rising unemployment. The Foundation seeks to relieve poverty and distress among the poor and unemployed, through access to education and assisting with general community development. Staff members contribute a portion of their salaries on a monthly basis, which the company then matches on a two to one basis.

"Well done," says Gail Moss-Solomon, GK General Counsel & Chief Corporate Secretary, to former Grace & Staff beneficiary, now Attorney-At-Law, Matthew Royal, after he delivered his speech at the 40th Anniversary event. GK Group CEO, Don Wehby looks on approvingly.

GRACE FOODS/REACH SOCIETY UNIVERSITY SCHOLARSHIP

Third Recipient Named for Grace Foods/Reach Society Scholarship

Alex King has been named the recipient of the Grace Foods/Reach Society University Scholarship tenable for three years at the prestigious Brunel University London effective September 2019.

Mr King will pursue a Bachelor of Science Degree majoring in Digital Design. He received his early education in Barbados where he spent his formative years with his family before relocating to the UK.

The scholarship is presented by Grace Foods UK, the UK's leading supplier of Caribbean food and drink, in conjunction with award-winning social enterprise, the Reach Society.
It aims to address an under-representation of black British male students from a Caribbean background in the UK's undergraduate population. The scholarship provides financial support to fully cover the cost of tuition at the University.

"WE ARE THRILLED TO CONTINUE TO SUPPORT THIS SCHOLARSHIP SCHEME. IT IS A FANTASTIC PRIVILEGE THAT WE CAN OFFER THE OPPORTUNITY FOR A THIRD STUDENT TO BENEFIT FROM A PLACE AT ONE OF LONDON'S MOST PRESTIGIOUS UNIVERSITIES. AT GRACE WE RECOGNISE OUR HERITAGE AND ARE PROUD TO BE ABLE TO HELP TALENTED UNDERGRADUATE STUDENTS AT ALL LEVELS WITHIN BRUNEL,"

said Robert Walker, Commercial and Community Manager, Grace Foods UK.

Grace Foods funds one third of the cost of the undergraduate's annual fees for up to three years - although students undertaking courses including a year's placement can also apply – with Brunel supporting the remainder.

Well Done! *– Alex King (right), Recipient of the 2019 Grace Foods/Reach Society University Scholarship, being presented with his award by Brian Mitchell, CFO, Grace Foods UK, at the Recognition Evening held in October 2019.*

In 2017, Grace Foods UK marked its 10th anniversary by announcing a collaboration with Reach Society and Brunel University London to offer the Scholarship. The inaugural recipient was Rio Riviera. Jordan Barrett received the scholarship in 2018.

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DIRECTORS' REPORT

DIRECTORS' REPORT

Year Ended 31 December 2019

1 The Directors are pleased to present their report for the year ended 31 December 2019 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	103,089,893
Profit Before Taxation	6,127,595
Net Profit After Tax	5,099,916
Net Profit After Tax Attributable to Stockholders	4,487,389

3 **Dividends**

The following dividends were paid during the year:

- $0.35 per ordinary stock unit was paid on 4 April 2019
- $0.40 per ordinary stock unit was paid on 14 June 2019
- $0.40 per ordinary stock unit was paid on 26 September 2019
- $0.40 per ordinary stock unit was paid on 13 December 2019

The Directors recommend that the interim dividends paid on 4 April 2019, 14 June 2019, 26 September 2019 and 13 December 2019 be declared as final for the year under review.

4 **Directors**

The Directors as at 31 December 2019 were as follows:-

Hon Gordon Shirley, OJ - Chairman
Mrs Mary Anne Chambers, O. Ont, MSM
Mr Andrew Messado - Group Chief Financial Officer
Dr Indianna Minto-Coy
Mrs Gina Phillipps Black
Mr Don Wehby, CD - Group Chief Executive Officer
Dr. Parris Lyew-Ayee, Jr
Mr Everton McDonald, OD
Hon Peter Moses, OJ, CD

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

- Mr Frank James resigned from the Board on 31 March 2019
- Mr Andrew Messado was appointed to the Board on 1 April 2019

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

6 **Auditors**

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

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

By Order of the Board
28 February 2020
Gordon V. Shirley, OJ
Chairman

GROUP AUDIT COMMITTEE REPORT

GROUP AUDIT COMMITTEE REPORT

Year Ended 31 December 2019

Scan for more on our Corporate Code

COMPOSITION

The Group Audit Committee (the Committee) consists of five non-executive, members of the Board of Directors (the Board), 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 Committee's Terms of Reference (TOR).

There was no change in the membership of the Committee in 2019.

MANDATE & SCOPE

The responsibilities and activities of the Committee are governed by its TOR, which are reviewed annually by the Committee, 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.

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities in respect of the Company and its subsidiaries (the Group) in the key areas of :

- Reliability and integrity of the accounting principles, processes and practices underlying the preparation and presentation of fairly stated financial statements and other financial reporting;
- Effectiveness of the internal control, governance and risk management infrastructure, including internal audit, enterprise risk management, security and compliance with statutory and regulatory requirements;
- Qualifications, independence and performance of PricewaterhouseCoopers (PwC), the external auditors, and approval of fees for audit and non-audit service.

In the execution of its responsibilities, the Committee is assisted by the Chief Audit Executive (CAE), who functions as head of the Group Internal Audit Department (GIA), 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.

In addition to the active support and guidance provided by PwC during Committee meetings, the Committee meets separately with PwC without any member of management being present, to ensure that issues of objectivity and disagreements with management, if any, are brought to its attention. In a similar vein, separate meetings are also held with the CAE without management being present.

The Committee has four scheduled regular meetings per annum and a special meeting to approve the annual Management Discussion and Analysis (MDA).

A written report is submitted to the Board by the Committee Chairman after each regular meeting, outlining the significant matters discussed and decisions taken.

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.

The Committee's TOR can be viewed on the Company's website at www.gracekennedy.com/corporate/code. Alternatively, please scan the QR code for a direct link.

ACTIVITIES DURING THE YEAR

The Committee met six times, including an additional special meeting to review and approve the GIA 2020 Audit Plan, budget and staffing. There was full attendance by Committee members at all six meetings. Mr. Peter Williams, PwC's Engagement Leader and/or senior representatives of the firm attended all four regular meetings.

The Committee

- Assessed the independence, performance, and scope of the annual audit plan of PwC and recommended the firm's appointment by the stockholders and approval of its fees to the Board. As part of the assessment of PwC's independence, objectivity, relationship matters and compliance with professional ethics, the Committee reviewed communication from PwC required by ISA 260, "Communication with those Charged with Governance", a standard issued by The International Federation of Accountants and promulgated by the Institute of Chartered Accountants of Jamaica, confirming same;
- 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 PwC relating to internal control issues and findings and noted management's action plans to address them;
- Received reports from management on significant tax, legal, regulatory, enterprise risk, IT, security, fraud and whistle-blowing related matters;
- The management of IT and cyber risks continued to have the unwavering attention of management, and a full presentation to the Committee on these risks and how they were being managed was made by the Chief Information Officer (CIO);

As part of its oversight of fraud and fraud risk, the Committee benefited from a presentation on these areas by Ms. Jessica Shannon, PwC's Regional International Development and Forensics Leader.

- Held discussions with management and PwC and received assurances regarding the effective implementation of International Financial Reporting Standard (IFRS) 16 - Leases which became effective on 1 January 2019 and noted its impact on the financial statements;
- Met with the Company's actuaries, Eckler & Partners, to deepen and reinforce its understanding of the impact of actuarial assumptions on the application of International Accounting Standard (IAS) 19 - -Employee Benefits;
- Considered the involvement of GIA in special management requests for operational reviews and new projects and the outcome of such activities. In reviewing these special matters, the Committee received assurance from the CAE that the independence and objectivity of GIA were maintained.
- Carried out the annual assessment of the performance of the CAE and reviewed and approved GIA's TOR.

- Reviewed the composition, duties and responsibilities of subsidiaries' Audit Committees and significant findings from their meetings. The Committee instituted half yearly reporting on significant internal control and other matters by the Chairs of subsidiaries' Audit Committees as part of its increased oversight of such subsidiaries' Audit matters.
- Reviewed, and after consultation with management and PwC, recommended to the Board, unaudited quarterly financial statements and the 2019 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 Committee attended the annual Directors and Management Training Workshop, which included sessions highlighting, Cybersecurity – Beware! Threats in the Digital Age, Anti-money Laundering – Compliance Trends for 2019, IFRS 16 - Leases – Impact and Implications for the GK Group and Triple Bottom Line: Profit, Planet, People. In addition, Committee members Dr. Parris Lyew-Ayee and Dr. Indianna Minto-Coy attended the Governance, Risk and Compliance Conference in the USA, organised by ISACA (formerly the Information Systems Audit and Control Association) and the Institute of Internal Auditors, which inter alia, had a heavy focus on cybersecurity and the management of IT risks.

AUDIT COMMITTEE MEMBERS

E. L. McDonald, OD
Chairman

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

CORPORATE GOVERNANCE & NOMINATION COMMITTEE REPORT

Year Ended 31 December 2019

Scan for more on our Corporate Governance

We are pleased to deliver this report on the activities of the Corporate Governance & Nomination Committee (CGNC), as well as the governance structures and practices across the GraceKennedy Group during 2019.

OUR GOVERNANCE FRAMEWORK:

The Board, its Structure, Role & Responsibility

The structure, role and responsibility of the Board are guided by the principles set out in the Company's Corporate Governance Code which is available to the public on the Company's website, at www.gracekennedy.com/corporate/code/corporate-governance-code/. The Code principles were compiled with reference to the United Kingdom Combined Code on Corporate Governance, the Private Sector Organisation of Jamaica's Code on Corporate Governance and the Corporate Governance Guidelines set out in the Jamaica Stock Exchange (JSE) Rules. Our Corporate Governance Code is reviewed every two (2) years or more often as may be considered necessary to take account of developing best practices.

The Board is comprised of a majority of non-executive directors and is of such size and competence as is required to address the current and emerging trends affecting the GraceKennedy Group, in an efficient and effective manner. The Board provides strategic guidance to the GraceKennedy Group, oversees the implementation of strategic objectives and monitors management's performance. The Chairman, appointed by the Board, is Lead Independent non-executive Director, Professor Gordon Shirley.

The Company has established Committees and Sub-Committees as well as Ad-Hoc Committees constituted from time to time, which have the authority to carry out specific functions of the Board. These Committees are set up so that a small group of the Board, with or without management members, may focus in detail on a particular issue. This ensures that appropriate attention is paid to the detail of the specific operational issue and facilitates sound and timely decision making by the Board. In keeping with good governance principles, the decisions of the Committees and Sub-Committees are reported directly or ultimately, to the Board and where the Board requires, must be ratified by the Board in order to have effect.

The Board has several Committees including the Corporate Governance & Nomination Committee, the Audit Committee, the Banking Committee, and the Compensation Sub-Committee which is a permanent sub-committee of the CGNC. All these Committees of the Board are chaired by Independent non-executive Directors. During 2019, the Chair of the CGNC was Gina Phillipps Black. The Audit Committee was chaired by Everton McDonald and the Compensation Sub-Committee was chaired by the Chairman of the Board, Professor Gordon Shirley.

During the year, Committees reviewed their terms of reference and recommended revisions to the Board for approval. The Board also reviewed and revised its own terms of reference, which may be viewed on the Company's website. The Committees and Board took into consideration relevant legislation, rules and regulations as well as international best practices, when reviewing their terms of reference.

The responsibility for the management of the Company's day to day operations is that of the Group CEO and its Senior Executives. The Board provides guidance and oversight and monitors executive management's execution of the

Company's strategic objectives. A formal delegation of authority policy is in force and the Board approves and monitors delegations to and by the Group CEO to senior management. This monitoring assists the Group CEO and the Board in ensuring that strategic decisions reflect good governance and that the principles laid out in the Company's Code of Ethics are honoured.

The Company's Balanced Scorecard is one of the tools used by the Board to measure and monitor the progress and outcomes of the Company's strategic targets. The Balanced Scorecard also allows the Board to assess the Company's control and governance environment, as it translates the mission and vision, into defined and measurable outcomes.

There was a clear appreciation by all non-executive Directors of their respective roles during 2019 and the Board is satisfied with its ability to act independently as a whole, in fulfilling its responsibilities.

BOARD COMPOSITION

During the course of the reporting period, there were nine (9) Directors on the Board of GraceKennedy Limited. Over seventy five percent (75%) or seven (7) of the nine (9) Directors, including the Independent Chairman, are non-executive Directors. This is in keeping with the Company's Corporate Governance Code which mandates that not less than half of the Board should comprise non-executive Directors. The remaining two (2) Directors are Senior Executives, Don Wehby, the Group's Chief Executive Officer and Andrew Messado who currently holds the position of Group Chief Financial Officer, having succeeded Frank James. In April 2019, Frank James assumed the role of CEO of the Company's Domestic Foods Division.

The CGNC continued discussions with respect to the Board's composition given its mandate to ensure orderly succession planning and the maintenance of an appropriate balance of skills and experience among Directors. This is an important area of responsibility for the Committee as it considers what skills current and new Directors will need in order to move the Company forward, as strategy and market focus evolve. Consistent with this focus, the Board identified the need for the Group CEO and Board to engage a Marketing Consultant to advise the Group CEO and other Executives on matters pertaining to GK Foods International's marketing, brand building and related portfolios.

The following table provides information on the year of appointment, academic qualifications and relevant expertise and skills, of each Director.

DIRECTORS	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), University of Toronto; Executive Management Program, Queen's University; Chartered Director (C.Dir.), The Director's College, McMaster University & The Conference Board of Canada	Banking, Technology, Corporate Governance
Gina Phillipps Black	8-Feb-2012	Bachelor of Law, (LLB) Certificate of Legal Education (CLE)	Legal, Corporate Governance
Parris Lyew-Ayee	6-Mar-2013	D.Phil., University of Oxford: Geography, BSc. (1st Cl Hons) UWI: Earth Sciences	Technology, Data Analytics
Peter Moses	26-Jun-2018	BSc. Economics	Banking
Indianna Minto-Coy	26-Jun-2018	PhD., MSc., BSc.	Diasporas, Migration, Entrepreneurship
Don Wehby	5-Oct-2009	MSc., BSc. (Hons.) Accounting, Fellow Chartered Accountant (FCA)	Accounting, Finance
Andrew Messado	1-Apr-2019	MSc. Accounting (Distinction); BSc. Accounting (1st Cl Hons.); Fellow Chartered Accountant (FCA)	Accounting, Finance

INDEPENDENCE

When representing the Company, each Director is required to exercise independent judgement and act in the best interests of the shareholders and the Company, as a whole.

The Board defines an independent Director 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.

In order to assess the continued independence of Directors, each Director is required to submit an annual declaration (which is updated during the year if a change occurs) of his or her business interests and potential areas of conflict which may affect the Director's duty to the Company. The CGNC and the Board review these declarations in determining whether or not a Director can be considered independent. In 2019, having considered the declarations made by each Director, any potential conflicts of interest and any other information that may have been available to the CGNC and the Board, the following Directors were determined to be independent:

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

The ongoing assessment of Directors' independence is a critical component of our transparency and governance as our non-executive Directors are expected to challenge management's proposals on strategy and objectively monitor the Company's key performance indicators.

The Group CEO has private sessions with the Company's Chairman alone, or with the CGNC Chair. All non-executive Directors are members of the CGNC and every CGNC meeting begins with a private session. This is followed by a private session attended by the Group CEO and provides the CGNC with an opportunity to raise matters that should be discussed with the Group CEO without other executives or members of the management team present, or before raising them at the Board meeting. This session also gives the Group CEO the opportunity to privately raise matters or seek guidance from the CGNC.

A meeting of the non-executive Directors may also be convened immediately following the termination of each Board meeting to give the non-executive Directors freedom to raise any matter, whether arising out of a preceding meeting or otherwise, without management being present. These meetings are chaired by the Chairman of the Board and several were held during the reporting period.

THE PROCESS FOR THE NOMINATION AND APPOINTMENT OF NEW DIRECTORS & THEIR ORIENTATION

The CGNC uses a 'skills competency matrix' and the results of the Board's evaluation to identify existing or potential skill gaps and seeks to identify opportunities to fill those gaps. The Committee also factors into its considerations the need for diversity e.g., gender, experience and age; all of which are important considerations as we seek to enhance the Board's effectiveness.

The Company has a policy that governs the nomination, selection and appointment of new Directors across the GraceKennedy Group. When a potential nominee is identified, the Chairman of the Board, the Group CEO and the Chair of the CGNC interview the nominee before making a recommendation to the CGNC. Following discussions at the CGNC meeting, the CGNC makes a recommendation to the Board. The interviews follow the consideration of the nominee's qualifications, experience and background as well as independent enquiries. The interview covers 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 time necessary to prepare in advance and to attend board and, where applicable, committee meetings. The Group CEO, Chairman of the Board and its CGNC Chair conducted several of these interviews during the period covered by this report.

Each year the Committee reviews the composition of subsidiary boards across the GraceKennedy Group, considers the subsidiary boards which would benefit from changes to their board composition and makes recommendations accordingly. This review was undertaken, and recommendations made to the Chairmen of subsidiary boards during the course of 2019.

The appointment of Executives to the Boards of Directors within the Group continues to be made by the Group CEO in consultation with the CGNC.

Once a person has been selected as a non-executive Director, the company issues a formal letter of appointment and Board Package containing key terms and conditions of the appointment, and includes the Company's Code of Ethics and statements of the Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with Committee work. The re-election of a retiring Director who is eligible for election is not automatic. The CGNC and Board consider the performance of a Director who is eligible for re-election, among other factors such as required proficiencies, time availability, and considerations on which independence is determined. The Board does not currently have fixed tenure limits for non-executive Directors other than as provided in the Company's Articles.

A clear understanding of the Company's business, its vision and values, its strategic, operational, financial, compliance and risk management outlook is required in order to provide a Director with information necessary to properly discharge his or her duties as a Director. For this reason, during the introduction and induction period the new non-executive Director is exposed to the Company and its businesses through the provision of business and financial information and arrangements for one-on-one meetings with members of the Senior Management team at which additional information and clarification are provided. The CGNC has directed that this should also involve a session on the Group's financials, given their complex nature. Directors are also required to participate in annual professional development and training on a variety of topics.

Directors' Liability Insurance cover is currently in place for Directors of the Company and its subsidiaries and this is renewed annually. Boards, throughout the GraceKennedy Group, provide confirmation to their Directors, each year, that such cover is in place.

DIRECTOR EDUCATION TO BUILD KNOWLEDGE AND SKILLS

Directors are required to acquire and maintain the knowledge and skills necessary to fully and effectively discharge their duties. The CGNC is responsible for ensuring appropriate Board orientation, training and development of the Directors of the GraceKennedy Group. Additionally, Directors are advised that they are expected to communicate with the CGNC regarding any continuing professional education and development that may be considered desirable for the proper discharge of their duties and the GraceKennedy Group's success.

Apart from the annually scheduled Directors' Training, the Committee and its members share research, articles, presentations and briefings on topics that are pertinent to and are considered to have the potential to impact the Company's businesses, operations, or people. The CGNC communicated to the Chairs of Boards of all subsidiary companies that they are encouraged to conduct industry specific training for their Directors notwithstanding training organised by the Company. Cyber Security Awareness training remains mandatory for Directors and employees in the GraceKennedy Group and is conducted annually.

The Company has sought to ensure that Directors are provided with the opportunity to be exposed to the Company's operations within and outside of Jamaica and has scheduled field visits and meetings in locations beyond its Head Office. In the past, field visits and meetings have been held in Ontario, Trinidad, New Jersey, and Florida where the Company has operations or interests. These visits also provide the Board with an opportunity to engage with employees, suppliers and customers. In October 2019, some Board members attended the opening of the new Grace/La Fe distribution facility in Woodbridge, New Jersey. This facility houses the warehouse and distribution operations for GraceKennedy Foods (USA) LLC, and will drive increased efficiencies and reduce costs, while having the teams centrally located under one roof.

The Annual Directors' Training was held and attended by over seventy (70) Directors, Senior Managers and Executives of the GraceKennedy Group. The presentations at the Annual Directors' Training Workshop covered the areas of Cybersecurity, Corporate Governance, Occupational Health and Safety, Anti Money Laundering and Compliance Trends, IFRS 16-Leases and Corporate Social Responsibility. 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. Directors are reminded of the importance of attending the annual board training exercise, and that participation is considered in the assessment of each Director during the Board Evaluation process.

Non-executive Directors Lyew-Ayee and Minto-Coy were selected by the CGNC to attend the ISACA and International Institute of Auditors 2019 Conference on Governance, Risk and Control in Fort Lauderdale. The training focused on change and disruption as opportunities for innovation. The conference sessions focused on live issues of cyber and digital disruption, technology and artificial intelligence, governance, risk, control, and compliance and leadership, career, communication, culture, and ethics.

In addition to the Annual Directors' Training, one hundred and seventy one (171) Managers and Executives received training during 2019, in areas relevant to their roles such as equality and diversity, occupational health and safety, workplace culture, food safety, leadership, international financial reporting standards and anti-money laundering and counter financing of terrorism. During 2019, the CGNC also reviewed the format of the Annual Directors' Training. A decision was taken that in 2020 the training would take the form of three (3) one-hour (approximately) online sessions, and these would be scheduled to allow for convenience of participation. We would then alternate between this online format and the traditional in person format, as we see merits in both formats.

