GRACEKENNEDY LIMITED

Financial Statements
31 December 2013

GraceKennedy Limited

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Independent Auditors' Report

To the Members of
GraceKennedy Limited

Report on the Consolidated and Company Stand Alone Financial Statements
We have audited the accompanying consolidated financial statements of GraceKennedy Limited and its subsidiaries, set out on pages 1 to 115, which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying financial statements of GraceKennedy Limited standing alone, which comprise the statement of financial position as at 31 December 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

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Opinion

In our opinion, the consolidated financial statements of GraceKennedy Limited and its subsidiaries, and the financial statements of GraceKennedy Limited standing alone give a true and fair view of the financial position of GraceKennedy Limited and its subsidiaries and the GraceKennedy Limited standing alone as at 31 December 2013, and of their financial performance and cash flows for the year then ended, so far as concerns the members of GraceKennedy Limited, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying consolidated and company stand alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
28 February 2014
Kingston, Jamaica

GraceKennedy Limited

Consolidated Statement of Financial Position

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	Restated 2012 $'000	Restated 2011 $'000
Assets				
Cash and deposits	5	9,131,888	10,989,655	12,326,328
Investment securities	6	20,883,838	16,308,785	12,650,832
Pledged assets	6	27,140,200	29,431,618	28,368,098
Receivables	7	9,094,326	8,507,124	8,492,584
Inventories	8	8,345,097	6,569,375	6,524,177
Loans receivable	9	16,238,507	13,881,176	11,911,040
Taxation recoverable		582,985	911,888	916,802
Investments in associates	10	1,028,966	899,027	796,905
Investment properties	40	365,000	-	-
Intangible assets	11	2,425,230	2,106,404	1,893,029
Fixed assets	12	6,946,936	7,250,809	6,893,248
Deferred tax assets	13	953,864	1,421,327	1,245,314
Pension plan asset	14	5,506,469	5,842,256	7,523,921
Total Assets		**108,643,306**	**104,119,444**	**99,542,278**
Liabilities				
Deposits		17,768,017	15,768,039	13,693,757
Securities sold under agreements to repurchase		25,074,089	27,711,820	26,451,721
Bank and other loans	15	11,571,790	10,338,328	11,808,923
Payables	16	15,226,874	13,510,563	12,252,825
Taxation		291,182	300,557	268,278
Provisions	17	6,839	6,839	7,243
Deferred tax liabilities	13	1,268,515	1,727,001	2,650,283
Other post-employment obligations	14	3,202,616	2,887,948	2,702,493
Total Liabilities		**74,409,922**	**72,251,095**	**69,835,523**
Equity				
Capital and reserves attributable to the company's owners				
Share capital	18	643,074	808,079	593,968
Capital and fair value reserves	19	4,356,384	4,695,304	4,794,309
Retained earnings		22,544,646	20,714,969	19,174,975
Banking reserves	20	2,077,782	2,000,704	1,942,967
Other reserves		3,143,798	2,483,781	2,095,036
		32,765,684	30,702,837	28,601,255
Non - Controlling interests	21	1,467,700	1,165,512	1,105,500
Total Equity		**34,233,384**	**31,868,349**	**29,706,755**
Total Equity and Liabilities		**108,643,306**	**104,119,444**	**99,542,278**

Approved for issue by the Board of Directors on 28 February 2014 and signed on its behalf by:

Gordon Shirley — Chairman

Donald Wehby — Group Chief Executive Officer

GraceKennedy Limited

Consolidated Income Statement

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	Restated 2012 $'000
Revenues	23	67,257,502	61,340,268
Expenses	24	(63,913,042)	(58,178,779)
		3,344,460	3,161,489
Other income	25	1,710,632	1,035,734
Profit from Operations		5,055,092	4,197,223
Interest income – non-financial services		302,471	349,613
Interest expense – non-financial services		(542,539)	(618,439)
Share of results of associated companies	10	260,175	174,007
Profit before Taxation		5,075,199	4,102,404
Taxation	27	(1,281,135)	(316,072)
NET PROFIT		3,794,064	3,786,332
Attributable to:			
Owners of GraceKennedy Limited	28	3,221,634	3,478,888
Non-Controlling interests	21	572,430	307,444
		3,794,064	3,786,332
Earnings per Stock Unit for profit attributable to the owners of the company during the year:	30		
Basic		$9.66	$10.42
Diluted		$9.65	$10.41

GraceKennedy Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	Restated 2012 $'000
Profit for the year		3,794,064	3,786,332
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on revaluation of land and buildings		101,856	351,914
Remeasurements of post-employment benefit obligations		(486,252)	(1,314,175)
		(384,396)	(962,261)
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustments		682,573	399,775
Fair value losses		(569,456)	(346,111)
Share of other comprehensive income of associated companies		6,813	45,356
		119,930	99,020
Other comprehensive income for the year, net of tax		(264,466)	(863,241)
Total comprehensive income for the year		3,529,598	2,923,091
Attributable to:			
Owners of GraceKennedy Limited		2,940,017	2,585,160
Non - Controlling interests	21	589,581	337,931
		3,529,598	2,923,091