Some of the benefits of the online training which the CGNC considered, included:

- Flexibility of participation by Directors at times most convenient to them;
- Recorded sessions can be disseminated more widely to local and overseas Directors;
- Directors' have more time to assimilate the presentation and send questions to the presenter.

The Board continues to hold a full day Retreat to review and explore, with Senior Management, the GraceKennedy Group's strategic plans and objectives for the ensuing year.

GOVERNANCE IN ACTION

The Chairs of the Audit Committee and the CGNC wrote to the Chairs of all regulated entities in the Group, requesting that half yearly overviews of significant audit matters and other matters for noting should be sent to the Group Audit Chair.

A STRONG CULTURE OF ACCOUNTABILITY CONTINUES TO BE AT THE CORE OF OUR CULTURE AND THE CGNC HAS RECOGNIZED THE NEED FOR ONGOING ENFORCEMENT AS THE COMPANY EXPANDS AND GIVEN CHANGES IN ORGANISATIONAL STRUCTURE AND HUMAN RESOURCES.

The CGNC has also recognized the importance of the understanding of and commitment to enterprise risk management, risk mitigation and compliance standards and their application.

Our employees are stakeholders in our corporate governance framework, and this is affirmed through the application of our Code of Ethics and policies related to safety and welfare such as our Corporate Social Responsibility, Flexible Work Arrangement and Community Involvement Policies.

COMPANY SECRETARY

The Company Secretary is accountable directly to the Board, through the Chairman, 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 updated the CGNC's members on the Company's ranking on the JSE's Corporate Governance Index. The Index is a system developed to benchmark Corporate Governance and raise the overall standard of corporate governance for companies listed on the Jamaica Stock Exchange. The Company was pleased with its performance and has identified areas to improve communication of its work in those few areas in which it did not receive full marks.

COMMUNICATION

Management is required to provide regular and timely updates to enable the Board to discharge its duties effectively. Directors may request additional information where necessary and have access to management for this purpose.

There is open, clear and constructive dialogue between the Company and its shareholders and stakeholders. Shareholders must understand the Company's strategy, operations and performance and the CGNC ensures that shareholders have opportunities throughout the year to make the Board aware of their views, issues and concerns. The Annual General Meeting (AGM) is an important opportunity for shareholders to do so and they do avail themselves of this opportunity. The shareholders attending the AGM actively participated and questioned the Chairman and Senior Executives on the Company's strategic plans and execution.

The Minutes of the meeting, record of the questions asked, and responses provided, were produced and are made available to shareholders on the Company's website and will also be available at the next AGM. Additionally, a shareholder is advised that he/she may request a copy of the Minutes by sending an email to gracekennedy@gkco.com. The copy will then be emailed to the shareholder or may be collected from the Company's Head Office in Jamaica. A video recording of the AGM is also available online.

The existence of effective communication beyond mandatory disclosure is critical for corporate governance to succeed in our Company. The Company uses several channels to keep shareholders and stakeholders informed. Information on developments is provided via the websites, social media and print platforms of the Company and its subsidiaries. The Company engages with our shareholders and other stakeholders actively through these means. Material or significant developments are communicated by way of Stock Exchange announcements and press releases published in the daily newspapers circulating in Jamaica and Trinidad & Tobago. Press releases are also posted on the Company's website (www.gracekennedy.com). At Quarterly Investor briefings the Group CEO and CFO discuss recent financial statements and update shareholders and stakeholders on developments within the GraceKennedy Group. These briefings take the form of an on-line audio conference, which anyone may access via a live Internet stream. Questions may be submitted to the Group CEO via email before or during the conference. The responses are usually provided during the conference broadcast. Notice of these briefings are posted on the Stock Exchanges' and Company's websites. These Investor Briefings are open to the public.

The Company also publishes interim and full year results and this Annual Report and accompanying financial statements.

AN EFFECTIVE RISK MANAGEMENT & GOVERNANCE FRAMEWORK

Good governance and effective risk management go hand-in-hand. The Company's structured enterprise-wide approach to risk management requires the identification, mitigation and management of risks. Strong risk management and internal controls, monitored by the Group Chief Risk and Compliance Officer who reports to the Board through the Audit Committee, provide the Board with the assurance that there is sound and informed decision making and an efficient allocation of resources having regard to the evaluation of risks and uncertainties facing the Company. During the year, the Board reviewed the Group's Risk Policy, which can be found on the Company's website.

For a direct link to the Group's Risk Policy, scan the QR Code below:

= scan with camera app

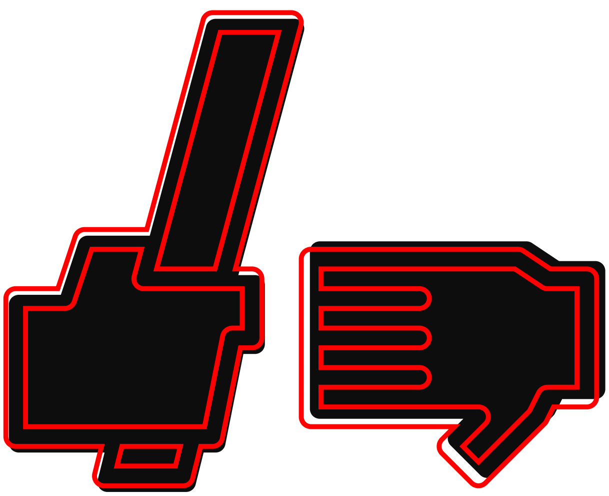
= scan with QR Code scanner app

The Group CEO's report to the Board, which is provided at least five (5) times for the year, includes a section on significant unplanned events aimed at keeping the Board informed on material developments within the GraceKennedy Group which may not otherwise be reported on in the usual reporting format. The CGNC also called for management's presentations to cover the successes and challenges faced by the Company's competitors, major clients and suppliers and on geo-political and environmental risks that may impact financial performance or our human resources in the medium term or longer.

POSITIONING FOR IMPROVED PERFORMANCE & SHAREHOLDER VALUE

Following the review of the organisational design of GraceKennedy by internationally recognised external consultants, London Consulting Group, and their recommendations for improving productivity and maximizing efficiencies and performance across the Group, the CGNC continued to receive reports and monitor the outcomes of changes to the organisational structures and business processes aimed at achieving sustained efficiency and agility, as well as growth in revenue and profitability.

During the year the CGNC reviewed the plan presented by the Group CEO for succession in key executive positions, including his own. Through thoughtful and forward looking discussions, the CGNC provided feedback to the Group CEO aimed at identifying and developing potential successors and positioning them for readiness.



BEING ETHICAL IN OUR CONDUCT

GraceKennedy's Code of Ethics & Guidelines for Business Conduct (Code of Ethics) outlines the values of the Company and the expectations of Directors, employees and agents throughout the GraceKennedy Group in their conduct. The Group remains committed to providing quality products and services for our customers, clients, consumers and partners. The review of the Code is necessary to keep it up to date with changes in policies across the Group, legislative and regulatory changes and to keep it relevant to the Company's vision and mission as it approaches its 100th anniversary in 2022.

The CGNC noted that all Directors confirmed compliance with the Code of Ethics at the start of the year.

"GRACEKENNEDY IS COMMITTED TO PROVIDING AN ENVIRONMENT THAT PROMOTES THE HIGHEST LEVELS OF HONESTY, INTEGRITY AND ETHICAL CONDUCT."

GraceKennedy has a Whistleblowing Policy. All employees are reminded of the Policy which sets out the responsibility for each employee to report to the Company breaches and suspected breaches of the Code of Ethics or the Company's Policies and any serious weakness or deficiency in its policies, procedures or controls. The Policy outlines internal reporting procedures and identifies the availability of a Whistleblowing hotline which is administered by an independent external provider. Disclosures have been made utilising the procedures established by this Policy. Every disclosure has been investigated. The Policy has also been made available to stakeholders on our website.

ATTENDANCE

The CGNC is pleased to report that attendance of the Company's Directors at Board and Committee meetings continues to be outstanding and evidences their commitment to their duties and responsibilities.

DIRECTORS	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
Frank James *Resigned from Board March 31, 2019*	E	1/1	n/a	2/2 (Invitee to Committee)	n/a	27-Sep-12
Parris Lyew-Ayee	NE	6/6	4/4	6/6	3/3	06-Mar-13
Andrew Messado	E	6/6 (attended 1 meeting as Invitee)	n/a	6/6 (Invitee to Committee)	n/a	01-Apr-19
Everton McDonald	NE	6/6	4/4	6/6	3/3	26-May-11
Gina Phillipps Black	NE	6/6	4/4	n/a	n/a	08-Feb-12
Gordon Shirley	NE	6/6	4/4	n/a	3/3	30-May-96
Don Wehby	E	6/6	4/4 (Invitee to Committee)	6/6 (Invitee to Committee)	3/3 (Invitee to Committee)	05-Oct-09
Peter Moses	NE	6/6	4/4	6/6	n/a	26-Jun-18
Indianna Minto-Coy	NE	6/6	4/4	6/6	n/a	26-Jun-18

** Includes Ad Hoc Special meetings – These meetings typically have a reduced Agenda as they are usually called for specific purposes and often at short notice*

BOARD EVALUATIONS

The formal evaluation of the Board's performance, and that of its Committees is undertaken annually. The evaluation is currently conducted by the Group's Business Intelligence Unit and is administered electronically using an online survey tool. Every other year the evaluation is extended to cover the self and peer evaluation of each individual Director. The full format conducted in alternate years therefore involves an assessment of the GraceKennedy Board, a self-assessment of the individual Board Member and a peer assessment of Board Members which solicits responses with respect to the overall performance of the Board Member such as skills and attributes, preparedness and participation in meetings, effectiveness and understanding of the Board Member's responsibilities. In the other years, there is less emphasis on the peer review and more emphasis is placed on the Board's overall performance and dynamics which is captured by questions related to board structure and culture, content and analysis, board conduct and the monitoring of risks and trends. For the year 2020, acting on a decision taken by the CGNC, the Board evaluation exercise will be conducted by an external facilitator. This externally facilitated evaluation will be conducted once every four (4) years.

The evaluation of the performance of the Board and its Committees is based on criteria initially developed by the Board, with the assistance of international experts, and refined and updated 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 results of the 2018 Board evaluation were deliberated by the CGNC in 2019 & strategies to improve the Board's operation and effectiveness discussed. These discussions inform future decisions & professional development plans as well as recommendations to improve the quality of Board meetings.

The CGNC also reviewed the Evaluation Schedule for key operating subsidiaries in the Group along with the schedule of Directors' attendance at meetings and determined whether the attendance record of any Director in those entities should be of concern or require further action. Where action was considered necessary, the Group CEO was asked to raise the matter with the Chair of the relevant Board and did so.

In 2018 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. The first of these reports will be provided to the Group Audit Committee this year.

CORPORATE SOCIAL RESPONSIBILITY (CSR) & SUSTAINABILITY

The Company's strong and sustained commitment to corporate social responsibility (CSR) and sustainability continues to be on display in our internal and external activities. The CSR Policy which was revised during 2019 reflects GraceKennedy's ethos as a global corporate citizen that pursues causes that are important to its staff, customers, consumers and shareholders, and the communities and countries in which it operates. The Policy also reflects our commitment to our employees to create a healthy and safe working environment conducive to their well-being, and to foster an atmosphere of cooperation and harmony in the workplace.The revised Policy is included in this Annual Report and is also available on the Company's website.

The 31st annual GraceKennedy Foundation Lecture entitled *"Clean Kingston - Pipe Dream or Pot of Gold"* by Professor Mona Webber, Dr. Wayne Henry and Mr Tijani Christian was well received. The lecture explored the issue of the concerted effort required by Government, the private sector and citizens to clean up the Kingston Harbour, given that a vibrant economy in downtown Kingston can contribute to sustainable growth and development of Jamaica and the wider Caribbean region. It fulfilled its intention of providing information on the extent to which the Kingston Harbour, one of Jamaica's greatest natural resources, has deteriorated and stimulated public discussion on a clean Kingston Harbour as a potential gem of the Caribbean and the world. There was no cost to attend the lecture, which was attended by a capacity audience representing a wide cross section of persons at the Jamaica Pegasus Hotel in Kingston. Printed copies of the lecture were presented free of charge to attendees. The lecture is also available on YouTube and on GraceKennedy's website.

The GraceKennedy Jamaican Birthright Internship Programme proved to be a success once again. The four interns, all second and third generation Jamaicans, from the USA, Canada and the United Kingdom met with the CGNC members at the end of their internships to provide feedback, their views on interning with GraceKennedy and their experiences in Jamaica. Based on their recommendations mini testimonials are being developed to showcase and validate, to stakeholders and partners, the value of investing in this Programme.

COMPENSATION

The Compensation Sub-Committee of the CGNC (the Sub-Committee) has oversight for the implementation and review of the GraceKennedy Group's compensation policy. The Sub-Committee provides oversight to ensure consistency with and support for the business objectives of the Group, competitive practices, and all applicable rules and regulations. The members of the Sub-Committee are Professor Gordon Shirley (Chairman), Everton McDonald and Parris Lyew-Ayee Jnr and during 2019, they met three (3) times to conduct the business of the Sub-Committee.

The Sub-Committee reviewed and made recommendations regarding the total compensation of the Group CEO and Senior Executives and assessed the performance of the Group CEO for the previous year against stated objectives. The Sub-Committee also took a decision to conduct a comprehensive review of all policies relevant to Executive Directors' compensation.

The GraceKennedy Shareholders authorised the Company, to set aside shares to be issued by the Directors, to permanent employees of the Company. Pursuant to this decision, the GraceKennedy Board of Directors has implemented equity-based compensation and incentive schemes, the most recent being the Long-Term Incentive Scheme (the LTI Scheme) for Executives and Key Employees.

The LTI Scheme's purpose and objectives are to:

- **ATTRACT AND RETAIN LEADERS OF THE HIGHEST CALIBRE;**
- **DRIVE EXECUTIVE PERFORMANCE TOWARDS THE ACHIEVEMENT OF KEY COMPANY OBJECTIVES;**
- **ENHANCE ALIGNMENT BETWEEN GRACEKENNEDY'S LONG-TERM STRATEGY AND SHAREHOLDER VALUE;**
- **INCREASE THE LEVEL OF EXECUTIVE PAY AT RISK; AND**
- **IMPLEMENT A LONG-TERM INCENTIVE PLAN WHICH REFLECTS GLOBAL BEST PRACTICES.**

The LTI Scheme is administered by the Compensation Sub-Committee. This involves making recommendations to the Board of Directors for revisions to the LTI Scheme, as well as the periodic awards of stock options and restricted stock grants.

In 2019, the Sub-Committee commissioned a review of the LTI Scheme which was conducted by Ernst & Young (USA). A market analysis was conducted to ensure competitiveness based on the Company's total compensation strategy. Coming out of this review, adjustments to the LTI Scheme were approved by the Sub-Committee for implementation in 2020.

In addition to the LTI Scheme, the Company has in place multiple performance-based incentive schemes that reward employees' achievements on a monthly, quarterly or annual basis. These incentive-based plans reward staff based on a combination of the company's performance compared to its budget and prior year results, as well as the employees' performance on jointly agreed and quantifiable individual objectives.

DIRECTORS' COMPENSATION

The CGNC believes that levels of remuneration of GraceKennedy's Executives and Board Members should be sufficient to attract, retain and motivate persons of the quality required to drive the business to achieve its strategic objectives.

The fees paid to non-executive Directors in 2019 are reflected in the following table. In addition to these fees, each non-executive Director was granted, in respect of the year 2019, a pro-rated amount J$847,439 of which the net amount after tax was used exclusively to purchase GraceKennedy shares on the open market in the name of the Director. The shares so purchased are subject to a restriction on sale for a period of three (3) years. All transaction costs associated with the purchase of the shares are borne by the individual Director.

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

OUR WORD IS OUR BOND

At the Jamaica Stock Exchange's Best Practices Awards Banquet, 2019, GraceKennedy received the following awards:

- **BEST ANNUAL REPORT - WINNER**
- **CORPORATE DISCLOSURES & INVESTOR RELATIONS - SECOND RUNNER UP**
- **CORPORATE GOVERNANCE AWARD - FIRST RUNNER UP**
- **GOVENOR GENERAL AWARD FOR EXCELLENCE IN THE MAIN MARKET IN 2018 - WINNER,** JOINTLY WITH NCB FINANCIAL GROUP LIMITED

We are as committed as ever to our core values of Honesty, Integrity and Trust. We continue to work towards the realization of our Vision of being a Global Consumer Group delivering long term consumer and shareholder value. We will achieve that Vision through brand building and innovative solutions in food and financial services, provided by highly skilled and motivated people and we are optimistic about the opportunities that the future holds for us.

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

28 February 2020

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GK AROUND THE WORLD

THE SPIRIT OF JAMAICA INSPIRING THE WORLD

Music is a part of Jamaica's culture that has placed our island squarely and formidably on the world stage. Reggae, dancehall, mento, ska – we've birthed it all. And if we're great at music, we take dancing to a whole new level, with our moves dominating on the world stage, and showing up in the choreography of the biggest stars in the world!

"Ding Dong", Kemar Ottey, is one of the most spirited, dynamic, creative artistes to ever come out of Jamaica. Born in humble beginnings, Ding Dong has honed his craft, singing, dancing, and DJ-ing his way to the very top of his game. As a result, he has become one of the most sought-after entertainers, touching every corner of the globe when he tours.

Our "Ding Dong." Our GraceKennedy Ambassador.

GK OPENS ITS BRAND NEW HQ

After approximately two and a half years of construction, GraceKennedy Limited's new Headquarters at 42-56 Harbour Street were officially opened on May 29, 2019. Representing an investment of over J$3.2 billion, the building was opened by Prime Minister Andrew Holness.

That ceremony followed the Company's AGM, held in the new location, fulfilling a promise made by Group CEO Don Wehby at the Company's Annual General Meeting in 2018.

Prime Minister Holness cut the ribbon to indicate the building's official opening, and was taken on a brief building tour before the official opening ceremony began.

Addressing the gathering, Mr Wehby spoke proudly of the new headquarters.

"THIS BUILDING IS SO MUCH MORE THAN A PHYSICAL STRUCTURE. IT IS REALLY A MANIFESTATION OF THE VISION OF GENERATIONS OF GRACEKENNEDY LEADERS, MANY OF WHOM ARE WITH US HERE TODAY."

He continued, "It shows where GraceKennedy is coming from, and a demonstration of the commitment we made in 1922 that downtown Kingston would always be our home. It shows where GraceKennedy is 97 years later, and where we are headed on our journey to becoming a Global Consumer Group."

The Group CEO spoke to the many partnerships which led to the completion of the new building, and paid tribute to the GraceKennedy leaders, past and present who followed their dream of investing in Jamaica. "We engaged some of Jamaica's best, along with some of the world's best. Then we teamed up, very importantly, with the community, to make this dream a reality." Mr Wehby pointed out that over 150 Jamaicans from communities in downtown Kingston worked on the construction project.

Prime Minister Holness in his remarks as the Guest Speaker, praised GraceKennedy for its commitment to Jamaica and urged other companies and their boards to follow the example set by GK in investing in the nation. "We want more boards to sit down and on behalf of their shareholders, take the calculated risk of making even greater investments in Jamaica."

Honourable Prime Minister Andrew Holness congratulates GraceKennedy Limited's (GKL) Group Chief Executive Officer, Senator Don Wehby (centre), on the occasion of the opening of the Company's new headquarters on 29th May 2019. Sharing the proud moment is GKL's Board Chairman, Professor Gordon Shirley.

In keeping with its commitments towards contributing to the nation's sustainable development, GraceKennedy's new HQ boasts several environmentally friendly features. These include solar energy panels which will provide 30 per cent of its power supply, and a rain water collection system which be used for landscaping needs and other purposes.

GK Chairman, Prof Gordon Shirley, GK Group CEO, Don Wehby and Most Hon PM, Andrew Holness, congratulate Grace & Staff beneficiary, Marcus Foster, on his remarks about being a part of the team in the community that helped to erect the building. The Honourable Prime Minister gave the keynote address at the opening ceremony.

His Worship, the Mayor of Kingston, Senator Councillor Delroy Williams, congratulates GK on the opening of the building.

The new GraceKennedy Headquarters located at 42-56 Harbour Street in downtown Kingston, Jamaica.

GK'S NEW US$5M FACILITY

Grace/La Fe Facility Opens In New Jersey

On Monday, October 7, 2019, The GraceKennedy Group took another step towards realising its vision of becoming a Global Consumer Group, when it officially opened its brand new Grace/La Fe facility in Woodbridge, New Jersey. The facility, which cost the company some US$5M, was built with the aim of driving increased operating facilities and reducing costs, while having the teams centrally located under one roof.

At the opening event, GraceKennedy Group CEO, Don Wehby noted the company's 97 year history and its global aspirations. "To realise this vision of becoming a Global Consumer Group, we determined that we needed to have our own company in the US, because of the size and potential of this market. In doing our due diligence we recognized that there is a closeness and many similarities between the Jamaican and other Caribbean islands, and the Latin American cultures. Both have a unique spirit and passion that translates to every aspect of our lives. Family values are paramount and we share a real passion for good food. In fact, food is an integral part of all our celebrations. We were able to find a great match in the La Fe brand being a strong Hispanic brand and this journey started in 2013. Since then, both the Grace and La Fe brands have experienced significant growth year on year," he said.

GK International Foods CEO, Mrs Andrea Coy, advised that the US$5M invested, facilitated the construction of a custom-built 125,000 square foot facility, which she said, boasted a modern layout, and was fully compliant with all health and safety requirements. "This facility will enable us to better serve our loyal partners and customers, which is of paramount importance to us," she added.

Derrick Reckord, President/CEO, GraceKennedy Foods (USA) LLC

In stating his confidence that the investment would pay off, GraceKennedy Chairman, Professor Gordon Shirley noted how happy he was to see the team in their new, modern and efficient space.

"WE HAVE THE BEST AND BRIGHTEST YOUNG PERSONS WORKING TO GROW THE GRACE AND LA FE BRANDS, AND I AM CONFIDENT WE WILL SEE THE RETURNS ON OUR INVESTMENT, ACHIEVED THROUGH OUR MOST IMPORTANT INVESTMENT - HUMAN CAPITAL."

The breakfast event saw some 70 guests in attendance, among them GraceKennedy Directors, Mrs Gina Phillipps Black and Mr Everton McDonald, General Counsel and Chief Corporate Secretary, Mrs Gail Moss-Solomon, CHRO, Mrs Naomi Holness, CFO, Mr Andrew Messado and GraceKennedy International Foods Business CEO, Mrs Andrea Coy. GKUS CEO, Mr Derrick Reckord served as the event's emcee, with Jamaica's Consul General to New York, Mrs Alison Roach-Wilson, bringing greetings.

GraceKennedy Group CEO, Don Wehby (centre) beams with pride after cutting the ribbon to signal the official opening of GraceKennedy USA's new US$5M multi-purpose, 125,000 square foot facility in Woodbridge, New Jersey. Joining in the celebration held in October, 2019, are (l-r) GraceKennedy Group CFO and Director, Andrew Messado; GKUS CEO, Derrick Reckord; GK Director, Gina Phillipps Black; GK Chairman, Prof Gordon Shirley; GK International Foods CEO, Andrea Coy, and GK Director, Everton McDonald, assisted by members of an external promotional team.

Mr Wehby told the attendees that he firmly believed that GK USA had the potential to be the number one or two Hispanic brand in the USA. "If we stay the course, increase our efficiencies and focus on innovation, together we can achieve this goal. This business is of critical importance to our vision of becoming a Global Consumer Group. We have operated this company for over five years and since inception, I have said that our GraceKennedy USA operations, through our Grace and La Fe brands, will be a game changer for the GraceKennedy Group. Standing here today at the opening of this great facility, seeing the team sitting here before me, I feel that more strongly than ever. And I am very proud," he said.

ALLIED TURNS 50!

On Saturday, April 13, 2019, Allied Insurance Brokers celebrated its golden anniversary at the majestic Chinese Gardens, Hope Gardens in Kingston, Jamaica.

Chinese Gardens - Entrance to the event.

In addressing the gathering at the event, GraceKennedy Group CEO, Don Wehby remarked,

"50 YEARS IS NOT A SPRINT. THIS HAS BEEN A TEST OF ENDURANCE. AND THE FACT THAT THE COMPANY HAS BEEN AROUND FOR HALF A CENTURY IS NOT AN ACCIDENT."

He continued, "Paul Bitter – thank you for founding the company, and for starting the vision that gave Allied the foundation on which to grow. I thank the Chairs of the Boards over the years – Christopher Bovell, Audrey Hinchcliffe and Oliver Holmes. To the current 'captain', Chairman, Oliver Holmes, and your Board members James Moss-Solomon, Milverton Reynolds, Peter Pearson, Sheree Martin and Amanda Beepat – congratulations on your guidance in helping Allied to write such a successful chapter of its history, and for steering the company into even more successful times, as we look to another 50."

For her part, Managing Director, Amanda Beepat, who has been with Allied for 26 years stated, "Working with this team gives me more than hope. It gives me the assurance that tomorrow will be even better. We are focused on growing even more in innovation, stability and customer service. Our aim is to be the premier provider of insurance solutions to the region. And with the work we are putting in, we know we will get there!"

Sharing a laugh on stage:
(L - R: Amanda Beepat, Don Wehby & Paul Bitter)

Tarrus Riley listening to the singing crowd

Guests having a good time

Tarrus Riley certainly had the attention of the crowd

Dean Fraser on Sax

GRACE FOODS CANADA WINS BIG!

Grace Foods Canada Inc. won the prestigious 2019 Harry Jerome Business Award.

The annual Award, which was handed out at the Black Business and Professional Association (BBPA) Harry Jerome Dinner and Gala on Saturday, April, 27, 2019 in Ontario Canada, was established in 1983 in memory of the late Canadian Olympian and Social Advocate Harry Jerome, to recognize and honour achievements in the Canadian Black community. Award recipients are selected from among Canada-wide nominees, who are recommended by business and professional colleagues.

Grace Foods Canada has been a source for authentic Caribbean flavours for Canadians for over 30 years and is currently the leading brand in Jerk Sauces & Seasonings, as well as one of the most preferred brands in Coconut products.

In a feature done on Grace Foods Canada for the Awards ceremony, Grace Foods Canada Board Chair, Mary Anne Chambers said,

"OUR CONSUMERS MAKE US THE SUCCESS THAT WE ARE. WE ARE SO GRATEFUL FOR THEIR SUPPORT, THEIR LONG-STANDING APPRECIATION OF OUR PRODUCTS, AND NONE OF THIS WOULD BE POSSIBLE WITHOUT THE STRONG, PASSIONATE, HARD-WORKING, INNOVATIVE STAFF THAT WE HAVE AS MEMBERS OF OUR GRACE FOODS CANADA FAMILY."

President & CEO, Grace Foods Canada, Lucky Lankage.

Grace Foods President and CEO, Lucky Lankage added, "We are the leading and most dominant Caribbean brand in Canada. Grace Foods Canada is guided by the principles of Honesty, Integrity and Trust. We lead by example. We work to inspire and we do a lot of work with our young people in education. As a corporation we want to motivate them to do what is best for the future."

GK Canada team

GK GROUP TAKES TOP AWARDS IN 2019

2019 Was An Award-Winning Year for the GraceKennedy Group

The accolades started coming in June, when Grace Foods won the Reggae Sumfest *"Get Social"* Award for Best Jamaican Brand. The inaugural award event was staged to pay tribute to the best of Jamaican/Caribbean social media by recognizing influencers, companies and organisations on platforms including Facebook, Snapchat and Instagram.

Grace Foods Cops Award for Marketing Excellence Standing proud with the JCC Yello Digital Marketing Excellence Award are (l-r), Marsha Cope–Riley, Financial Manager, Dairy Industry (Jamaica) Ltd; Angella Black, Snr Brand Manager, Fish & Meats ; Richard Riley, Account Development Manager; Andrea Reynolds, Global Category Manager - Fish & Meats, and Cathrine Kennedy, General Manager, Hi-Lo Food Stores Division.

Grace Foods won the vote for Best Booth (most bustling) in consumer engagement, at the Health Home & Garden Expo at the National Arena in October. While this is nothing new for Grace Foods (this is the fourth time winning such an Award), receiving the award in 2019 was even more special, as Grace Kitchens celebrated its 50th Anniversary last year.

On November 2, Grace Foods received the Jamaica Chamber of Commerce (JCC) Yello Digital Marketing Excellence Award. The award was presented to Grace Foods and its associated marketing campaign, which utilized digital channels in an innovative and creative manner, and as an integral part of the marketing efforts to achieve desired results. The award focused on "branding", paying close attention to four main judging criteria: strategy, execution, creativity and results.

GK Group CEO, Don Wehby, beams with pride after accepting GK's Governor General's Award for Excellence from Managing Director of the Jamaica Stock Exchange, Marlene Street-Forrest

To top off the year, at the Jamaica Stock Exchange 15th Best Practices Awards Banquet, held at the Jamaica Pegasus on December 4, GraceKennedy Limited walked away with several highly coveted awards, chief among them, the Governor General's Award for Excellence, which the Company last won in 2004. That prestigious award is presented to the company who ranks highest in the areas of investor relations, corporate disclosures, corporate governance, website design, annual report and overall performance on the Stock Exchange. GraceKennedy also won the award for Best Annual Report, with the theme "Excellence Through Great People". GK was also named second runner up for Corporate Disclosures, and first runner up for Corporate Governance best practices.

GK & MUSSON ESTABLISH CANOPY INSURANCE

GraceKennedy and Musson Announce Partnership to Establish Canopy Insurance Limited

In May of 2019, two of Jamaica's largest conglomerates, GraceKennedy Limited and the Musson Group, formally announced a partnership to enter the group health and life insurance market, under the name Canopy Insurance Limited.

GraceKennedy Group CEO, Don Wehby is Chairman of the new entity, while both GraceKennedy and Musson have split Board seats and ownership of the venture equally.

The partnership was formed when both entities analysed the value and service received in exchange for the premiums they each pay annually, to provide health and life insurance to their own employees.

Sean Scott, Managing Director, Canopy Insurance

"Our research showed a large market that was under-penetrated and under-served. We saw this as an interesting investment opportunity, with both the Jamaican broker community and the country's employers longing for greater choice and a more modern approach to health insurance administration particularly," said Sean Scott, Canopy's Managing Director.

Chairman and CEO, Musson Group and Canopy Director, PB Scott in dialogue with GK Group CEO and Canopy Chairman, Don Wehby, Minister of Health, Dr the Hon Christopher Tufton, and Canopy Managing Director, Sean Scott, at Canopy's official launch in January, 2020. The company was announced in May of 2019, and started operations in October.

Canopy Insurance targets the under-served group health and life insurance market in Jamaica, using the latest in technology to meet the needs of its customer base. The company prides itself of combining the sincerity of old-school customer care and the efficiency and simplicity of modern technology, to deliver a 'frictionless, hassle free member experience.'

Canopy started operations in Q4 of 2019, since then has signed an impressive number of key accounts. Canopy was formally launched on Thursday, January 16, 2020.

canopy INSURANCE LIMITED

WU INTRODUCES
NEW PAYMENT OPTION

Western Union Introduces New Payment Option for Amazon Shoppers in Jamaica

In November of 2019, Western Union (WU), through its Agent, GraceKennedy Money Services (GKMS), unveiled a new payment option that allows Amazon.com customers in Jamaica to pay in local currency for their Amazon.com purchases. The payment option, brought to Jamaica in alliance with Bill Express, enables customers to shop Amazon.com's vast product selection and pay in cash at Western Union® Agent locations across the country.

Western Union's platform powers Amazon's new cross-border payment option, called Amazon PayCode, by processing the complex foreign exchange, settlement and money movement requirements for international e-commerce transactions.

The new payment option makes it easy for more customers to shop Amazon.com and the Amazon mobile app. The move by Western Union and Amazon provides greater access to online goods for customers who have largely been excluded from e-commerce shopping due to lack of accepted payment methods.

"GKMS is pleased to once again partner to unlock new possibilities. Jamaicans are very familiar with ordering online and the opportunity to be able to facilitate improved access to these online purchases via Amazon.com is a significant boost. We still have a number of our consumers without a debit or credit card, and this move will certainly add value to the digital journey that we are creating for our various customer segments," said GKMS' President & CEO, Grace Burnett.

"THROUGH THIS PARTNERSHIP BETWEEN WESTERN UNION AND AMAZON, ALL JAMAICANS WILL NOW HAVE ACCESS TO THE MILLIONS OF PRODUCTS OFFERED BY AMAZON AND HAVE THE ABILITY TO PAY FOR THEIR ITEMS WITH CASH THROUGH THE PREMIER MONEY TRANSFER SERVICE IN THE WORLD AT PARTICIPATING LOCATIONS ISLAND-WIDE."

GRACE GIVES AWAY A HOUSE!

In June of 2019, 24 year old traffic intern, Romario Grant became a homeowner, courtesy of Grace Food and its Grace Winna House Promotion.

The J$14M house in Stone Brook Manor, Trelawny was the main prize in the promotion, which comprised several challenges, three draws and qualifying rounds. Over the six month period of the promotion, Grace doled out several cash and other prizes to numerous winners, with three ultimately vying for the top prize.

"Here's to your Future!" – Grace Foods Domestic CEO, Frank James helps cut the ribbon on the Grace Winna House Promotion winner, Romario Grant's, new home.

Artens Whyte, Tiffany Leigh and Romario made it to the final round to participate in the ultimate decider – a 'Puzzle it' Escape room challenge where the challenger with the shortest completion time would emerge victorious.

In addition to the house, Grant also received $500,000 worth of appliances from Active Home Centre, one-year's insurance courtesy of GK Insurance, one year's worth of bill payments from Bill Express, and banking convenience from First Global Bank.

According to Vishwanauth Tolan, Assistant Global Category Manager at Grace Foods,

"THERE IS A SENSE OF PRIDE AND SECURITY THAT COMES WITH THE MILESTONE OF OWNING A HOME, AND THE ENTIRE GRACE FOODS' FAMILY IS SO HAPPY TO HAVE PLAYED A ROLE IN MAKING ROMARIO GRANT'S DREAM OF BECOMING A HOMEOWNER A REALITY."

FGB WINS INTERNATIONAL AWARD TWO YEARS IN A ROW

First Global Bank Limited (FGB) has been named the recipient of the International Banker Award in the category of Best Innovation in Retail Banking, Jamaica, 2020. This is the second consecutive year that the Bank has won the coveted and prestigious award.

FGB President & CEO, Mariame McIntosh-Robinson, acknowledged the contribution made by the FGB team towards the company's achievement of the award. "Congratulations team and thank you for your dedication that allows us to increase our local and international recognition," she said.

She noted that the achievement of winning for two consecutive years was indicative of FGB's success in pursuing its strategy to use technology as the game changer to meet the needs of its growing client base in this digital era, and to set itself apart from its competitors.

The International Banker Awards are established to recognise top-ranking individuals and organisations setting new benchmarks for performance and pushing the boundaries within the financial industry. According to International Banker, "A good bank is defined by its differences. It will not be exactly the same as the other because it will be shaped by the needs and demands of its own unique customers."

Finance Publishing Limited, the parent company of International Banker, International Director and Forex Focus, is a global leading source of authoritative analysis and opinion on banking, finance and world affairs.

LONDON JERK FESTIVAL WAS OFF THE CHARTS!

London Jerk festival had two highly successful stagings in 2019. The first of the two Festivals, held at The Old Truman Brewery, 150 Brick Lane on June 23 was sold out ten weeks in advance. Taking heed of the early warning signs that there was a high demand for this kind of event, there was a quick switch to a different, larger venue, Main Yard, Hackney Wick, for the second festival on September 1.

The events, sponsored by Grace Foods UK, brought traditional Jamaican culture including its jerk flavours and music to diverse audiences in the UK's capital. Approximately 1,200 people attended the sold-out June event, with another 2,500 in attendance at the September staging.

Jerk-tastically Good! *Parveen Kaur, Grace Foods UK Human Resources Advisor, is having a great time at the London Jerk Festival 2019, sponsored by Grace Foods UK. She is pictured here at the Grace Foods UK tent which was located on Wallis Road, London for the second festival held in September.*

Grace Foods's range of jerk-themed products were available to sample as well as for sale at the events including Jerk Seasoning and Jerk BBQ Sauces from both Grace and Dunn's River brands. Additionally, there was a wide variety of snacks and beverages such as Grace Plantain Chips, Grace Coconut Water, Grace Tropical Rhythms, and Grace Mighty Malt, amongst others.

Good Food People *– The Grace Foods UK Marketing Team members are all smiles at the London Jerk Festival 2019, held at Brick Lane, London on June 23. From left are Karolina Chromik, Bolarinwa Akintewe, Jack Elkins, Kimberley Lue Lim with Grace Foods UK demonstration chef, Hasan De Four.*

Although still growing, the family-friendly jerk festivals resonated really well with consumers. There were several popular artistes performing to the delight of the audience, including Jah9, King Tubby's, DJ Don Letts, Fatman Sound, and the Wreck It Up Crew. There were also steel bands, costumed revellers and dancers. The event in Hackney Wick had 16 different jerk stalls and several popular chefs were present, some treating onlookers to cooking demos and food sampling.

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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 2019, 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 2019;
- 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 2019;
- 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 industries in which the Group operates.

In assessing the risk of material misstatement to the Group's consolidated financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the consolidated financial statements we designed and performed audit procedures over various components. The Group comprised 45 reporting components of which, we selected 23 components which mainly represent the principal business units within the Group and covered entities within Jamaica, Barbados, Montserrat, Trinidad and Tobago, Canada, the United Kingdom, the United States of America (USA) and Guyana.

Of the 23 components selected, we performed an audit of the complete financial information of 13 components ("full scope components") which were selected based on their size, risk characteristics or both. For the remaining 10 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 consolidated 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's consolidated financial statements.

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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 on progress of work for all components. The Group team engagement leader and the senior members of the Group engagement team reviewed reports about the audit approach and findings of the component auditors.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated 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
Credit risk and impairment of loans and receivables to customers - (Group) *Refer to notes 2(h), 3c(i), 3c(ii), 4(viii) and 9 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgments, estimates and balances.*	
As at 31 December 2019, the Group has on-balance sheet gross loans receivable balances amounting to $30.6 billion which are significant in the context of the overall Group statement of financial position representing 20% of total assets. Included in loan receivables are loans and advances to customers which consist of mortgages, commercial and other loans to customers for which the underlying properties are pledged as collateral. Off-balance sheet exposures include guarantees and undrawn commitments such as credit cards, overdrafts and loan commitments amounted to $1.5 billion. Expected credit losses (ECL) amounted to $1.1 billion for loans receivable, including off balance sheet items. We have focused on the following areas because there are a number of significant management determined judgements within the ECL model: • The Probability of Default (PD) assumptions are developed based on the Group's specific historical default rates for each industry classification.	We updated our understanding of management's ECL model and performed inquiries to evaluate any changes to the model. We tested the completeness and accuracy of the four-year historical data inputs by agreeing details on default rates and recovery rates. 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 used in developing default, recovery and utilisation rates, we agreed the critical data fields, being origination date, maturity date, default date, principal, collateral value and cash recoveries and exposure limits, to source documents. 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 evaluated the appropriateness of management's judgement pertaining to forward looking information, multiple economic scenarios and the weighting applied to capture nonlinear losses.

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Key audit matter	How our audit addressed the key audit matter
• The Loss Given Default (LGD) is developed based on the Group's specific historical loss rate for the given exposure • Use of multiple economic scenarios that are forward looking; and • Valuation of real estate property pledged as collateral for term loans: this is the most significant repayment source for credit-impaired assets (stage 3).	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 reperformed 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 exceptions were noted in the calculation of expected credit losses as it relates to loans and receivable to customers.
Goodwill impairment for the United States of America (USA) operations (Group) *Refer to notes 2(g), 4(i) and 11 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgments, estimates and balances.* The total carrying value of goodwill is $1.5 billion of which $981 million relates to the USA operations. Management performed a goodwill impairment assessment by using value-in-use calculations which are based on future discounted cash flows and determined there was no impairment as at 31 December 2019. We focused on this area as 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.	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 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 were assisted by our valuation experts to review the appropriateness of the assumptions and methodology used in the DCF.

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Key audit matter	How our audit addressed the key audit matter
	We tested the mathematical accuracy of the underlying calculations included in the DCF model. We agreed 31 December 2019 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 evaluated management's key assumptions by comparing them to historical results and economic and industry data where available. We performed an independent recalculation of the carrying value and performed sensitivity analysis by looking at changes in management's assumptions. We considered subsequent events and their impact on the entity's cash flows and forecasts. Based on the work performed, management's assumptions were not unreasonable.
Valuation of pension scheme assets and other post-employment obligations (Group and Company) *Refer to notes 2(m), 4(iii) and 14 to 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 statements of financial position of the Group and Company. Pension plan assets amounted to $5.8 billion for both Group and Company and other post-employment obligations amounted to $5.8 billion and $2.8 billion for Group and Company respectively.	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.

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Key audit matter	How our audit addressed the key audit matter
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 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 were assisted by our actuarial specialist and performed inquiries with management and their actuary to understand and evaluate management's 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.

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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.

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- 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.

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.

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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.