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

GraceKennedy Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

(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 2012 (as previously reported)		330,255	593,968	4,794,309	19,911,616	1,942,967	2,095,036	1,276,509	30,614,405
Effect of changes in accounting standard			-	-	(736,641)	-	-	(171,009)	(907,650)
Balance at 1 January 2012 (restated)		330,255	593,968	4,794,309	19,174,975	1,942,967	2,095,036	1,105,500	29,706,755
Profit for the year as restated		-	-	-	3,478,888	-	-	307,444	3,786,332
Other comprehensive income for the year as restated		-	-	22,098	(1,304,571)	-	388,745	30,487	(863,241)
Total comprehensive income for 2012		-	-	22,098	2,174,317	-	388,745	337,931	2,923,091
Transactions with owners									
Issue of shares	18 (a)	2,989	86,173	-	-	-	-	-	86,173
Issue of treasury shares	18 (b)	1,677	133,910	(53,505)					80,405
Purchase of treasury shares	18 (b)	(120)	(5,972)	-	-	-	-	-	(5,972)
Employee share option scheme:									
Value of services received	18 (h)	-	-	-	22,217	-	-	611	22,828
Transfer of non-controlling interests		-	-	-	(464)	-	-	(49,111)	(49,575)
Dividends paid by subsidiaries to non-controlling interests	21	-	-	-	-	-	-	(229,419)	(229,419)
Dividends paid	29	-	-	-	(665,937)	-	-	-	(665,937)
Total transactions with owners		4,546	214,111	(53,505)	(644,184)	-	-	(277,919)	(761,497)
Transfers between reserves:									
From capital reserves		-	-	(67,598)	67,598	-	-	-	-
To banking reserves		-	-	-	(57,737)	57,737	-	-	-
Balance at 31 December 2012 (restated)		334,801	808,079	4,695,304	20,714,969	2,000,704	2,483,781	1,165,512	31,868,349
Profit for the year					3,221,634			572,430	3,794,064
Other comprehensive income for the year		-	-	(462,534)	(479,100)	-	660,017	17,151	(264,466)
Total comprehensive income for 2013		-	-	(462,534)	2,742,534	-	660,017	589,581	3,529,598
Transactions with owners									
Issue of shares	18 (a)	2	100	-	-	-	-	-	100
Repurchase of shares	18 (a)	(1,662)	(99,580)	-	-	-	-	-	(99,580)
Purchase of treasury shares	18 (b)	(1,220)	(65,525)	-	-	-	-	-	(65,525)
Employee share option scheme:									
Value of services received	18 (h)	-	-	-	15,495	-	-	254	15,749
Dividends paid by subsidiaries to non-controlling interests	21	-	-	-	-	-	-	(287,647)	(287,647)
Dividends paid	29	-	-	-	(727,660)	-	-	-	(727,660)
Total transactions with owners		(2,880)	(165,005)	-	(712,165)	-	-	(287,393)	(1,164,563)
Transfers between reserves:									
To capital reserves		-	-	123,614	(123,614)	-	-	-	-
To banking reserves		-	-	-	(77,078)	77,078	-	-	-
Balance at 31 December 2013		331,921	643,074	4,356,384	22,544,646	2,077,782	3,143,798	1,467,700	34,233,384

GraceKennedy Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	Restated 2012 $'000
SOURCES/(USES) OF CASH:			
Operating Activities	31	(792,398)	6,595,689
Financing Activities			
Loans received		5,090,832	4,018,156
Loans repaid		(5,708,426)	(5,871,887)
Dividends paid by subsidiary to non-controlling interests	21	(287,647)	(229,419)
Repurchase of shares	18	(99,580)	-
Purchase of treasury shares	18	(65,525)	(5,972)
Sale of treasury shares	18	-	80,405
Issue of shares	18	100	86,173
Interest paid – non financial services		(510,083)	(572,602)
Dividends	29	(727,660)	(665,937)
		(2,307,989)	(3,161,083)
Investing Activities			
Additions to fixed assets [(a)]	12	(717,615)	(792,664)
Proceeds from disposal of fixed assets		161,938	65,771
Additions to investments [(b)]		(7,327,066)	(7,336,141)
Cash outflow on purchase of non-controlling interest in subsidiary		-	(49,575)
Proceeds from sale of investments [(b)]		7,802,456	3,028,203
Additions to intangibles	11	(462,022)	(228,701)
Interest received – non financial services		302,471	349,613
		(239,838)	(4,963,494)
Decrease in cash and cash equivalents		(3,340,225)	(1,528,888)
Cash and cash equivalents at beginning of year		9,575,048	10,958,017
Exchange and translation gains on net foreign cash balances		369,467	145,919
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	6,604,290	9,575,048

The principal non-cash transactions include:

[(a)] Acquisition of fixed assets under finance lease of $2,056,000 (2012: $2,321,000), (Note 12).