PricewaterhouseCoopers

Chartered Accountants
28 February 2020
Kingston, Jamaica

GraceKennedy Limited
Consolidated Statement of Financial Position
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Assets			
Cash and deposits	5	14,627,178	14,824,799
Investment securities	6	30,666,623	28,261,306
Pledged assets	6	9,227,048	9,931,362
Receivables	7	15,908,616	15,226,423
Inventories	8	13,315,155	12,784,061
Loans receivable	9	30,677,003	26,469,557
Taxation recoverable		775,786	764,826
Investments in associates and joint ventures	10	3,511,934	2,964,841
Investment properties	38	665,000	628,000
Intangible assets	11	4,012,945	4,128,043
Fixed assets	12	24,074,325	14,300,969
Deferred tax assets	13	1,142,161	1,410,080
Pension plan asset	14	5,821,549	3,269,925
Assets classified as held for sale	12	280,558	271,208
Total Assets		**154,705,881**	**135,235,400**
Liabilities			
Deposits		35,805,361	34,371,026
Securities sold under agreements to repurchase		7,892,207	7,208,337
Bank and other loans	15	24,032,254	16,529,313
Payables	17	24,408,190	23,201,686
Taxation		459,191	464,890
Provisions	18	37,779	-
Deferred tax liabilities	13	1,559,686	687,069
Other post-employment obligations	14	5,799,526	6,083,687
Total Liabilities		**99,994,194**	**88,546,008**
Equity			
Capital and reserves attributable to the company's owners			
Share capital	19	457,170	490,354
Capital and fair value reserves	20	7,234,527	6,346,838
Retained earnings		38,501,844	32,306,560
Banking reserves	21	3,220,711	3,118,867
Other reserves	22	2,912,158	2,351,808
		52,326,410	44,614,427
Non-Controlling interests	23	2,385,277	2,074,965
Total Equity		**54,711,687**	**46,689,392**
Total Equity and Liabilities		**154,705,881**	**135,235,400**

Approved for issue by the Board of Directors on 28 February 2020 and signed on its behalf by:

Gordon Shirley — Chairman

Donald Wehby — Group Chief Executive Officer

GraceKennedy Limited

Consolidated Income Statement

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Revenue from products and services		98,913,473	93,522,584
Interest revenue		4,176,420	4,022,147
Revenues	25	103,089,893	97,544,731
Direct and operating expenses		(98,862,776)	(93,919,850)
Net impairment losses on financial assets		(488,116)	(484,367)
Expenses	26	(99,350,892)	(94,404,217)
		3,739,001	3,140,514
Other income	27	2,520,212	3,486,010
Profit from Operations		6,259,213	6,626,524
Interest income – non-financial services		437,398	427,501
Interest expense – non-financial services		(1,087,903)	(581,873)
Share of results of associates and joint ventures	10	518,887	490,873
Profit before Taxation		6,127,595	6,963,025
Taxation	29	(1,027,679)	(1,319,448)
NET PROFIT		5,099,916	5,643,577
Attributable to:			
Owners of GraceKennedy Limited	30	4,487,389	5,005,915
Non-Controlling interests	23	612,527	637,662
		5,099,916	5,643,577

	Note	$	$
Earnings per Stock Unit for profit attributable to the owners of the company during the year:	32		
Basic		4.52	5.05
Diluted		4.51	5.04

GraceKennedy Limited
Consolidated Statement of Comprehensive Income
Year ended 31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Profit for the year		5,099,916	5,643,577
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on revaluation of land and buildings		20,315	684,638
Changes in fair value of equity instruments at fair value through other comprehensive income		621,450	103,601
Remeasurements of post-employment benefit obligations		3,022,237	(2,734,637)
Share of other comprehensive income of associates and joint ventures		14,989	30,249
		3,678,991	(1,916,149)
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustments		551,187	(1,180,883)
Changes in fair value of debt instruments at fair value through other comprehensive income		539,061	(279,949)
Share of other comprehensive income of associates and joint ventures		38,048	15,373
		1,128,296	(1,445,459)
Other comprehensive income for the year, net of tax		4,807,287	(3,361,608)
Total comprehensive income for the year		9,907,203	2,281,969
Attributable to:			
Owners of GraceKennedy Limited		9,261,866	1,639,972
Non-Controlling interests	23	645,337	641,997
		9,907,203	2,281,969

GraceKennedy Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

(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 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	19 (b)	(950)	(57,171)	-	-	-	-	-	(57,171)
Share-based payments:									
Value of services received	19 (f)	-	-	-	-	-	103,237	1,169	104,406
Transfer of treasury shares to employees	19 (b)	161	6,574	1,302	-	-	(7,876)	-	-
Dividends paid by subsidiaries to non-controlling interests	23	-	-	-	-	-	-	(354,014)	(354,014)
Dividends paid	31	-	-	-	(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
Profit for the year		-	-	-	4,487,389	-	-	612,527	5,099,916
Other comprehensive income for the year		-	-	1,175,635	3,027,788	-	571,054	32,810	4,807,287
Total comprehensive income for 2019		-	-	1,175,635	7,515,177	-	571,054	645,337	9,907,203
Transactions with owners:									
Issue of shares	19 (a)	113	3,150	-	-	-	-	-	3,150
Sale of treasury shares	19 (b)	178	10,885	-	-	-	-	-	10,885
Purchase of treasury shares	19 (b)	(1,957)	(131,150)	-	-	-	-	-	(131,150)
Share-based payments:									
Value of services received	19 (f)	-	-	-	-	-	131,521	1,367	132,888
Exercised		-	-	-	-	-	(26,460)	(637)	(27,097)
Transfer of shares to employees	19 (a)	5	312	-	-	-	(312)	-	-
Transfer of treasury shares to employees	19 (b)	1,902	83,619	33,054	-	-	(115,453)	(1,220)	-
Dividends paid by subsidiaries to non-controlling interests	23	-	-	-	-	-	-	(334,535)	(334,535)
Dividends paid	31	-	-	-	(1,539,049)	-	-	-	(1,539,049)
Total transactions with owners		241	(33,184)	33,054	(1,539,049)	-	(10,704)	(335,025)	(1,884,908)
Transfers between reserves:									
From capital reserves		-	-	(321,000)	321,000	-	-	-	-
To banking reserves		-	-	-	(101,844)	101,844	-	-	-
Balance at 31 December 2019		992,106	457,170	7,234,527	38,501,844	3,220,711	2,912,158	2,385,277	54,711,687

GraceKennedy Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
SOURCES/(USES) OF CASH:			
Operating Activities	33	7,049,456	9,444,736
Financing Activities			
Loans received		6,030,765	7,612,456
Loans repaid		(6,306,514)	(7,558,098)
Dividends paid by subsidiary to non-controlling interests	23	(334,535)	(354,014)
Purchase of treasury shares	19	(131,150)	(57,171)
Sale of treasury shares	19	10,885	-
Issue of shares	19	3,150	-
Exercise of share based payments	19	(27,097)	-
Interest paid – non financial services		(1,066,114)	(583,910)
Dividends	31	(1,539,049)	(1,339,783)
		(3,359,659)	(2,280,520)
Investing Activities			
Additions to fixed assets[(a)]	12	(2,921,570)	(3,118,484)
Proceeds from disposal of fixed assets		269,419	112,479
Additions to assets held for sale		(30,544)	-
Additions to investments		(23,379,440)	(8,775,656)
Cash outflow on purchase of interest in associates and joint ventures		(202,904)	(971,505)
Proceeds from sale of investments		23,868,680	8,377,691
Additions to intangibles	11	(351,529)	(350,751)
Interest received – non financial services		435,162	422,630
		(2,312,726)	(4,303,596)
Increase in cash and cash equivalents		1,377,071	2,860,620
Cash and cash equivalents at beginning of year		12,278,198	9,402,295
Exchange and translation gains on net foreign cash balances		203,646	15,283
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	13,858,915	12,278,198

The principal non-cash transactions include:

[(a)] Acquisition of right-of-use asset of $2,975,546,000 (2018: fixed assets under finance lease of $23,140,000), (Note 12).

GraceKennedy Limited
Company Statement of Financial Position
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Assets			
Cash and deposits	5	2,633,161	3,960,985
Investment securities	6	6,687,588	5,747,482
Receivables	7	1,662,856	1,954,015
Inventories	8	2,764,103	3,018,851
Loans receivable	9	2,096,204	1,434,966
Subsidiaries	35	1,930,889	1,867,140
Taxation recoverable		199,010	256,752
Investments in associates	10	574,698	574,698
Investments in subsidiaries		18,018,692	17,544,008
Intangible assets	11	285,615	293,246
Fixed assets	12	3,402,265	296,473
Deferred tax assets	13	–	93,516
Pension plan asset	14	5,821,549	3,269,925
Total Assets		**46,076,630**	**40,312,057**
Liabilities			
Bank and other loans	15	9,051,347	6,114,341
Payables	17	2,808,126	3,558,129
Subsidiaries	35	3,381,561	3,027,509
Deferred tax liabilities	13	628,399	-
Other post-employment obligations	14	2,768,342	2,900,502
Total Liabilities		**18,637,775**	**15,600,481**
Equity			
Share capital	19	457,170	490,354
Capital and fair value reserves	20	241,434	177,510
Retained earnings		26,641,782	23,912,984
Other reserves	22	98,469	130,728
Total Equity		**27,438,855**	**24,711,576**
Total Equity and Liabilities		**46,076,630**	**40,312,057**

Approved for issue by the Board of Directors on 28 February 2020 and signed on its behalf by:

Gordon Shirley Chairman

Donald Wehby Group Chief Executive Officer

GraceKennedy Limited

Company Income Statement

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Revenue	25	21,566,624	18,957,924
Cost of goods sold		(16,690,978)	(14,988,530)
Gross Profit		4,875,646	3,969,394
Other income	27	5,077,223	5,599,297
Administration expenses		(8,437,696)	(7,278,188)
Net impairment losses on financial assets		(43,929)	(25,870)
Profit from Operations		1,471,244	2,264,633
Interest income		572,086	504,893
Interest expense		(532,680)	(333,757)
Profit before Taxation		1,510,650	2,435,769
Taxation	29	80,091	11,048
NET PROFIT	30	**1,590,741**	**2,446,817**

GraceKennedy Limited

Company Statement of Comprehensive Income

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	2019 $'000	2018 $'000
Profit for the year	1,590,741	2,446,817
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	30,870	(5,199)
Remeasurements of post-employment benefit obligations	2,677,106	(2,516,081)
Other comprehensive income for the year, net of tax	2,707,976	(2,516,481)
Total comprehensive income for the year	4,298,717	(69,664)

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 29.

GraceKennedy Limited

Company Statement of Changes in Equity

Year ended 31 December 2019

(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 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	19 (b)	(950)	(57,171)	-	-	-	(57,171)
Share-based payments:							
Value of services received	22	-	-	-	-	73,302	73,302
Transfer of treasury shares to employees	19 (b)	161	6,574	1,302	-	(7,876)	-
Dividends paid	31	-	-	-	(1,339,783)	-	(1,339,783)
Total transactions with owners		(789)	(50,597)	1,302	(1,339,783)	65,426	(1,323,652)
Transfers between reserves:							
Balance at 31 December 2018		991,865	490,354	177,510	23,912,984	130,728	24,711,576
Profit for the year		-	-	-	1,590,741	-	1,590,741
Other comprehensive income for the year		-	-	30,870	2,677,106	-	2,707,976
Total comprehensive income for 2019		-	-	30,870	4,267,847	-	4,298,717
Transactions with owners:							
Issue of shares	19 (a)	113	3,150	-	-	-	3,150
Sale of treasury shares	19 (b)	178	10,885	-	-	-	10,885
Purchase of treasury shares	19 (b)	(1,957)	(131,150)	-	-	-	(131,150)
Share-based payments:							
Value of services received	22	-	-	-	-	93,863	93,863
Exercised		-	-	-	-	(20,111)	(20,111)
Transfer of shares to employees	19 (a)	5	312	-	-	(312)	-
Transfer of treasury shares to employees	19 (b)	1,902	83,619	33,054	-	(105,699)	10,974
Dividends paid	31	-	-	-	(1,539,049)	-	(1,539,049)
Total transactions with owners		241	(33,184)	33,054	(1,539,049)	(32,259)	(1,571,438)
Balance at 31 December 2019		992,106	457,170	241,434	26,641,782	98,469	27,438,855

GraceKennedy Limited

Company Statement of Cash Flows

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
SOURCES/(USES) OF CASH:			
Operating Activities	33	2,795,213	1,410,227
Financing Activities			
Loans received		4,515,827	3,061,883
Loans repaid		(3,963,828)	(2,629,854)
Purchase of treasury shares	19	(131,150)	(57,171)
Sale of treasury shares	19	10,885	-
Issue of shares	19	3,150	-
Exercise of share based payments	19	(20,111)	-
Interest paid		(532,682)	(322,047)
Dividends	31	(1,539,049)	(1,339,783)
		(1,656,958)	(1,286,972)
Investing Activities			
Additions to fixed assets[a]	12	(273,606)	(64,806)
Proceeds from disposal of fixed assets		37,741	5,051
Additions to investments		(1,912,853)	(1,257,860)
Loans receivable, net		(661,238)	1,924,340
Proceeds from sale of investments		1,180,534	1,749,105
Investment in subsidiary		(474,684)	(1,787,365)
Investment in associated company		-	(525,000)
Additions to intangibles	11	(85,146)	(141,539)
Interest received		572,087	500,021
		(1,617,165)	401,947
(Decrease)/increase in cash and cash equivalents		(478,910)	525,202
Cash and cash equivalents at beginning of year		2,439,594	1,913,626
Exchange and translation gains on net foreign cash balances		44,609	766
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	2,005,293	2,439,594

The principal non-cash transactions include:

[a] Acquisition of right-of-use assets of $526,040,000 (2018: $Nil), (Note 12).

1. Identification

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

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

The Group is organised into two divisions namely, GK Foods and GK Financial Group. The GK Foods division comprises all the food related companies while 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, health 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 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 adoption of IFRS 16 from 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 16 [C7], comparative figures have not been restated. Details of the new accounting policy in relation to IFRS 16 are outlined in Note 2 (x) and the impact on the financial statements on adoption of the new standard is disclosed in Note 40.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

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

- Amendment to IAS 28, 'Investments in associates and joint ventures' (effective for annual periods beginning on or after 1 January 2019). This amendment clarifies that companies account for long term interests in an associate or joint venture to which the equity method is not applied using IFRS 9. There was no impact from the adoption of this amendment.

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

- Amendments to IAS 19, 'Employee benefits' (effective for annual periods beginning on or after 1 January 2019). These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and to recognise in profit or loss as part of past service cost, or gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. Any changes in the asset ceiling is recognised separately through other comprehensive income. The Group has adopted this treatment for its post employment benefit plans. There was no impact on the asset ceiling from the adoption of these amendments.

- Annual improvements to IFRSs 2015 – 2017 cycles. These amendments include minor changes to the following standards:
  - IFRS 3, 'Business combinations', (effective for annual periods beginning on or after 1 January 2019). This amendment clarifies that an entity should re-measure its previously held interest in a joint operation at fair value when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', (effective for annual periods beginning on or after 1 January 2019). This amendment clarifies that an entity should not re-measure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes', (effective for annual periods beginning on or after 1 January 2019). This amendment clarifies that the income tax consequences of dividend payments should be recognised according to where the past transactions or events that generated distributable profits were recognised.
  - IAS 23, 'Borrowing costs' (effective for annual periods beginning on or after 1 January 2019). This amendment clarifies that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes a part of general borrowings.

  There was no impact from the adoption of these amendments.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

At the date of authorisation of these financial statements a number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019, 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 17, 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2022). 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.

- Amendments to IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' (effective for annual periods beginning on or after 1 January 2020). These amendments clarify the definition of materiality and the meaning of primary users of general purpose financial statements by defining them as existing and potential investors, lenders and other creditors. The Group is currently assessing the impact of this standard.

- Amendment to IFRS 3 'Business combinations' (effective for annual periods beginning on or after 1 January 2020). This amendment revises the definition of a business which requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term outputs is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The Group will apply this amendment to future transactions.

- Revised Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework will be used in standard-setting decisions with immediate effect, however no changes will be made to any of the current accounting standards. Entities that apply the Conceptual Framework in determining accounting policies will need to consider whether their accounting policies are still appropriate under the revised Framework. The Group is currently assessing the impact of this revision.

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

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Entity	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held by the parent company %	Proportion of ordinary shares held by the Group %	Proportion of ordinary shares held by non-controlling interests %
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	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
Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Entity	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held by the parent company %	Proportion of ordinary shares held by the Group %	Proportion of ordinary shares held by non-controlling interests %
Grace Foods Limited	St. Lucia	Brand owner	100	100	-
GraceKennedy (Belize) Limited	Belize	Food trading	100	100	-
Grace Foods Canada 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.

In the prior year, the Group liquidated Graken Holdings Limited. This resulted in a gain being realised on liquidation which is included in Other Income within *gain on disposal of investments* (Note 27).

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 2019	2018
Canopy Insurance Limited (formerly GKMusson Limited)	31 December	Jamaica	Financial	Joint Venture	50.0	50.0
Catherine's Peak Bottling Company Limited	31 March	Jamaica	Food trading	Associate	35.0	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
Gray's Pepper Products Limited	31 December	Jamaica	Food trading	Associate	33.3	33.3
Majesty Foods LLC	31 December	USA	Food trading	Associate	49.0	49.0
Pelican Power Limited	31 December	Jamaica	Investment/ Energy	Joint Venture	50.0	-
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 Pelican Power Limited.

(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.

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 fair value through other comprehensive income 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 fair value through other comprehensive income are recognised in other comprehensive income.

Group companies

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

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

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

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

(f) Fixed assets

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

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

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

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

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

Land is not depreciated.

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

2. Significant Accounting Policies (Continued)

(f) Fixed assets (continued)

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

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

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

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

(g) Intangible assets

Goodwill
Goodwill is recorded at cost and represents the excess of the value of consideration paid over the Group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the 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.

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.

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 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.

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.

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

(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.

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.

2. Significant Accounting Policies (Continued)

(m) Employee benefits

Pension obligations

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

Pension plan assets

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

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

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

Past-service costs are recognised immediately in income.

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

Other post-employment obligations

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

Equity compensation benefits

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

Termination benefits

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

2. Significant Accounting Policies (Continued)

(m) Employee benefits (continued)

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

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

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

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

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

(r) Insurance business provisions

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

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

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

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

2. Significant Accounting Policies (Continued)

(s) Provisions

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

(t) Deposits

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

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

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

(v) Borrowings

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

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

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

(w) Borrowings costs

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

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

(x) Leases

As lessee

Accounting policy effective 1 January 2019

The Group leases various offices, warehouses, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 to 10 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

2. Significant Accounting Policies (Continued)

(x) Leases (continued)

Some equipment and motor vehicle leases contain variable lease payment terms that are linked to usage. These payments are excluded from the measurement of the lease liability and are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use land and buildings held by the Group.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The lease term is determined as the non-cancellable period of the lease and also takes account of extension and termination options if reasonably certain to be exercised. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

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.

<u>Application of this policy until 31 December 2018</u>

The Group adopted IFRS 16 on 1 January 2019 applying the simplified transition approach and has elected not to restate comparative information in accordance with the transitional provisions in IFRS 16 [C7]. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

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

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

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

2. Significant Accounting Policies (Continued)

(y) Share capital

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

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

(z) Revenue recognition

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

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.

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.

Dividend income

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

2. Significant Accounting Policies (Continued)

(aa) Dividends

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

(ab) Investment properties

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

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

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

(ac) 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.

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.

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:

	2019		2018	
	Policy Limit	Maximum Net Retention	Policy Limit	Maximum Net Retention
	$'000	$'000	$'000	$'000
Commercial property:				
Fire and consequential loss	1,311,765	10,494	1,287,320	10,299
Boiler and machinery	649,324	5,903	643,660	7,241
Engineering	865,765	7,871	643,660	7,241
Burglary, money and goods in transit	32,794	32,794	32,183	32,183
Glass and other	32,794	32,794	32,183	32,183
Liability	393,530	40,500	386,196	38,620
Marine, aviation and transport	78,706	3,935	77,239	3,862
Motor	60,000	15,000	31,000	16,000
Pecuniary loss:				
Fidelity	32,794	32,794	32,183	32,183
Surety/Bonds	148,042	29,608	148,042	29,608
Personal accident	32,794	32,794	32,183	32,183
Personal property	1,311,765	10,494	1,287,320	10,299

3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Sensitivity Analysis of Actuarial Liabilities

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

Actuarial Assumptions

(i) In applying the noted methodologies, the following assumptions were made:

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

(ii) Provision for adverse deviation assumptions

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

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

(iii) Scenario testing

The two major assumptions that determine reserve levels are:

- The selection of a-priori loss ratios within the Bornhuetter-Ferguson methods (Note 4).
- The selection of loss development factors.

These factors have been stochastically modelled using various confidence intervals to determine the impact on the net reserves. The net reserves of $3,428,523,000 were determined at the 50% confidence interval. Had the confidence interval increased/(decreased) by 10%, the net reserves would increase/(decrease) by $99,000,000/($99,000,000).

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 2010 - 2018 has changed at successive year-ends, up to 2019. Updated unpaid claims and adjustment expenses (UCAE) and claims incurred but not reported (IBNR) estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the development calculations.

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

(a) **Insurance risk (continued)**

Development Claim Liabilities (continued)

		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	2019 $'000	2019 & prior $'000
2010	UCAE, end of year	2,360,631																		
	IBNR, end of year	63,254																		
2011	Paid during year	580,108	600,728	1,180,836																
	UCAE, end of year	817,757	659,107	1,476,864																
	IBNR, end of year	2,365	67,945	70,310																
	Ratio: excess (deficiency)	42.23%																		
2012	Paid during year	229,627	318,636	548,263	595,339	1,143,602														
	UCAE, end of year	668,968	436,140	1,105,108	714,766	1,819,874														
	IBNR, end of year	-	4,023	4,023	78,759	82,782														
	Ratio: excess (deficiency)	38.99%		(7.12%)																
2013	Paid during year	187,380	149,561	336,941	370,625	707,566	652,404	1,359,970												
	UCAE, end of year	683,563	418,484	1,102,047	506,424	1,608,471	790,877	2,399,348												
	IBNR, end of year	-	-	-	-	-	80,193	80,193												
	Ratio: excess (deficiency)	30.66%		(28.44%)		(21.73%)														
2014	Paid during year	140,557	110,401	250,958	169,283	420,241	404,194	824,435	607,093	1,431,528										
	UCAE, end of year	511,990	321,483	833,473	388,380	1,221,853	524,575	1,746,428	615,473	2,361,901										
	IBNR, end of year	-	-	-	-	-	18,964	18,964	78,667	97,631										
	Ratio: excess (deficiency)	31.94%		(27.31%)		(23.49%)		(4.45%)												
2015	Paid during year	95,618	97,860	193,478	92,040	285,518	124,646	410,164	281,599	691,763	624,864	1,316,627								
	UCAE, end of year	330,083	214,447	544,530	275,871	820,401	416,490	1,236,891	365,188	1,602,079	645,016	2,247,095								
	IBNR, end of year	-	-	-	-	-	(9,377)	(9,377)	18,167	8,790	128,731	137,521								
	Ratio: excess (deficiency)	35.50%		(21.14%)		(17.40%)		0.70%		6.38%										
2016	Paid during year	81,390	35,193	116,583	42,195	158,778	70,792	229,570	110,198	339,768	335,039	674,807	634,128	1,308,935						
	UCAE, end of year	213,393	154,771	368,164	231,701	599,865	332,277	932,142	302,300	1,234,442	389,033	1,623,475	682,680	2,306,155						
	IBNR, end of year	-	-	-	-	-	(13,373)	(13,373)	(15,243)	(28,616)	31,145	2,529	124,991	127,520						
	Ratio: excess (deficiency)	36.96%		(17.27%)		(14.15%)		3.90%		9.03%		3.51%								
2017	Paid during year	106,878	28,060	134,938	38,056	172,994	47,583	220,577	65,506	286,083	108,987	395,070	322,719	717,789	877,096	1,594,885				
	UCAE, end of year	105,147	70,042	175,189	156,174	331,363	265,210	596,573	227,107	823,680	291,315	1,114,995	383,879	1,498,874	848,365	2,347,239				
	IBNR, end of year	-	-	-	-	-	-	-	(13,118)	(13,118)	(16,683)	(29,801)	22,506	(7,295)	143,652	136,357				
	Ratio: excess (deficiency)	37.01%		(13.52%)		(9.13%)		7.99%		13.47%		9.63%		9.22%						
2018	Paid during year	11,494	14,715	26,209	27,507	53,716	33,288	87,004	43,920	130,924	60,958	191,882	90,421	282,303	574,363	856,666	868,777	1,725,443		
	UCAE, end of year	145,949	48,332	194,281	97,011	291,292	197,291	488,583	165,714	654,297	232,666	886,963	299,012	1,185,975	382,944	1,568,919	761,034	2,329,953		
	IBNR, end of year	-	-	-	-	-	(10,677)	(10,677)	(9,745)	(20,422)	(13,680)	(34,102)	(11,874)	(45,976)	36,229	(9,747)	119,420	109,673		
	Ratio: excess (deficiency)	34.86%		(16.45%)		(9.85%)		9.27%		15.33%		11.32%		12.06%		2.73%				
2019	Paid during year	17,726	8,874	26,600	17,206	43,806	21,299	65,105	28,572	93,678	35,377	129,055	57,683	186,738	105,536	292,273	473,691	765,965	952,482	1,718,447
	UCAE, end of year	122,199	35,015	157,214	77,802	235,016	120,651	355,667	129,743	485,411	209,087	694,498	255,827	950,325	327,532	1,277,857	458,214	1,736,071	846,355	2,582,426
	IBNR, end of year	33,030	11,817	44,847	9,026	53,873	7,872	61,745	(22,180)	39,565	(22,730)	16,835	(33,491)	(16,656)	(39,048)	(55,704)	198	(55,506)	159,196	103,690
	Ratio: excess (deficiency)	33.74%	(11.43%)	(18.67%)	(6.33%)	(12.03%)	4.68%	9.09%	8.18%	15.95%	6.08%	11.85%	14.18%	12.87%	2.38%	4.53%	(5.87%)	(0.28%)		

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 $3,935,000 and $40,500,000 (2018: $3,862,000 and $38,620,000).

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	
	2019	**2018**
	$'000	**$'000**
Property	749,968	324,790
Motor	13,244	23,137
Marine	3,331	1,735
Liability	28,649	830
Pecuniary loss	79	962
Accident	-	43
	795,271	351,497

(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.

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.

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.

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Low risk	849	18,595	-	-
Standard risk	9,939,252	8,726,918	1,336,702	1,240,434
Past due	2,888,604	3,132,208	192,371	160,363
Credit impaired	836,970	975,379	125,539	246,904
Gross carrying amount	13,665,675	12,853,100	1,654,612	1,647,701
Loss allowance	(812,469)	(662,828)	(92,623)	(63,822)
Carrying amount	12,853,206	12,190,272	1,561,989	1,583,879

Loss allowance

The loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade and premium receivables:

	Group					
	at 31 December 2019			at 31 December 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	6,574,621	2,893	0.04%	8,034,872	36,491	0.45%
Within 1 to 3 months	3,951,470	27,346	0.69%	3,223,816	36,417	1.13%
Over 3 months	3,139,584	782,230	24.92%	1,594,412	589,920	37.00%
	13,665,675	812,469		12,853,100	662,828	

	Company					
	at 31 December 2019			at 31 December 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	957,974	1,103	0.12%	531,752	1,523	0.29%
Within 1 to 3 months	527,639	1,199	0.23%	1,017,071	1,992	0.20%
Over 3 months	168,999	90,321	53.44%	98,878	60,307	60.99%
	1,654,612	92,623		1,647,701	63,822	

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit Risk (continued)

Trade and premium receivables (continued)

Loss allowance (continued)

The movement on the loss allowances for trade and premium receivables is as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	662,828	521,949	63,822	79,915
Movement on loss allowance recognised in income statement during the year	424,854	321,280	46,513	24,487
Receivables written off during the year as uncollectible	(263,544)	(132,203)	(6,042)	(27,288)
Unused amount reversed	(11,669)	(48,198)	(11,670)	(13,292)
At 31 December	812,469	662,828	92,623	63,822

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.

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.

Significant Increase in Credit Risk (SICR)
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.

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.

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.

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	7% - 14%
	Upside	6% - 13%
	Downside	8% - 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 2019 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	(11,025)	Unemployment rate	+ 100bp	5,923
GDP growth	- 100bp	11,025	Unemployment rate	- 100bp	(5,923)

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(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and Leases (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			
	2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Low risk	-	4,909	-	4,909
Standard risk	23,424,821	3,530,842	-	26,955,663
Past due	2,206,928	1,542,369	-	3,749,297
Credit impaired	-	-	1,075,104	1,075,104
Gross carrying amount	25,631,749	5,078,120	1,075,104	31,784,973
Loss allowance	(272,128)	(391,899)	(443,943)	(1,107,970)
Carrying amount	25,359,621	4,686,221	631,161	30,677,003

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit Risk (continued)

Loans and leases (continued)

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

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

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.

The fair value of collateral held in respect of credit impaired financial assets is $1,734,093,000 (2018: $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			
	2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
At 1 January	236,709	330,794	404,039	971,542
Movements with income statement impact:				
Transfers:				
Transfer from Stage 1 to Stage 2	(6,305)	9,409	-	3,104
Transfer from Stage 1 to Stage 3	(1,030)	-	11,252	10,222
Transfer from Stage 2 to Stage 1	15,467	(34,098)	-	(18,631)
Transfer from Stage 2 to Stage 3	-	(2,543)	49,289	46,746
New financial assets originated	113,906	5,636	-	119,542
Changes in PDs/LGDs/EADs	(56,201)	90,206	(5,916)	28,089
Financial assets derecognised during the period	(30,418)	(7,505)	(14,721)	(52,644)
Total net income statement charge	35,419	61,105	39,904	136,428
At 31 December	272,128	391,899	443,943	1,107,970

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit Risk (continued)

Loans and Leases (continued)

	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 was $Nil (2018: $212,663,000).

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	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Public sector	146,235	124,493	-	-
Professional and other services	5,011,342	4,222,647	-	-
Personal	13,408,679	10,874,645	77,622	98,161
Agriculture, fishing and mining	949,866	895,146	-	-
Construction and real estate	667,961	720,660	-	15,614
Electricity, gas and water	2,633,230	1,563,480	-	-
Distribution	3,291,057	3,399,521	1,128,795	1,129,085
Manufacturing	2,282,676	2,279,239	650,000	-
Transportation	2,418,171	3,037,717	-	-
Tourism and entertainment	2,395,397	2,104,036	243,305	228,611
Financial and other money services	1,604,890	911,044	191,349	191,349
Brokers and agents	1,710,527	1,605,196	-	-
Reinsurers and coinsurers	1,124,945	791,486	-	-
Supermarket chains	2,377,965	2,275,455	383,964	376,278
Wholesalers	1,260,841	1,738,376	322,699	344,298
Retail and direct customers	2,333,379	2,938,835	499,179	540,840
Other	1,680,015	692,578	239,757	154,058
	45,297,176	40,174,554	3,736,670	3,078,294
Loss allowance	(1,920,439)	(1,634,370)	(92,623)	(63,822)
	43,376,737	38,540,184	3,644,047	3,014,472
Interest receivable	153,472	119,645	14,146	4,373
	43,530,209	38,659,829	3,658,193	3,018,845

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	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Government of Jamaica:				
At amortised cost	6,855,945	7,285,868	2,541,020	2,500,246
At fair value through other comprehensive income	6,305,175	5,589,468	-	-
Corporate:				
At amortised cost	10,204,191	12,131,707	2,577,213	1,664,825
At fair value through other comprehensive income	1,853,342	-	-	-
Other government:				
At amortised cost	362,029	434,167	-	-
At fair value through other comprehensive income	931,501	430,355	-	-
Bank of Jamaica	8,668,500	9,108,105	-	-
Other	2,500,561	2,166,938	1,486,291	1,540,506
	37,681,244	37,146,608	6,604,524	5,705,577

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit Risk (continued)

Debt Investments (continued)

Debt investments at amortised cost

The movement on the loss allowance is as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	206,749	182,263	49,762	48,421
Loss allowance recognised in income statement	5,475	24,486	-	1,340
Unused amounts reversed	(11,759)	-	(1,849)	-
At 31 December	200,465	206,749	47,913	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 movement on the loss allowance is as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	87,106	90,545	-	-
Loss allowance recognised in income statement	2,468	16,035	-	-
Unused amounts reversed	(1,446)	(19,474)	-	-
At 31 December	88,128	87,106	-	-

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk

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

Liquidity risk management process

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

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

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

(iii) Maintaining committed lines of credit;

(iv) Optimising cash returns on investment;

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

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

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

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

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial liabilities cash flows

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

	Group				
	1 to 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
As at 31 December 2019:					
Deposits	30,837,987	5,017,677	10,318	-	35,865,982
Securities sold under agreements to repurchase	4,100,378	2,875,109	1,046,619	-	8,022,106
Bank and other loans	4,501,899	5,075,489	12,279,773	7,738,362	29,595,523
Trade and other payables	20,297,542	682,125	-	-	20,979,667
Total financial liabilities (contractual dates)	59,737,806	13,650,400	13,336,710	7,738,362	94,463,278

	Group				
	1 to 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
As at 31 December 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

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 2019:					
Bank and other loans	1,666,780	2,033,842	3,837,603	2,032,049	9,570,274
Trade and other payables	2,808,126	-	-	-	2,808,126
Subsidiaries	3,381,561	-	-	-	3,381,561
Total financial liabilities (contractual dates)	7,856,467	2,033,842	3,837,603	2,032,049	15,759,961

	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

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	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Floating rate –				
Expiring within one year	10,988,721	9,781,765	5,223,528	5,008,867

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

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

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

(ii) **Liquidity risk (continued)**

Off-statement of financial position items

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

	Group			
	No Later Than 1 Year $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 31 December 2019:				
Loan commitments	1,177,259	-	-	1,177,259
Guarantees, acceptances and other financial facilities	291,049	-	-	291,049
Capital commitments	415,953	-	-	415,953
	1,884,261	-	-	1,884,261
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

(iii) **Market risk**

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

Currency risk

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

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

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

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

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk

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

	Group						
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CAN$ J$'000**	**EURO J$'000**	**Other J$'000**	**Total J$'000**
As at 31 December 2019:							
Financial Assets							
Cash and deposits	9,097,260	3,402,932	400,358	119,067	82,655	1,524,906	14,627,178
Investment securities and pledged assets	14,968,644	24,311,498	39,430	19,017	-	555,082	39,893,671
Trade and other receivables	5,545,315	3,914,556	1,483,063	533,483	171,107	1,205,682	12,853,206
Loans receivable	23,569,110	7,102,984	-	-	-	4,909	30,677,003
Total financial assets	53,180,329	38,731,970	1,922,851	671,567	253,762	3,290,579	98,051,058
Financial Liabilities							
Deposits	18,393,972	16,961,854	243,237	128,406	77,892	-	35,805,361
Securities sold under agreements to repurchase	3,006,342	4,885,865	-	-	-	-	7,892,207
Bank and other loans	14,348,231	7,774,950	1,494,376	131,851	-	282,846	24,032,254
Trade and other payables	10,618,023	6,787,762	1,685,791	610,377	171,386	1,106,328	20,979,667
Total financial liabilities	46,366,568	36,410,431	3,423,404	870,634	249,278	1,389,174	88,709,489
Net financial position	6,813,761	2,321,539	(1,500,553)	(199,067)	4,484	1,901,405	9,341,569

	Group						
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CAN$ J$'000**	**EURO J$'000**	**Other J$'000**	**Total J$'000**
As at 31 December 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

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 2019:							
Financial Assets							
Cash and deposits	2,264,368	368,793	-	-	-	-	2,633,161
Investment securities	2,119,614	4,567,974	-	-	-	-	6,687,588
Trade and other receivables	1,526,936	35,053	-	-	-	-	1,561,989
Subsidiaries	1,417,168	513,492	229	-	-	-	1,930,889
Loans receivable	1,760,001	336,203	-	-	-	-	2,096,204
Total financial assets	9,088,087	5,821,515	229	-	-	-	14,909,831
Financial Liabilities							
Bank and other loans	8,021,218	1,030,129	-	-	-	-	9,051,347
Trade and other payables	1,927,647	878,770	742	-	967	-	2,808,126
Subsidiaries	3,290,899	78,532	8,977	3,153	-	-	3,381,561
Total financial liabilities	13,239,764	1,987,431	9,719	3,153	967	-	15,241,034
Net financial position	(4,151,677)	3,834,084	(9,490)	(3,153)	(967)	-	(331,203)

	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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Foreign currency sensitivity

The following tables indicate the currencies to which the Group and company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the changes in carrying amounts of outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 6% increase (2018: 4%) and a -4% decrease (2018: 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 2019	Effect on Profit before Taxation 2019 $'000	% Change in Currency Rate 2018	Effect on Profit before Taxation 2018 $'000
Currency:				
USD	+6%	365,463	+4%	196,700
GBP	+6%	2,456	+4%	602
CAN	+6%	295	+4%	2,040
EURO	+6%	(1,021)	+4%	(43)
USD	4%	(243,642)	-2%	(98,350)
GBP	4%	(1,638)	-2%	(301)
CAN	4%	(196)	-2%	(1,020)
EURO	4%	681	-2%	22

	Company			
	% Change in Currency Rate 2019	Effect on Profit before Taxation 2019 $'000	% Change in Currency Rate 2018	Effect on Profit before Taxation 2018 $'000
Currency:				
USD	+6%	234,448	+4%	113,512
GBP	+6%	(569)	+4%	80
CAN	+6%	(189)	+4%	38
EURO	+6%	(55)	+4%	(121)
USD	4%	(156,298)	-2%	(56,756)
GBP	4%	379	-2%	(40)
CAN	4%	126	-2%	(19)
EURO	4%	37	-2%	61

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 2019:							
Assets							
Cash and deposits	5,395,452	1,001,496	-	-	-	8,230,230	14,627,178
Investment securities and pledged assets	3,827,852	1,575,853	3,680,725	11,493,073	12,515,777	6,800,391	39,893,671
Loans receivable	2,721,714	427,854	1,438,648	9,552,953	16,443,465	92,369	30,677,003
Trade and other receivables	-	-	-	-	-	12,853,206	12,853,206
Total financial assets	11,945,018	3,005,203	5,119,373	21,046,026	28,959,242	27,976,196	98,051,058
Liabilities							
Deposits	25,828,430	5,009,508	4,957,261	10,162	-	-	35,805,361
Securities sold under agreements to repurchase	2,649,494	1,442,060	2,795,292	1,005,361	-	-	7,892,207
Bank loans	1,416,863	2,312,687	4,361,239	8,101,800	7,839,665	-	24,032,254
Trade payables	-	-	-	-	-	20,979,667	20,979,667
Total financial liabilities	29,894,787	8,764,255	12,113,792	9,117,323	7,839,665	20,979,667	88,709,489
Total interest repricing gap	(17,949,769)	(5,759,052)	(6,994,419)	11,928,703	21,119,577	6,996,529	9,341,569

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 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

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	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 2019:							
Assets							
Cash and deposits	-	565,625	-	-	-	2,067,536	2,633,161
Investment securities	-	-	712,134	3,026,291	2,866,099	83,064	6,687,588
Loans receivable	-	-	1,177,402	827,035	-	91,767	2,096,204
Trade and other receivables	-	-	-	-	-	1,561,989	1,561,989
Subsidiaries	-	-	-	-	-	1,930,889	1,930,889
Total financial assets	-	565,625	1,889,536	3,853,326	2,866,099	5,735,245	14,909,831
Liabilities							
Bank loans	1,282,506	300,000	2,136,391	2,338,424	2,994,026	-	9,051,347
Trade payables	-	-	-	-	-	2,808,126	2,808,126
Subsidiaries	-	-	-	-	-	3,381,561	3,381,561
Total financial liabilities	1,282,506	300,000	2,136,391	2,338,424	2,994,026	6,189,687	15,241,034
Total interest repricing gap	(1,282,506)	265,625	(246,855)	1,514,902	(127,927)	(454,442)	(331,203)

	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

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 FVOCI 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: 2019 JMD / USD	Effect on Profit before Taxation 2019 $'000	Effect on Other Components of Equity 2019 $'000	Change in basis points: 2018 JMD / USD	Effect on Profit before Taxation 2018 $'000	Effect on Other Components of Equity 2018 $'000
-100 / -100	139,602	489,215	-100 / -100	164,837	464,956
+100 / +100	(139,602)	(424,937)	+100 / +100	(164,837)	(384,777)

Company

Change in basis points: 2019 JMD / USD	Effect on Profit before Taxation 2019 $'000	Effect on Other Components of Equity 2019 $'000	Change in basis points: 2018 JMD / USD	Effect on Profit before Taxation 2018 $'000	Effect on Other Components of Equity 2018 $'000
-100 / -100	(1,759)	-	-100 / -100	13,526	-
+100 / +100	1,759	-	+100 / +100	(13,526)	-

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 FVOCI 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% (2018: 10%) change in the quoted prices for these equities would be an increase or decrease in the carrying value of $70,169,000 (2018: $46,321,000) in income and $150,410,000 (2018: $57,707,000) 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% (2018: 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.

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 2019, the Group's strategy, which was unchanged from 2018, was to maintain a debt to equity ratio not exceeding 100%. The debt to equity ratios at 31 December 2019 and 2018 were as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Total borrowings (Note 15)	24,032,254	16,529,313
Owners' equity	52,326,410	44,614,427
Gearing ratio	45.9%	37.0%

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 $2,115,094,000, 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.

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.

5. Cash and Deposits

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash at bank and in hand	11,314,720	10,650,785	2,067,536	1,531,995
Deposits	3,312,458	4,174,014	565,625	2,428,990
	14,627,178	14,824,799	2,633,161	3,960,985

Included in deposits is interest receivable of $25,016,000 (2018: $14,413,000) and $23,613,000 (2018: $12,919,000) for the Group and company, respectively. The weighted average effective interest rate on deposits was 2.88% (2018: 2.46%) and 3.58% (2018: 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash at bank and in hand	11,314,720	10,650,785	2,067,536	1,531,995
Deposits	3,312,458	4,174,014	565,625	2,428,990
	14,627,178	14,824,799	2,633,161	3,960,985
Bank overdrafts (Note 15)	(768,263)	(2,546,601)	(627,868)	(1,521,391)
	13.858,915	12,278,198	2,005,293	2,439,594

6. Investment Securities and Pledged Assets

(a) Investment securities

	Group		Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
At amortised cost:				
Bank of Jamaica	8,668,500	9,108,105	-	-
Government of Jamaica securities	6,855,945	7,285,868	2,541,020	2,500,246
Foreign government securities	362,029	434,167	-	-
Corporate bonds	10,204,191	12,131,707	2,577,213	1,664,825
Other debt securities	2,500,561	2,166,938	1,486,291	1,540,506
Other	5,355	5,355	335	335
	28,596,581	31,132,140	6,604,859	5,705,912
At fair value through other comprehensive income:				
Quoted equities	1,504,099	577,070	82,729	41,570
Government of Jamaica securities	6,305,175	5,589,468	-	-
Foreign government securities	931,501	430,355	-	-
Corporate bonds	1,853,342	-	-	-
Other	1,279	424	-	-
	10,595,396	6,597,317	82,729	41,570
At fair value through profit or loss:				
Quoted equities	701,694	463,211	-	-
	701,694	463,211	-	-
Total	39,893,671	38,192,668	6,687,588	5,747,482
Less: Pledged assets (Note 6b)	(9,227,048)	(9,931,362)	-	-
Investment securities in the statement of financial position	30,666,623	28,261,306	6,687,588	5,747,482

Included in investment securities is interest receivable of $446,025,000 (2018: $496,680,000) and $99,313,000 (2018: $96,800,000) for the Group and the company respectively.

Included in Government of Jamaica securities are instruments which mature between 3 months and 12 months or which the Group intends to realise within 12 months and have an effective interest rate of 6.01% (2018: 4.73%) and 5.41% (2018: 2.25%) for the Group and the company respectively.

Included in Bank of Jamaica securities is $4,373,268,000 (2018: $5,035,909,000) held at the Bank of Jamaica under Section 14(1) of the Banking Act, 1992, representing the required ratio of 12% (2018: 12%) for Jamaican dollar cash reserves and 15% (2018: 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 $8,448,403,000 (2018: $10,106,882,000) and company $1,589,004,000 (2018: $3,279,050,000) which matures within the next 12 months.

6. **Investment Securities and Pledged Assets (Continued)**

(b) Pledged assets

Assets are pledged as collateral under repurchase agreements with 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Total in the statement of financial position (Note 6a)	9,227,048	9,931,362	8,974,010	9,595,774

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	
	2019 $'000	2018 $'000
Pledged assets with right to sell or repledge	9,227,048	9,931,362

(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 $1,504,099,000 and $82,729,000 for the Group and company respectively as at 31 December 2019. Dividends of $23,922,000 and $3,522,000 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 $41,361,000 in the income statement during the year, being reclassified from other comprehensive income on sale.

7. Receivables

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade receivables, less provision for impairment	8,086,775	8,339,881	1,474,772	1,534,125
Insurance receivables, less provision for impairment	2,906,007	2,035,809	-	-
Reinsurers' portion of unearned premiums	1,382,755	1,340,082	-	-
Deferred policy acquisition costs	303,414	269,803	-	-
Receivable from associates and joint ventures (Note 35e)	21,712	29,591	15,471	17,465
Prepayments	1,369,241	1,426,266	100,867	370,136
Other receivables	1,838,712	1,784,991	71,746	32,289
	15,908,616	15,226,423	1,662,856	1,954,015

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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Raw materials and spares	989,337	814,284	-	-
Finished goods	1,307,186	2,614,250	-	-
Merchandise	9,360,271	7,335,388	2,083,232	1,942,839
Goods in transit	1,658,361	2,020,139	680,871	1,076,012
	13,315,155	12,784,061	2,764,103	3,018,851

The inventory write-down recognised as an expense amounted to $243,200,000 (2018: $287,380,000) and $114,832,000 (2018: $157,115,000) for the Group and the company respectively.

9. Loans Receivable

(a) Loans receivable comprise:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Finance leases, less deferred profit	60,062	104,085	-	-
Loans and receivables:				
Loans to subsidiaries (Note 35e)	-	-	1,981,257	1,336,805
Loans to associates and joint ventures (Note 35e)	46,648	-	37,325	-
Loans to others	30,570,293	26,365,472	77,622	98,161
	30,677,003	26,469,557	2,096,204	1,434,966

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

Included in loans receivable is interest receivable of $153,472,000 (2018: $119,645,000) and $14,145,000 (2018: $4,373,000) for the Group and company, respectively.

Included in loans receivable is $5,247,380,000 (2018: $3,829,627,000) and $1,327,804,000 (2018: $645,216,000) which matures in the next 12 months for the Group and the company respectively.

9. Loans Receivable (Continued)

(b) Finance lease receivables:

	Group	
	2019	**2018**
	$'000	**$'000**
Gross receivables from finance leases:		
Not later than 1 year	37,582	94,333
Later than 1 year and not later than 5 years	31,080	19,007
	68,662	113,340
Unearned future finance income on finance leases	(8,600)	(9,255)
Net investment in finance leases	60,062	104,085
The net investment in finance leases is analysed as follows:		
Not later than 1 year	28,795	87,384
Later than 1 year and not later than 5 years	31,267	16,701
Total	60,062	104,085

10. Investments in Associates and Joint Ventures

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
At beginning of year	2,964,841	1,798,220	574,698	49,698
Amounts restated through opening retained earnings	-	(47,732)	-	-
Amounts recognised in the income statement	518,887	490,873	-	-
Amounts recognised in other comprehensive income	53,037	45,622	-	-
Dividends paid	(227,735)	(293,647)	-	-
Additions	202,904	971,505	-	525,000
Amounts recognised in the statement of financial position	3,511,934	2,964,841	574,698	574,698

	Group	
	2019	2018
	$'000	$'000
Dairy Industries (Jamaica) Limited	1,238,098	1,050,390
CSGK Finance Holdings Limited	1,148,730	972,139
Catherine's Peak Bottling Company Limited	571,423	528,694
Canopy Insurance Limited	120,821	197,397
Immaterial associated companies	432,862	216,221
Amounts recognised in the statement of financial position	3,511,934	2,964,841

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

CIL 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 CIL. CIL provides health insurance services.

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

There are no contingent liabilities relating to the Group's interest in DIJL, CSGK, CPBC and CIL and the Group's other associates.

10. Investments in Associates and Joint Ventures (Continued)

The summarised information for DIJL, CSGK, CPBC and CIL that was accounted for using the equity method for the years ended 31 December 2019 and 31 December 2018 is as follows:

Summarised statement of financial position

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Cash and cash equivalents	91,285	130,191	4,107,850	5,219,419
Other current assets (excluding cash)	2,534,902	1,794,370	311,276	441,474
Total current net assets	2,626,187	1,924,561	4,419,126	5,660,893
Financial liabilities (excluding trade payables)	9,261	-	23,299,795	24,550,623
Other current liabilities (including trade payables)	765,649	453,712	1,366,651	1,500,714
Total current liabilities	774.910	453,712	24,666,446	26,051,337
Non-current				
Assets	927,270	956,694	23,119,146	22,820,792
Liabilities	302,352	326,764	-	-
Net assets	2,476,195	2,100,779	2,871,826	2,430,348

	Catherine's Peak Bottling Company Limited		Canopy Insurance Limited	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Cash and cash equivalents	62,786	79,203	21,274	222,349
Other current assets (excluding cash)	236,614	180,373	54,349	4,155
Total current net assets	299,400	259,576	75,623	226,504
Financial liabilities (excluding trade payables)	105,159	-	122,883	-
Other current liabilities (including trade payables)	73,628	246,796	35,767	47,882
Total current liabilities	178,787	246,796	158,650	47,882
Non-current				
Assets	189,497	73,377	324,670	216,172
Liabilities	101,871	-	-	-
Net assets	208,239	86,157	241,643	394,794

10. Investments in Associates and Joint Ventures (Continued)

Summarised income statement

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revenue	4,141,263	4,094,669	2,155,143	1,598,085
Depreciation	(59,863)	(56,206)	(41,061)	(15,069)
Interest income - non-financial services	18,579	17,195	-	-
Interest expense - non-financial services	(8,086)	(8,890)	-	-
Profit before income tax	996,209	905,274	361,717	458,289
Taxation expense	(250,771)	(231,058)	(16,156)	21,091
Profit after tax	745,438	674,216	345,561	479,380
Other comprehensive income	29,978	60,500	95,917	41,780
Total comprehensive income	775,416	734,716	441,478	521,160
Dividends received by the Group from associates	200,000	250,000	-	43,648

	Catherine's Peak Bottling Company Limited		Canopy Insurance Limited	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Revenue	1,366,224	139,360	93,002	-
Depreciation	(14,714)	(2,363)	(5,446)	-
Interest income - non-financial services	96	-	7,081	1,340
Interest expense - non-financial services	(2,142)	(563)	-	-
Profit/(loss) before income tax	263,721	14,072	(153,151)	(105,206)
Taxation expense	(62,399)	(3,519)	-	-
Profit/(loss) after tax	201,322	10,553	(153,151)	(105,206)
Total comprehensive income	201,322	10,553	(153,151)	(105,206)
Dividends received by the Group from associates	27,734	-	-	-

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	
	2019	**2018**	**2019**	**2018**
Summarised financial information	**$'000**	**$'000**	**$'000**	**$'000**
Opening net assets at 1 January	2,100,779	1,866,279	2,430,348	2,137,367
Amounts restated through opening retained earnings	-	(216)	-	(119,061)
Profit for the period	745,438	674,216	345,561	479,380
Other comprehensive income	29,978	60,500	95,917	41,780
Dividends paid	(400,000)	(500,000)	-	(109,118)
Closing net assets	2,476,195	2,100,779	2,871,826	2,430,348
Interest in associates (%)	50	50	40	40
Interest in associates (J$)	1,238,098	1,050,390	1,148,730	972,139
Carrying value	1,238,098	1,050,390	1,148,730	972,139

	Catherine's Peak Bottling Company Limited		Canopy Insurance Limited	
	2019	**2018**	**2019**	**2018**
Summarised financial information	**$'000**	**$'000**	**$'000**	**$'000**
Opening net assets at 1 January	86,157	-	394,794	-
Net assets of entity on purchase of interest	-	75,604	-	500,000
Profit/(loss) for the period	201,322	10,553	(153,151)	(105,206)
Dividends paid	(79,240)	-	-	-
Closing net assets	208,239	86,157	241,643	394,794
Interest in associates and joint ventures (%)	35	35	50	50
Interest in associates and joint ventures (J$)	72,884	30,155	120,821	197,397
Intangible assets	498,539	498,539	-	-
Carrying value	571,423	528,694	120,821	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	
	2019	**2018**
	$'000	**$'000**
Profit	14,057	10,922
Other comprehensive income	(319)	(1,340)
Total comprehensive income	13,738	9,582

11. Intangible Assets

	Brands, Customer and Supplier Relationships $'000	Goodwill $'000	Computer Software $'000	Policy Contracts $'000	Total $'000
			Group		
Cost					
At 1 January 2018	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
Additions	-	-	351,529	-	351,529
Retirement of asset	-	-	(44,174)	-	(44,174)
Exchange differences	76,515	58,454	3,993	-	138,962
At 31 December 2019	3,482,511	1,775,183	3,880,708	632,788	9,771,190
Accumulated Amortisation					
At 1 January 2018	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
Amortisation charge for the year	219,987	-	276,150	43,461	539,598
Impairment charge	-	-	37,167	-	37,167
Retirement of asset	-	-	(44,174)	-	(44,174)
Exchange differences	25,217	-	3,607	-	28,824
At 31 December 2019	1,854,366	308,489	3,038,838	556,552	5,758,245
Net Book Amount					
31 December 2019	1,628,145	1,466,694	841,870	76,236	4,012,945
31 December 2018	1,796,834	1,408,240	803,272	119,697	4,128,043

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

11. Intangible Assets (Continued)

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

	2019 $'000	2018 $'000
Food Trading		
- Jamaica operations	16,854	16,854
- United Kingdom operations	468,903	443,142
- United States operations	980,937	948,244
	1,466,694	1,408,240

For the year ended 31 December 2019, 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	6.56%	1.33%	0.29%	14.59%
- United Kingdom operations	6.52%	4.73%	1.31%	11.10%
- United States operations	6.91%	4.84%	0.33%	10.52%

	Computer Software $'000
	Company
Cost	
At 1 January 2018	1,035,465
Additions	141,539
Retirement of asset	(11,407)
At 31 December 2018	1,165,597
Additions	85,146
At 31 December 2019	1,250,743
Accumulated Amortisation	
At 1 January 2018	813,440
Amortisation charge for the year	70,318
Retirement of asset	(11,407)
At 31 December 2018	872,351
Amortisation charge for the year	92,777
At 31 December 2019	965,128
Net Book Amount	
31 December 2019	285,615
31 December 2018	293,246

12. Fixed Assets

	Freehold Land and Buildings $'000	Leasehold Buildings and Improvements $'000	Plant, Equipment, Fixtures & Vehicles $'000	Right-of-Use Assets [a] $'000	Capital Work in Progress $'000	Total $'000
			Group			
Cost						
At 1 January 2018	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
Effect of adopting IFRS 16	-	-	(405,377)	6,642,749	-	6,237,372
Additions	208,097	572,038	912,155	2,975,546	1,229,280	5,897,116
Revaluation adjustment	2,500	-	-	-	-	2,500
Transfers	3,581,848	192,020	461,991	-	(4,235,859)	-
Disposals	(25,333)	(86,065)	(313,396)	(48,856)	(165,933)	(639,583)
Exchange differences	26,585	24,718	83,994	122,634	51	257,982
At 31 December 2019	10,210,943	2,995,569	9,535,521	9,692,073	715,446	33,149,552
Accumulated Depreciation						
At 1 January 2018	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
Effect of adopting IFRS 16	-	-	(305,889)	305,889	-	-
Charge for the year	191,050	250,199	787,651	1,065,029	-	2,293,929
On disposals	(22,357)	(98,389)	(246,500)	(12,706)	-	(379,952)
Exchange differences	(18)	16,948	52,071	(947)	-	68,054
At 31 December 2019	168,675	1,446,226	6,103,061	1,357,265	-	9,075,227
Net Book Amount						
31 December 2019	10,042,268	1,549,343	3,432,460	8,334,808	715,446	24,074,325
31 December 2018	6,417,246	1,015,390	2,980,426	-	3,887,907	14,300,969

[a] The categorisation of the right-of-use assets is detailed in Note 16.

12. Fixed Assets (Continued)

	Freehold Land and Buildings $'000	Leasehold Buildings and Improvements $'000	Plant, Equipment, Fixtures & Vehicles $'000	Right-of-Use Assets [a] $'000	Capital Work in Progress $'000	Total $'000
			Company			
Cost						
At 1 January 2018	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
Effect of adopting IFRS 16	-	-	(123,211)	2,836,838	-	2,713,627
Additions	-	518	248,058	526,040	25,030	799,646
Disposals	-	-	(7,617)	(48,856)	-	(56,473)
At 31 December 2019	82,000	104,827	1,000,019	3,314,022	29,379	4,530,247
Accumulated Depreciation						
At 1 January 2018	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
Effect of adopting IFRS 16	-	-	(122,955)	122,955	-	-
Charge for the year	1,588	3,881	80,637	285,418	-	371,524
On disposals	-	-	(7,617)	(12,899)	-	(20,516)
At 31 December 2019	1,588	90,521	640,399	395,474	-	1,127,982
Net Book Amount						
31 December 2019	80,412	14,306	359,620	2,918,548	29,379	3,402,265
31 December 2018	82,000	17,669	192,455	-	4,349	296,473

[a] The categorisation of the right-of-use assets is detailed in Note 16.

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

12. Fixed Assets (Continued)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cost	8,047,047	4,256,068	44,660	44,660
Accumulated depreciation	739,707	635,662	14,149	13,033
Net Book Amount	7,307,340	3,620,406	30,511	31,627

(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 20).

(d) Borrowing costs of $60,056,000 (2018: $18,747,000) 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% (2018: 6.15%) was used, representing the borrowing cost of the loan used to finance the project.

(e) Assets classified as held for sale

	Group	
	2019	**2018**
	$'000	**$'000**
Land and building	250,595	242,244
Plant and equipment	29,963	28,964
Net Book Amount	280,558	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 2020. The assets are presented within total assets of the Food Trading segment (Note 24).

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	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of year	723,011	(532,817)	93,516	(882,998)
Amounts restated through opening equity	-	303,790	-	90,539
Income statement credit (Note 29)	454,766	170,502	180,744	48,161
Tax (charge)/credit relating to components of other comprehensive income (Note 29)	(1,593,402)	780,975	(902,659)	837,814
Exchange differences	(1,900)	561	-	-
At end of year	(417,525)	723,011	(628,399)	93,516

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 $707,845,000 (2018: $1,633,717,000) and recognised tax credits of $614,196,000 (2018: $375,682,000) to carry forward indefinitely against future taxable income. The Group also has unrecognised tax losses of $1,107,727,000 (2018: $1,022,802,000) in respect of some subsidiaries.

Deferred income tax liabilities of $270,841,000 (2018: $197,154,000) have not been established for the withholding taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are permanently reinvested; such unremitted earnings totalled $1,083,363,000 (2018: $788,617,000).

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 2018	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
Charged/(credited) to the income statement	32,217	58,703	8,854	(174,079)	(133,091)	(207,396)
(Credited)/charged to other comprehensive income	(17,815)	492,772	-	811,985	-	1,286,942
Exchange differences	507	-	-	-	2,789	3,296
At 31 December 2019	583,338	887,945	14,372	1,455,387	491,380	3,432,422

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 2018	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
Credited/(charged) to the income statement	25,413	-	(36,219)	143,886	114,290	247,370
Charged to other comprehensive income	-	(82,310)	-	(224,150)	-	(306,460)
Exchange differences	371	-	923	-	102	1,396
At 31 December 2019	309,327	-	834,825	1,563,416	307,329	3,014,897

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 2018	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
(Credited)/charged to the income statement	(11,254)	-	(2,259)	(174,079)	5,361	(182,231)
Charged to other comprehensive income	-	8,135	-	811,985	-	820,120
At 31 December 2019	9,911	8,135	-	1,455,387	15,214	1,488,647

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 2018	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
(Charged)/credited to the income statement	(2,921)	-	(100,886)	47,344	54,976	(1,487)
Charged to other comprehensive income	-	(2,155)	-	(80,384)	-	(82,539)
At 31 December 2019	66,883	-	-	692,086	101,279	860,248

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	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets	1,142,161	1,410,080	-	93,516
Deferred tax liabilities	(1,559,686)	(687,069)	(628,399)	-
	(417,525)	723,011	(628,399)	93,516
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	2,707,568	2,797,344	758,969	895,816
Deferred tax assets to be recovered within 12 months	307,329	275,247	101,279	48,458
	3,014,897	3,072,591	860,248	944,274
Deferred tax liabilities:				
Deferred tax liabilities to be settled after more than 12 months	(2,038,725)	(1,385,910)	(1,465,298)	(838,646)
Deferred tax liabilities to be settled within 12 months	(1,393,697)	(963,670)	(23,349)	(12,112)
	(3,432,422)	(2,349,580)	(1,488,647)	(850,758)
Deferred tax (liabilities)/assets net	(417,525)	723,011	(628,399)	93,516

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 $373,708,000 (2018: $330,859,000) and $78,066,000 (2018: $65,683,000) 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.

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	
	2019	**2018**
	$'000	**$'000**
Present value of funded obligations	27,533,392	32,242,442
Fair value of plan assets	(40,296,662)	(35,512,367)
	(12,763,270)	(3,269,925)
Limitation on asset due to uncertainty of obtaining economic benefit	6,941,721	-
Asset in the statement of financial position	(5,821,549)	(3,269,925)

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

	Group and Company	
	2019	**2018**
	$'000	**$'000**
Beginning of year	32,242,442	25,908,981
Current service cost	837,694	755,812
Interest cost	2,228,733	2,051,123
Curtailment	-	(251,901)
	3,066,427	2,555,034
Remeasurements -		
(Gain)/loss from change in financial assumptions	(7,893,610)	5,168,981
Experience losses/(gains)	1,093,087	(623,947)
	(6,800,523)	4,545,034
Members' contributions	216,595	223,619
Benefits paid	(1,191,549)	(990,226)
End of year	27,533,392	32,242,442

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	
	2019	**2018**
	$'000	**$'000**
Beginning of year	35,512,367	32,217,824
Interest income on plan assets	2,454,763	2,554,060
Return on plan assets, excluding amounts included in interest income	3,389,137	1,585,095
Members' contributions	216,595	223,619
Employers' contributions	503	527
Benefits paid	(1,191,549)	(990,226)
Administration costs	(85,154)	(78,532)
End of year	40,296,662	35,512,367

The amounts recognised in the income statement are as follows:

	Group and Company	
	2019	**2018**
	$'000	**$'000**
Current service cost	837,694	755,812
Interest income (net)	(226,030)	(502,937)
Curtailment	-	(251,901)
Administration costs	85,154	78,532
Total, included in staff costs (Note 28)	696,818	79,506

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately $13,382,218,000 (2018: $16,280,837,000) relating to active employees, $3,642,404,000 (2018: $4,967,155,000) relating to deferred members and $10,508,770,000 (2018: $10,994,450,000) relating to members in retirement.

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

Pension benefits (continued)

The plan assets are comprised of:

	Group and Company			
	2019		2018	
	$'000	%	$'000	%
Equity	19,906,929	49%	15,221,991	43%
Debt	5,427,324	13%	4,642,998	13%
Real estate	3,532,862	9%	3,061,500	9%
Government securities	10,371,430	26%	11,023,873	31%
Other	1,058,117	3%	1,562,005	4%
	40,296,662	100%	35,512,367	100%

The pension plan assets include the company's ordinary stock units with a fair value of $3,118,948,000 (2018: $2,852,560,000) and buildings occupied by Group companies with fair values of $1,327,994,000 (2018: $1,229,701,000).

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 2020 are $504,000. The actual return on plan assets was $5,843,812,000 (2018: $4,139,155,000).

The principal actuarial assumptions used were as follows:

	2019	2018
Discount rate	7.5%	7.0%
Long term inflation rate	4.0%	5.0%
Future salary increases	5.0%	6.0%
Future pension increases	4.0%	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:

	2019	2018
Male	27.40	27.38
Female	28.30	28.25

(expressed in Jamaican dollars unless otherwise indicated)

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**		
			2019	**2018**		**2019**	**2018**
Discount rate	1%	Decrease by	14.3%	16.3%	Increase by	18.4%	21.5%
Future salary increases	1%	Increase by	4.0%	4.7%	Decrease by	3.5%	4.2%
Expected pension increase	1%	Increase by	13.2%	15.0%	Decrease by	10.9%	12.2%

	Group and Company					
	Impact on post-employment obligations					
	Increase in Assumption by One Year			**Decrease in Assumption by One Year**		
		2019	**2018**		**2019**	**2018**
Life expectancy	Increase by	2.2%	2.6%	Decrease by	2.3%	2.6%

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 (2018: 6.0% per year).

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	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Present value of unfunded obligations	5,799,526	6,083,687	2,768,342	2,900,502

Movement in the defined benefit obligation is as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Beginning of year	6,083,687	5,129,990	2,900,502	2,443,443
Current service cost	311,369	309,267	92,997	100,815
Interest cost	419,240	402,696	198,515	190,038
Past service cost - vested benefits	38,846	(14,757)	51,334	(23,678)
Curtailment	-	(235,457)	-	(60,078)
	769,455	461,749	342,846	207,097
Remeasurements -				
(Gain)/loss from change in demographic assumptions	(133,233)	233,562	(59,649)	112,949
(Gain)/loss from change in financial assumptions	(708,376)	657,172	(310,994)	291,287
Experience losses/(gains)	31,176	(190,265)	49,107	(9,400)
	(810,433)	700,469	(321,536)	394,836
Benefits paid	(243,183)	(208,521)	(153,470)	(144,874)
End of year	5,799,526	6,083,687	2,768,342	2,900,502

The amounts recognised in the income statement were as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current service cost	311,369	309,267	92,997	100,815
Interest cost	419,240	402,696	198,515	190,038
Past service cost	38,846	(14,757)	51,334	(23,678)
Curtailment	-	(235,457)	-	(60,078)
Total included in staff costs (Note 28)	769,455	461,749	342,846	207,097

The total charge was included in administration expenses.

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

Other post-employment obligations (continued)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Gratuity Plan	744,162	803,497	423,331	431,416
Group Life Plan	1,263,016	1,277,791	663,960	645,385
Insured Group Health	2,147,195	2,091,008	762,481	758,426
Self Insured Health Plan	1,158,681	1,345,040	546,354	623,716
Supplementary Pension Plan	486,472	566,351	372,216	441,559
Liability in the statement of financial position	5,799,526	6,083,687	2,768,342	2,900,502

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

	Group						
		Impact on post-employment obligations					
	Change in Assumption	Increase in Assumption			Decrease in Assumption		
			2019	**2018**		**2019**	**2018**
Discount rate	1%	Decrease by	16.0%	16.7%	Increase by	21.0%	22.3%
Medical inflation rate	1%	Increase by	21.1%	22.3%	Decrease by	16.3%	17.0%

	Company						
		Impact on post-employment obligations					
	Change in Assumption	Increase in Assumption			Decrease in Assumption		
			2019	**2018**		**2019**	**2018**
Discount rate	1%	Decrease by	14.4%	14.9%	Increase by	18.7%	19.5%
Medical inflation rate	1%	Increase by	18.8%	19.5%	Decrease by	14.7%	15.2%

Risks associated with pension plans and post-employment plans

Through its defined benefit pension plan and other post-employment benefits, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will create a deficit.

As the plan matures, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. This process includes monitoring and rebalancing the asset classes and the maturity profile of assets within these classes. The Government bonds largely represent investments in Government of Jamaica securities.

However, the Group believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the plan efficiently.

(expressed in Jamaican dollars unless otherwise indicated)

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 2019 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	9.5
Group Life Plan	23.0
Insured Group Health	21.8
Pension Plan	16.7
Self Insured Health Plan	13.4
Superannuation Plan	7.1

15. Bank and Other Loans

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Secured on assets	6,810,286	6,559,590	-	-
Unsecured	17,221,968	9,969,723	9,051,347	6,114,341
	24,032,254	16,529,313	9,051,347	6,114,341

(a) Unsecured loans of subsidiaries are supported by letters of comfort from the parent company. Interest rates on these loans range between 2.8% - 8.0% (2018: 2.5% - 9.6%).

(b) Bank and other loans comprise:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Bank overdrafts (Note 5)	768,263	2,546,601	627,868	1,521,391
Bank borrowings	10,144,467	9,427,774	4,643,870	3,819,287
Lease liabilities (Note 16)	8,508,531	77,687	2,994,026	-
Other loans	4,610,993	4,477,251	785,583	773,663
Total borrowings	24,032,254	16,529,313	9,051,347	6,114,341

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 $64,496,000 (2018: $49,736,000) and $23,875,000 (2018: $32,128,000) for the Group and the company, respectively.

Included in bank borrowings and other loans is $8,324,762,000 (2018: $9,514,913,000) and $3,796,655,000 (2018: $4,626,906,000) for the Group and the company respectively, which matures in the next 12 months.

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 6.54% (2018: 5.54%) and are within level 2 of the fair value hierarchy.

(c) Finance lease liabilities – minimum lease payments:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Not later than 1 year	-	35,651	-	-
Later than 1 year and not later than 5 years	-	46,471	-	-
	-	82,122	-	-
Future finance charges on finance leases	-	(4,435)	-	-
Present value of finance lease liabilities	-	77,687	-	-

The present value of finance lease liabilities is as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Not later than 1 year	-	42,599	-	-
Later than 1 year and not later than 5 years	-	35,088	-	-
	-	77,687	-	-

16. Leases

(a) Amounts recognised in the statement of financial position

	Group		Company	
	31 December 2019 $'000	**1 January 2019 $'000**	**31 December 2019 $'000**	**1 January 2019 $'000**
Properties	7,680,710	5,623,411	2,918,420	2,713,627
Equipment	221,058	39,663	128	-
Motor Vehicles	433,040	574,298	-	-
Total right-of-use assets	8,334,808	6,237,372	2,918,548	2,713,627
Current	967,591	867,084	232,106	230,233
Non-current	7,540,940	5,370,288	2,761,920	2,483,394
Total lease liabilities	8,508,531	6,237,372	2,994,026	2,713,627

Additions to the right-of-use assets during 2019 were $2,975,546,000 and $526,040,000 for the Group and company respectively.

(b) Amounts recognised in the income statement

	Group		Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Depreciation charge of right-of-use assets				
Properties	855,913	-	285,290	-
Equipment	34,550	-	128	-
Motor Vehicles	174,566	-	-	-
	1,065,029	-	285,418	-
Interest expense	359,235	-	181,314	-
Expense relating to short term leases	94,712	-	9,154	-

(c) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of office space, warehouses and retail stores, the following factors are normally the most relevant:

- The existence of significant penalties to terminate (or not extend)
- The existence of leasehold improvements that are expected to have a significant remaining value
- Other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in equipment and vehicle leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

As at 31 December 2019, potential future cash outflows of $3,477,594,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

17. Payables

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade payables	9,038,244	9,769,723	1,199,504	1,909,934
Payable to associates (Note 35 (e))	179,725	429,556	85,695	201,742
Accruals	3,017,627	3,418,218	754,168	872,568
Claims outstanding	3,425,831	3,043,375	-	-
Insurance reserves	3,428,523	3,216,436	-	-
Customer loyalty programme	348,625	344,033	156,988	128,162
Contract liabilities	525,236	78,565	17,352	10,341
Other payables	4,444,379	2,901,780	594,419	435,382
	24,408,190	23,201,686	2,808,126	3,558,129

All payables balances are due within the next 12 months.

18. Provisions

Provisions comprise restoration costs as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Additional provisions	37,779	-	-	-
At end of year	37,779	-	-	-

This relates to the present value of the expected restoration costs to be incurred on the expiring of a lease of property by one of the food trading subsidiaries. The lease will expire in 2034.

19. Share Capital

	Group and Company			
	2019 Units ('000)	2018 Units ('000)	2019 $'000	2018 $'000
Authorised -				
Ordinary shares	1,200,000	1,200,000		
Issued and fully paid -				
Ordinary stock units	995,005	994,887	627,008	623,546
Treasury shares	(2,899)	(3,022)	(169,838)	(133,192)
Issued and outstanding	992,106	991,865	457,170	490,354

(a) During the year, the company issued 113,000 (2018: Nil) shares to its employees for cash of $3,150,000 (2018: $Nil) and transferred 5,000 (2018: Nil) units to employees at a fair value of $312,000 (2018: $Nil). The shares were issued under the Long Term Incentive Plan.

(b) During the year, the company through its employee investment trust sold 178,000 (2018: Nil) units of its own shares at a fair value of $10,885,000 (2018: $Nil), purchased 1,957,000 (2018: 950,000) units at a fair value of $131,150,000 (2018: $57,171,000) and transferred 1,902,000 (2018: 161,000) units to employees at a fair value of $116,673,000 (2018: $7,876,000). The total number of treasury shares held by the company at the end of the year was 2,899,000 (2018: 3,022,000) at a cost of $169,838,000 (2018: $133,192,000).

19. 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:	2019 '000	2018 '000
At 1 January	-	136
Exercised	-	(136)
At 31 December	-	-

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:	2019 '000	2018 '000
At 1 January	-	98
Exercised	-	(98)
At 31 December	-	-

(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:

	25 June 2019	10 May 2018	11 May 2017	12 May 2016
Number of shares	1,650,497	1,759,004	1,967,156	2,551,665
Subscription price	$61.72	$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.

19. Share Capital (Continued)

(d) Long term incentive plan (continued)

	2019 Offer	2018 Offer	2017 Offer	2016 Offer	Total
			2019		
Movement on this option:	'000	'000	'000	'000	'000
At 1 January	-	1,751	1,907	2,468	6,126
Granted	1,650	-	-	-	1,650
Exercised	-	(162)	(204)	(1,874)	(2,240)
Forfeited	-	(80)	(83)	-	(163)
At 31 December	1,650	1,509	1,620	594	5,373

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

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

	2019		2018	
Movement on this option:	Average exercise price in $ per share	Options '000	Average exercise price in $ per share	Options '000
At 1 January	38.04	6,126	33.36	4,695
Granted	61.72	1,650	47.77	1,759
Exercised	30.72	(2,240)	18.28	(234)
Forfeited	44.86	(163)	35.88	(94)
At 31 December	48.16	5,373	38.04	6,126

Shares totalling 2,275,000 (2018: 2,503,000) 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:

		2019	2018
	Exercise price in $ per share	Options '000	Options '000
2023	28.00	594	2,468
2024	42.09	1,620	1,907
2025	47.77	1,509	1,751
2026	61.72	1,650	-
		5,373	6,126

19. Share Capital (Continued)

(f) The fair value of options granted determined using the Black-Scholes valuation model was $115,024,000. The significant inputs into the model were the weighted average share prices and exercise prices ranging from $28.00 to $61.72 at the grant dates, standard deviation of expected share price returns ranging from 26.0% to 29.3%, option life of eight years and risk-free interest rates ranging between 2.13% to 6.40%. 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 $326,621,000 and the fair value of restricted stock grants earned and vested is $55,704,000.

The expense recognised in the income statement for share-based payments was $132,888,000 (2018: $104,406,000).

20. Capital and Fair Value Reserves

	Group							
	Capital Reserve	Loan Loss Reserve	Fair Value Reserves	Total	Capital Reserve	Loan Loss Reserve	Fair Value Reserves	Total
	2019				2018			
	$'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	149,863	-	-	149,863	116,809	-	-	116,809
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	-	-	3,039,825	3,039,825	-	-	3,025,097	3,025,097
Fair value gains, net of deferred taxes	-	-	1,463,563	1,463,563	-	-	302,656	302,656
Loan loss reserve	-	235,032	-	235,032	-	556,032	-	556,032
Catastrophe reserve	12,270	-	-	12,270	12,270	-	-	12,270
Other	35,187	-	-	35,187	35,187	-	-	35,187
	2,496,107	235,032	4,503,388	7,234,527	2,463,053	556,032	3,327,753	6,346,838

	Company					
	Capital Reserve	Fair Value Reserves	Total	Capital Reserve	Fair Value Reserves	Total
	2019			2018		
	$'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	-	42,028	42,028
Fair value gains, net of deferred taxes	-	174,899	174,899	-	110,975	110,975
	24,507	216,927	241,434	24,507	153,003	177,510

21. 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.

22. Other Reserves

	Group			Company
	Foreign Currency Translation $'000	Share-based Payments $'000	Total $'000	Share-based Payments $'000
At 1 January 2018	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
Equity holders' share of other comprehensive income	571,054	-	571,054	-
Share-based payment expense	-	131,521	131,521	93,863
Transfer of treasury shares to employees	-	(115,453)	(115,453)	(105,699)
Exercised directly through equity	-	(26,460)	(26,460)	(20,111)
Transfer of shares to employees	-	(312)	(312)	(312)
At 31 December 2019	2,697,919	214,239	2,912,158	98,469

(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 19.

23. Non-Controlling Interests

	2019 $'000	2018 $'000
Beginning of year	2,074,965	1,789,301
Amounts restated through opening equity	-	(3,488)
Share of total comprehensive income:		
Share of net profit of subsidiaries	612,527	637,662
Remeasurement of post-employment benefit obligations	15,025	(2,157)
Other	17,785	6,492
	645,337	641,997
Employee share option scheme: value of services received	1,367	1,169
Share-based payments exercised	(637)	-
Transfer of treasury shares to employees	(1,220)	-
Dividends paid	(334,535)	(354,014)
End of year	2,385,277	2,074,965

23. 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 $2,385,277,000 of which $2,330,555,000 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	
	2019	**2018**
	$'000	**$'000**
Current		
Assets	9,584,316	8,055,233
Liabilities	(2,376,636)	(2,025,849)
Total current net assets	7,207,680	6,029,384
Non-current		
Assets	4,600,224	3,933,974
Liabilities	(2,485,684)	(1,866,208)
Total non-current net assets	2,114,540	2,067,766
Net assets	9,322,220	8,097,150

23. Non-Controlling Interests (Continued)

Summarised income statement

	GraceKennedy Money Services Caribbean SRL	
	2019	2018
	$'000	$'000
Revenue	7,906,423	7,685,985
Profit before income tax	3,057,387	3,120,858
Taxation expense	(624,840)	(598,654)
Profit after tax	2,432,547	2,522,204
Other comprehensive income	124,882	13,606
Total comprehensive income	2,557,429	2,535,810
Total comprehensive income allocated to non-controlling interest	639,357	633,953
Dividends paid to non-controlling interest	(332,599)	(354,014)

Summarised cash flows

	GraceKennedy Money Services Caribbean SRL	
	2019	2018
	$'000	$'000
Cash flows from operating activities		
Cash generated from operations	3,778,794	3,239,448
Interest paid	(68,024)	(3,558)
Income tax paid	(763,304)	(700,333)
Net cash generated from operating activities	2,947,466	2,535,557
Net cash used in investing activities	(768,127)	(1,633,773)
Net cash used in financing activities	(850,985)	(336,283)
Net increase in cash and cash equivalents	1,328,354	565,501
Cash and cash equivalents at the beginning of year	5,182,992	4,585,936
Exchange gains on cash and cash equivalents	68,489	31,555
Cash and cash equivalents at end of year	6,579,835	5,182,992

The information above represents amounts before intercompany eliminations.

GraceKennedy Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

24. 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

	2019					
	Food Trading	**Banking & Investments**	**Insurance**	**Money Services**	**Unallocated/ Elimination**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE						
External sales	81,441,465	6,158,222	7,583,783	7,906,423	-	103,089,893
Inter-segment sales	201,762	46,126	484,769	-	(732,657)	-
Total Revenue	81,643,227	6,204,348	8,068,552	7,906,423	(732,657)	103,089,893
Operating results	2,256,301	794,326	891,570	3,163,098	20,361	7,125,656
Unallocated expense	-	-	-	-	(866,443)	(866,443)
Profit from operations	-	-	-	-	-	6,259,213
Finance income	20,743	19,265	18,936	17,348	361,106	437,398
Finance expense	(741,975)	(69,121)	(9,115)	(96,799)	(170,893)	(1,087,903)
Share of results of associates and joint ventures	441,830	153,632	(76,575)	-	-	518,887
Profit before taxation	1,976,899	898,102	824,816	3,083,647	(655,869)	6,127,595
Taxation						(1,027,679)
Net Profit						5,099,916
Operating assets	54,693,481	65,672,735	16,505,733	13,342,521	(6,760,019)	143,454,451
Investment in associates and joint ventures	1,987,681	1,393,299	120,821	10,133	-	3,511,934
Unallocated assets	-	-	-	-	7,739,496	7,739,496
Total assets	56,681,162	67,066,034	16,626,554	13,352,654	979,477	154,705,881
Operating liabilities	30,659,134	53,774,996	10,086,773	4,391,572	(6,736,684)	92,175,791
Unallocated liabilities	-	-	-	-	7,818,403	7,818,403
Total liabilities	30,659,134	53,774,996	10,086,773	4,391,572	1,081,719	99,994,194
Other segment items						
Additions to non-current assets [b]	4,760,868	421,347	118,441	947,989	-	6,248,645
Depreciation	(1,761,558)	(264,328)	(103,907)	(164,136)	-	(2,293,929)
Amortisation	(301,576)	(48,523)	(110,012)	(79,487)	-	(539,598)
Impairment	(30,978)	-	-	(37,167)	-	(68,145)

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24. Segment Information (Continued)

Operating segments (continued)

			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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24. 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	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Total for reportable segments	6,783,464	6,076,171	153,726,404	134,484,587	98,912,475	85,967,230
Inter-segment eliminations	-	-	(6,760,019)	(4,694,018)	(6,736,684)	(4,656,868)
Unallocated amounts:						
Corporate central office results	699,606	1,323,467	-	-	-	-
Post-employment benefits	(1,222,587)	(332,207)	-	-	-	-
Share-based payments	(132,888)	(104,406)	-	-	-	-
Taxation recoverable	-	-	775,786	764,826	-	-
Deferred tax assets	-	-	1,142,161	1,410,080	-	-
Pension plan asset	-	-	5,821,549	3,269,925	-	-
Taxation	-	-	-	-	459,191	464,890
Deferred tax liabilities	-	-	-	-	1,559,686	687,069
Other post-employment obligations	-	-	-	-	5,799,526	6,083,687
Total unallocated	(655,869)	886,854	7,739,496	5,444,831	7,818,403	7,235,646
Total per financial statements	6,127,595	6,963,025	154,705,881	135,235,400	99,994,194	88,546,008

Geographical information

	Revenue [(a)]		Non-current Assets [(b)]	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Jamaica	57,413,374	51,777,307	21,651,482	16,708,997
United Kingdom	11,245,227	12,084,871	2,282,849	1,183,305
United States of America	19,474,217	18,674,249	6,797,678	3,040,011
Canada	6,285,511	6,126,392	142,060	54,918
Other Caribbean countries	6,878,529	6,940,647	1,670,693	1,305,830
Other European countries	1,656,214	1,752,896	-	-
Africa	-	29,046	-	-
Other countries	136,821	159,323	-	-
Total	103,089,893	97,544,731	32,544,762	22,293,061

(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.

25. Revenues

Revenues can be disaggregated as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Timing of revenue recognition –				
Goods transferred at a point in time	81,441,465	77,106,135	21,566,624	18,957,924
Services transferred at a point in time	11,341,719	10,677,779	-	-
Services transferred over time	162,789	132,795	-	-
Revenue from insurance contracts	5,967,500	5,605,875	-	-
Interest revenue –				
Interest income on investments	1,102,639	1,018,298	-	-
Interest income on loans receivable	3,073,781	3,003,849	-	-
	103,089,893	97,544,731	21,566,624	18,957,924

26. Expense by Nature

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Auditors' remuneration	201,298	209,721	20,771	21,223
Advertising and marketing	2,713,810	2,711,918	1,062,031	1,087,806
Amortisation of intangibles	539,598	634,620	92,777	70,318
Commissions and other money services costs	1,646,345	1,827,300	-	-
Cost of inventory recognised as expense	55,980,741	54,116,666	16,110,487	14,479,386
Depreciation	2,293,929	1,115,819	371,524	71,000
Impairment	68,145	-	-	-
Impairment losses on financial assets (net)	488,116	484,367	43,929	25,870
Information technology	1,199,653	1,056,551	412,666	393,493
Insurance	789,051	629,302	119,931	102,683
Interest expense and other financial services expenses	6,072,112	5,691,319	-	-
Legal, professional and other fees	3,854,831	4,214,664	863,678	825,751
Occupancy costs	2,797,771	3,402,879	276,462	596,477
Repairs and maintenance expenditure	1,113,670	754,671	84,114	40,203
Staff costs (Note 28)	15,678,768	13,828,705	4,786,639	3,735,514
Transportation	2,112,972	2,093,695	600,214	461,395
Other expenses	1,800,082	1,632,020	327,380	381,469
	99,350,892	94,404,217	25,172,603	22,292,588

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27. Other Income

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Dividend income	38,571	25,073	1,693,875	2,353,901
Net foreign exchange gains	634,130	833,343	236,215	248,237
Change in fair value of investment properties	37,000	10,000	-	-
Change in value of investments – fair value through profit or loss	170,655	135,228	-	-
Gain on disposal of investments	22,323	1,069,837	-	-
Gain on disposal of fixed assets	9,788	27,704	1,785	947
Fees and commissions	843,957	557,626	3,075,549	2,949,938
Interest income	271,561	310,027	-	-
Rebates, reimbursements and recoveries	170,911	227,696	57,361	38,011
Rent	216,174	235,596	-	-
Miscellaneous	105,142	53,880	12,438	8,263
	2,520,212	3,486,010	5,077,223	5,599,297

28. Staff Costs

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Wages and salaries	10,824,538	9,988,619	2,803,397	2,602,219
Pension (Note 14)	696,818	79,506	696,818	79,506
Pension contributions to defined contribution scheme (Note 14)	373,708	330,859	78,066	65,683
Other post-employment benefits (Note 14)	769,455	461,749	342,846	207,097
Share-based payments	132,888	104,406	93,863	73,302
Statutory contributions	1,018,360	930,486	291,136	257,971
Other costs	1,863,001	1,933,080	480,513	449,736
	15,678,768	13,828,705	4,786,639	3,735,514

29. Taxation

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

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current tax	1,582,856	1,542,417	100,653	37,113
Adjustment to prior year provision	(100,411)	(52,467)	-	-
Deferred tax (Note 13)	(454,766)	(170,502)	(180,744)	(48,161)
	1,027,679	1,319,448	(80,091)	(11,048)

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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Profit before tax	6,127,595	6,963,025	1,510,650	2,435,769
Tax calculated at a tax rate of 25%	1,531,899	1,740,756	377,663	608,942
Adjusted for the effects of:				
Different tax rates in other countries	(46,744)	26,933	-	-
Different tax rate of regulated Jamaican companies	350,238	361,696	-	-
Income not subject to tax	(229,627)	(525,230)	(472,039)	(637,315)
Expenses not deductible for tax purposes	198,731	318,953	15,593	17,325
Adjustment to prior year provision	(100,411)	(52,467)	-	-
Share of profits of associates and joint ventures included net of tax	(129,722)	(122,718)	-	-
Urban renewal tax credit	(549,475)	(427,697)	-	-
Other	2,790	(778)	(1,308)	-
Tax expense/(credit)	1,027,679	1,319,448	(80,091)	(11,048)

29. Taxation (Continued)

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

	Group					
	2019			2018		
	Before tax $'000	Tax charge $'000	After tax $'000	Before tax $'000	Tax (charge)/ credit $'000	After tax $'000
Items that will not be reclassified to profit or loss:						
Revaluation surplus	2,500	17,815	20,315	899,329	(214,691)	684,638
Fair value gains	927,030	(305,580)	621,450	156,268	(52,667)	103,601
Remeasurements of post-employment benefit obligations	4,058,372	(1,036,135)	3,022,237	(3,660,408)	925,771	(2,734,637)
Share of other comprehensive income of associates and joint ventures	14,989	-	14,989	30,249	-	30,249
	5,002,891	(1,323,900)	3,678,991	(2,574,562)	658,413	(1,916,149)
Items that may be subsequently reclassified to profit or loss:						
Foreign currency translation adjustments	551,187	-	551,187	(1,180,883)	-	(1,180,883)
Fair value gains/(losses)	808,563	(269,502)	539,061	(402,511)	122,562	(279,949)
Share of other comprehensive income of associates and joint ventures	38,048	-	38,048	15,373	-	15,373
	1,397,798	(269,502)	1,128,296	(1,568,021)	122,562	(1,445,459)
Other comprehensive income	6,400,689	(1,593,402)	4,807,287	(4,142,583)	780,975	(3,361,608)
Deferred tax (Note 13)	-	(1,593,402)	-	-	780,975	-

	Company					
	2019			2018		
	Before tax $'000	Tax charge $'000	After tax $'000	Before tax $'000	Tax credit/ (charge) $'000	After tax $'000
Items that will not be reclassified to profit or loss:						
Revaluation surplus	-	-	-	7,412	(2,613)	4,799
Fair value gains/(losses)	41,160	(10,290)	30,870	(6,932)	1,733	(5,199)
Remeasurements of post-employment benefit obligations	3,569,475	(892,369)	2,677,106	(3,354,775)	838,694	(2,516,081)
	3,610,635	(902,659)	2,707,976	(3,354,295)	837,814	(2,516,481)
Items that may be subsequently reclassified to profit or loss:						
Other comprehensive income	3,610,635	(902,659)	2,707,976	(3,354,295)	837,814	(2,516,481)
Deferred tax (Note 13)	-	(902,659)	-	-	837,814	-

30. Net Profit Attributable to the Owners of GraceKennedy Limited

Dealt with as follows in the financial statements of:

	2019 $'000	2018 $'000
The company	1,590,741	2,446,817
Intra-group dividends, gain on disposal of subsidiaries within the Group and other eliminations on consolidation	(1,690,353)	(2,352,957)
Adjusted company (loss)/profit	(99,612)	93,860
The subsidiaries	4,068,114	4,421,182
The associates and joint ventures	518,887	490,873
	4,487,389	5,005,915

31. Dividends

	2019 $'000	2018 $'000
Paid,		
Interim – 35 cents per stock unit (2018 : nil cents)	347,618	-
Interim – 40 cents per stock unit (2018 : 40 cents)	397,288	397,117
Interim – 40 cents per stock unit (2018 : 45 cents)	397,166	446,668
Final – 40 cents per stock unit (2018 : 50 cents)	396,977	495,998
	1,539,049	1,339,783

32. 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.

	2019	2018
Net profit attributable to owners ($'000)	4,487,389	5,005,915
Weighted average number of stock units outstanding ('000)	992,033	991,865
Basic earnings per stock unit ($)	4.52	5.05

The diluted earnings per stock unit is calculated by adjusting the weighted average number of ordinary stock units outstanding to assume conversion of all dilutive potential ordinary stock units.

(a) 1,758,000 (2018: 2,493,000) ordinary stock units for the full year in respect of stock options for directors.

(b) 3,615,000 (2018: 3,633,000) ordinary stock units for the full year in respect of the stock options for managers.

(c) 2,184,000 (2018: nil) ordinary stock units for the full year in respect of the restricted stock grants earned.

	2019	2018
Net profit attributable to owners ($'000)	4,487,389	5,005,915
Weighted average number of stock units outstanding ('000)	992,033	991,865
Adjustment for share options and restricted stock grants ('000)	3,497	1,602
	995,530	993,467
Diluted earnings per stock unit ($)	4.51	5.04

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33. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

		Group		Company	
		2019	2018	2019	2018
	Note	$'000	$'000	$'000	$'000
Net profit		5,099,916	5,643,577	1,590,741	2,446,817
Items not affecting cash:					
Depreciation	12	2,293,929	1,115,819	371,524	71,000
Amortisation	11	539,598	634,620	92,777	70,318
Impairment charge		68,145	-	-	-
Change in value of investment properties		(37,000)	(10,000)	-	-
Change in value of investments		(170,655)	(135,228)	-	-
Gain on disposal of fixed assets		(9,788)	(27,704)	(1,785)	(947)
Gain on disposal of investments		(22,323)	(1,069,837)	-	-
Share-based payments	19	132,888	104,406	93,863	73,302
Exchange loss/(gain) on foreign balances		233,608	(210,951)	(128,153)	60,562
Interest income – non financial services		(437,398)	(427,501)	(572,086)	(504,893)
Interest income – financial services		(4,447,981)	(4,332,173)	-	-
Interest expense – non financial services		1,087,903	581,873	532,680	333,757
Interest expense – financial services		779,520	781,454	-	-
Taxation expense	29	1,027,679	1,319,448	(80,091)	(11,048)
Unremitted equity income in associates and joint ventures		(291,153)	(197,225)	-	-
Pension plan surplus		696,315	78,979	696,315	78,979
Other post-employment obligations		526,272	253,228	189,376	62,223
		7,069,475	4,102,785	2,785,161	2,680,070
Changes in working capital components:					
Inventories		(531,094)	(1,530,921)	254,748	(497,717)
Receivables		(682,194)	546,885	293,278	(528,674)
Loans receivable, net		(3,943,433)	654,147	-	-
Payables		1,206,504	847,465	(785,365)	998,656
Deposits		803,112	558,099	-	-
Securities sold under repurchase agreements		507,522	3,342,339	-	-
Subsidiaries		-	-	290,304	(1,180,214)
Provisions		37,779	-	-	-
Total provided by operating activities		4,467,671	8,520,799	2,838,126	1,472,121

33. Cash Flows from Operating Activities (Continued)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cash provided by operating activities	4,467,671	8,520,799	2,838,126	1,472,121
Interest received – financial services	4,467,044	4,404,330	-	-
Interest paid – financial services	(738,166)	(818,882)	-	-
Translation gains/(losses)	352,009	(1,242,828)	-	-
Taxation paid	(1,499,102)	(1,418,683)	(42,913)	(61,894)
Net cash provided by operating activities	7,049,456	9,444,736	2,795,213	1,410,227

Reconciliation of movements of liabilities to cash flows arising from financing activities:

Amounts represent bank and other loans, excluding bank overdrafts

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	13,982,712	13,833,665	4,592,950	4,022,443
Effect of adopting IFRS 16	6,237,372	-	2,713,627	-
Lease liability to acquire right-of-use asset	2,975,546	-	526,040	-
Loans received	6,030,765	7,612,456	4,515,827	3,061,883
Loans repaid	(6,306,514)	(7,558,098)	(3,963,828)	(2,629,854)
Foreign exchange adjustments	329,350	104,937	46,182	126,788
Net interest movements	14,760	(10,248)	(7,319)	11,690
At 31 December	23,263,991	13,982,712	8,423,479	4,592,950

34. Contingent Liabilities

(a) By letter dated 17 May 2018, the Guyana Revenue Authority (GRA) indicated that GraceKennedy Remittance Services Guyana ('GKRS Guyana') was "incorrectly" classified as a non-commercial company rather than a commercial company. Based on this, the GRA asserted that GKRS Guyana had wrongly paid corporation taxes at the lower non-commercial company rate. GKRS Guyana's tax liability was assessed by the GRA to be the equivalent of J$225,116,000, excluding penalties and interest if applicable. GKRS Guyana lodged objections to the GRA's assessment on the basis that the GRA wrongly assessed GKRS Guyana as a commercial company and that GKRS Guyana 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 Guyana filed an appeal on 26 October 2018 and defence in response filed by the GRA on 21 December 2018. Oral submissions were heard in chambers before the Judge on 27 March 2019 and on 8 July 2019, the court ruled in favour of GKRS Guyana; setting aside the decision by the GRA to reclassify the company as a commercial company and therefore reversing the decision by the GRA to impose corporation tax at the commercial rate.

The GRA is appealing the court's decision, however the appeal was filed outside of the prescribed time-line. The GRA has filed an application to extend the time for the filing of the appeal so that the appeal may be heard. The GRA was granted permission to file an appeal at a hearing held on 27 November 2019. The appeal was filed and a cross-appeal filed on behalf of GKRS Guyana. The matter is set to be heard within the next five months.

(b) The company established a standby letter of credit for the equivalent of $196,765,000 in favour of the lessors for a warehouse utilised by a food trading subsidiary. The facility is priced at 2% per annum and expires after 1 year with an option to renew annually.

(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.

35. Related Party Transactions and Balances

The following transactions were carried out with related parties:

		Group		Company	
		2019	2018	2019	2018
		$'000	$'000	$'000	$'000
(a)	**Sales of goods and services**				
	Sales of goods	3,677	2,104	510,024	460,952
	Sales of services	100,772	82,976	2,557,482	2,689,342
(b)	**Purchase of goods and services**				
	Purchases of goods	3,699,098	4,096,454	7,622,909	7,894,680
	Purchases of services	-	-	632,830	563,539
(c)	**Interest**				
	Interest income	4,688	1,369	170,647	126,759
	Interest expense	1,150	16,173	214,426	86,741

Dividends received by the company from subsidiaries and associates were $1,462,619,000 (2018: $2,102,957,000) and $227,734,000 (2018: $250,000,000) 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Salaries and other short-term employee benefits	483,216	411,074	319,427	284,976
Fees paid to directors	36,667	35,976	30,844	28,799
Post-employment benefits	(30,714)	(28,052)	(37,380)	(33,536)
Share-based payments	88,909	68,963	74,703	59,486
	578,078	487,961	387,594	339,725

The following amounts are in respect of directors' emoluments:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Fees	36,667	35,976	30,844	28,799
Management remuneration	145,688	132,100	145,688	132,100
Consultancy services	18,040	9,019	18,040	9,019
Post-employment benefits paid	-	16,074	-	3,020
Share-based payments	23,581	-	23,581	-
	223,976	193,169	218,153	172,938

35. Related Party Transactions and Balances (Continued)

(d) Transactions with key management (continued)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Sale of goods and services –				
Sales of goods	836	1,180	426	861
Sales of services	4,045	2,364	-	-
Purchase of goods and services –				
Purchase of services	1,024	4,095	1,024	4,095
Interest earned and incurred –				
Interest income	1,004	1,148	-	-
Interest expense	2,177	4,001	-	-

Transactions with companies controlled by directors and other key management personnel

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Sale of goods and services –				
Sales of services	-	298	-	-

(e) Year-end balances with related parties

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cash and deposits with subsidiaries	-	-	602,936	1,081,416
Investment securities with subsidiaries	-	-	126,326	86,159
Receivable from subsidiaries	-	-	1,930,889	1,867,140
Receivable from associates and joint ventures (Note 7)	21,712	29,591	15,471	17,465
Loans receivable from subsidiaries (Note 9)	-	-	1,981,257	1,336,805
Loans receivable from associates and joint ventures (Note 9)	46,648	-	37,325	-
Payable to subsidiaries	-	-	3,381,561	3,027,509
Payable to associates and joint ventures (Note 17)	179,725	429,556	85,695	201,742
Loans & leases payable to subsidiaries	-	-	3,069,224	249,243
Deposits payable to associates and joint ventures	945,029	493,982	-	-

(f) Loans to related parties

Loans receivable from subsidiaries are repayable in the years 2019 - 2025 and bear interest at 4.25% - 7.0% (2018: 4.0% - 8.0%). No provision was required in 2019 and 2018 for loans made to subsidiaries.

35. Related Party Transactions and Balances (Continued)

(f) Loans to related parties (continued)

	Company	
	2019	**2018**
	$'000	**$'000**
Loans to subsidiaries:		
At 1 January	1,336,805	3,238,328
Loans advanced during the year	972,548	698,199
Loan repayments received	(324,114)	(2,671,547)
Exchange differences	(13,755)	113,765
Interest charged	111,866	46,312
Interest received	(102,093)	(88,252)
At 31 December	1,981,257	1,336,805

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

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Receivables	330	357	98	58
Loans receivable	123,732	73,869	51,688	52,833
Payables	154	-	-	-
Loans payable	7,559	-	-	-
Deposits payable	223,146	226,327	-	-

(h) Loans to directors and other key management

The loans receivable attract interest at rates ranging between 0% - 8.5% (2018: 0% - 10.5%) and are repayable in the years 2021 - 2045. These loans are secured and are made on terms similar to those offered to other employees. No provision was required in 2019 and 2018 for the loans made to directors and senior managers.

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Loans to directors and other key management:				
At 1 January	73,869	75,818	52,833	59,114
Loans advanced during the year	68,910	28,723	5,316	4,781
Loan repayments received	(19,047)	(30,760)	(6,461)	(11,062)
Interest charged	1,004	1,148	-	-
Interest received	(1,004)	(1,060)	-	-
At 31 December	123,732	73,869	51,688	52,833

(i) Share options granted to directors

The outstanding number of share options granted to the directors of the company at the end of the year was 1,758,000 (2018: 2,493,000).

36. Fair Values Estimation

Financial Instruments

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

The following tables provide an analysis of the Group's and company's financial instruments held as at 31 December that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair values are observable, as follows:

- Level 1 includes those instruments which are measured based on quoted prices in active markets for identical assets or liabilities.
- Level 2 includes those instruments which are measured using inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 includes those instruments which are measured using valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

	Group			
	2019			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through other comprehensive income:				
Quoted equities	1,504,099	-	-	1,504,099
Government of Jamaica securities	-	6,305,175	-	6,305,175
Foreign governments	-	931,501	-	931,501
Corporate bonds	-	1,853,342	-	1,853,342
Other	-	1,279	-	1,279
Financial assets at fair value through profit or loss:				
Quoted equities	701,694	-	-	701,694
Total Assets	2,205,793	9,091,297	-	11,297,090

36. Fair Values Estimation (Continued)

Financial Instruments (continued)

	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

	Company			
	2019			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through other comprehensive income:				
Quoted equities	82,729	-	-	82,729
Total Assets	82,729	-	-	82,729

36. Fair Values Estimation (Continued)

Financial Instruments (continued)

	Company			
	2018			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through other comprehensive income:				
Quoted equities	41,570	-	-	41,570
Total Assets	41,570	-	-	41,570

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 either fair value through other comprehensive income or fair value through profit or loss.

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.

Note that all of the resulting fair value estimates are included in level 2.

36. Fair Values Estimation (Continued)

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 2018. 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 20). 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 $10,042,268,000 (2018: $6,417,246,000) and $80,412,000 (2018: $82,000,000) for the Group and company respectively. Included in Group's land and buildings is the Distribution Centre with a carrying value of $4,363,461,000 (2018: $3,822,000,000).

The carrying value of investment properties classified as level 3 is $665,000,000 (2018: $628,000,000).

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
		2019			2018	
	$'000	$'000	$'000	$'000	$'000	$'000
At beginning of year	3,822,000	2,595,246	6,417,246	3,207,522	2,533,812	5,741,334
Additions and transfers in	646,553	3,143,392	3,789,945	48,598	61,764	110,362
Revaluation adjustment	-	2,500	2,500	648,879	250,450	899,329
Disposals and transfers out	-	(2,976)	(2,976)	-	(242,244)	(242,244)
Depreciation	(105,092)	(85,958)	(191,050)	(82,999)	(27,791)	(110,790)
Translation adjustment	-	26,603	26,603	-	19,255	19,255
At end of year	4,363,461	5,678,807	10,042,268	3,822,000	2,595,246	6,417,246

36. Fair Values Estimation (Continued)

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

A reconciliation of the opening and closing balances for the company's land and buildings and the Group's investment properties are disclosed in Notes 12 and 38 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 2019 $'000	Fair value at 31 December 2018 $'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs
Distribution centre	4,363,461	3,822,000	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	2019: 10% - 12% 2018: 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	2019: 10% - 12% 2018: 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
	4,363,461	3,822,000				

37. 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 2019:				
Cash and deposits	14,627,178	-	-	14,627,178
Investment securities and pledged assets	28,596,581	701,694	10,595,396	39,893,671
Loans receivable	30,677,003	-	-	30,677,003
Trade and other receivables	12,853,206	-	-	12,853,206
Total financial assets	86,753,968	701,694	10,595,396	98,051,058

	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
	Other financial liabilities at amortised cost $'000
As at 31 December 2019:	
Deposits	35,805,361
Securities sold under agreements to repurchase	7,892,207
Bank and other loans	24,032,254
Trade and other payables	20,979,667
Total financial liabilities	88,709,489

37. Financial Instruments by Category (Continued)

	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

	Company		
	Assets at amortised cost $'000	Assets at fair value through other comprehensive income $'000	Total $'000
As at 31 December 2019:			
Cash and deposits	2,633,161	-	2,633,161
Investment securities and pledged assets	6,604,859	82,729	6,687,588
Loans receivable	2,096,204	-	2,096,204
Trade and other receivables	1,561,989	-	1,561,989
Subsidiaries	1,930,889	-	1,930,889
Total financial assets	14,827,102	82,729	14,909,831

	Company		
	Assets at amortised cost $'000	Assets at fair value through other comprehensive income $'000	Total $'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

37. Financial Instruments by Category (Continued)

	Company
	Other financial liabilities at amortised cost $'000
As at 31 December 2019:	
Bank and other loans	9,051,347
Trade and other payables	2,808,126
Subsidiaries	3,381,561
Total financial liabilities	15,241,034

	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

38. Investment Properties

	Group	
	2019 $'000	2018 $'000
At 1 January	628,000	618,000
Change in fair value	37,000	10,000
At 31 December	665,000	628,000

The following amounts have been recognised in the income statement:

	Group	
	2019 $'000	2018 $'000
Rental income arising from investment properties	43,769	40,176
Direct operating expenses arising from investment properties	11,597	10,718

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

39. Subsequent Events

(a) On 27 February 2020, the Board of Directors approved an interim dividend in respect of 2020 of 40 cents per ordinary stock unit. The dividend is payable on 6 April 2020 to shareholders on record as at 16 March 2020.

(b) On 20 January 2020, the Group made an offer to acquire general insurance entity, Key Insurance Company Limited (Key), a company listed on the Junior Market of the Jamaica Stock Exchange. The offer was made to the existing shareholders of Key to purchase 313,192,000 units at a price of $2.01 per share. The offer opened on 27 January 2020 and will close on 2 March 2020.

40. Adoption of New Accounting Standard

The Group has adopted IFRS 16 'Leases', from 1 January 2019, and the financial statements of the Group have been restated as of that date to reflect the effect of this adoption. The Group recognised lease liabilities and right-of-use assets in relation to leases which had previously been classified as operating leases under the principles of IAS 17 'Leases'.

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 2019.

The adoption of IFRS 16 resulted in an increase in the lease liabilities of $6,237,372,000 and a corresponding increase in the right-of-use assets of $6,237,372,000 on 1 January 2019.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.15%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

The table below shows the reconciliation of the operating lease commitments disclosed as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019:

	Group
	January 1 2019
	$'000
Operating lease commitments disclosed as at 31 December 2018	6,197,274
Discounted using the incremental borrowing rate at the date of initial application	5,186,392
Adjustments arising from different treatment of extension and termination options	2,531,522
Adjustments relating to changes in the index or rate affecting variable payments	(1,140,492)
Short-term leases not recognised as a liability	(340,050)
Lease liabilities recognised on adoption of IFRS 16	6,237,372
Finance lease liabilities recognised as at 31 December 2018	77,687
Lease liabilities recognised as at 1 January 2019	6,315,059

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Reliance on previous assessments on whether leases are onerous
- Reliance on previous assessments on whether a contract is, or contains, a lease applying IAS 17 and IFRIC 4
- The application of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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, 27 May, 2020 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 3A		
RESOLUTION 3B		
RESOLUTION 4		
RESOLUTION 5		

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

Dated this .... day of 2020

....

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.