[(b)] Investments exchanged under the National Debt Exchange and Private Debt Exchange programmes of $22,846,885,000 (2012: $Nil).

GraceKennedy Limited
Company Statement of Financial Position
31 December 2013
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	Restated 2012 $'000	Restated 2011 $'000
Assets				
Cash and deposits	5	1,605,227	1,885,346	2,084,739
Investment securities	6	5,262,815	4,346,337	3,208,013
Receivables	7	1,192,234	1,055,558	935,756
Inventories	8	2,071,950	1,430,444	1,417,852
Loans receivable	9	1,569,419	1,177,452	749,094
Subsidiaries	34	82,922	473,294	2,387,927
Taxation recoverable		62,376	200,602	182,855
Investments in associates	10	185,173	185,173	185,173
Investments in subsidiaries		10,681,070	10,681,089	10,597,705
Intangible assets	11	105,940	99,236	84,250
Fixed assets	12	219,697	238,539	245,851
Pension plan asset	14	5,506,469	7,169,685	8,257,691
Total Assets		**28,545,292**	**28,942,755**	**30,336,906**
Liabilities				
Bank and other loans	15	3,397,782	2,786,394	4,038,856
Payables	16	1,790,265	1,365,023	1,446,052
Subsidiaries	34	240,081	1,000,710	1,238,114
Provisions	17	6,221	6,221	6,221
Deferred tax liabilities	13	1,096,490	1,566,680	2,497,790
Other post-employment obligations	14	1,311,018	1,212,257	1,141,825
Total Liabilities		**7,841,857**	**7,937,285**	**10,368,858**
Equity				
Share capital	18	643,074	808,079	593,968
Capital and fair value reserves	19	244,591	306,292	373,242
Retained earnings		19,815,770	19,891,099	19,000,838
Total Equity		**20,703,435**	**21,005,470**	**19,968,048**
Total Equity and Liabilities		**28,545,292**	**28,942,755**	**30,336,906**

Approved for issue by the Board of Directors on 28 February 2014 and signed on its behalf by:

Gordon Shirley — Chairman

Donald Wehby — Group Chief Executive Officer

GraceKennedy Limited

Company Income Statement

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	Restated 2012 $'000
Turnover	23	13,641,116	13,249,138
Cost of goods sold	24	(10,743,484)	(10,234,700)
Gross Profit		2,897,632	3,014,438
Other income	25	3,922,285	3,450,279
Administration expenses	24	(5,196,418)	(4,631,925)
Profit from Operations		1,623,499	1,832,792
Interest income		366,261	412,061
Interest expense		(265,784)	(292,044)
Profit before Taxation		1,723,976	1,952,809
Taxation	27	(89,705)	525,870
NET PROFIT	28	**1,634,271**	**2,478,679**

GraceKennedy Limited

Company Statement of Comprehensive Income

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	2013 $'000	Restated 2012 $'000
Profit for the year	1,634,271	2,478,679
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Gains on revaluation of land and buildings	39	8,600
Remeasurement of post-employment benefit obligations	(995,128)	(939,155)
	(995,089)	(930,555)
Items that may be subsequently reclassified to profit or loss:		
Fair value losses	(61,740)	(22,045)
	(61,740)	(22,045)
Other comprehensive income for the year, net of tax	(1,056,829)	(952,600)
Total comprehensive income for the year	577,442	1,526,079

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

GraceKennedy Limited

Company Statement of Changes in Equity

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Stock Units '000	Share Capital $'000	Capital and Fair Value Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2012 (as previously stated)		330,255	593,968	373,242	19,188,356	20,155,566
Effect of changes in accounting standard		-	-	-	(187,518)	(187,518)
Balance at 1 January 2012 (restated)		330,255	593,968	373,242	19,000,838	19,968,048
Profit for the year as restated		-	-	-	2,478,679	2,478,679
Other comprehensive income for the year		-	-	(13,445)	(939,155)	(952,600)
Total comprehensive income for 2012		-	-	(13,445)	1,539,524	1,526,079
Transactions with owners						
Issue of shares	18 (a)	2,989	86,173	-	-	86,173
Issue of treasury shares	18 (b)	1,677	133,910	(53,505)	-	80,405
Purchase of treasury shares	18 (b)	(120)	(5,972)	-	-	(5,972)
Employee share option scheme:						
Value of services received		-	-	-	16,674	16,674
Dividends paid	29	-	-	-	(665,937)	(665,937)
Total transactions with owners		4,546	214,111	(53,505)	(649,263)	(488,657)
Balance at 31 December 2012 (restated)		334,801	808,079	306,292	19,891,099	21,005,470
Profit for the year		-	-	-	1,634,271	1,634,271
Other comprehensive income for the year		-	-	(61,701)	(995,128)	(1,056,829)
Total comprehensive income for 2013				(61,701)	639,143	577,442
Transactions with owners						
Issue of shares	18 (a)	2	100	-	-	100
Purchase of shares	18 (a)	(1,662)	(99,580)	-	-	(99,580)
Purchase of treasury shares	18 (b)	(1,220)	(65,525)	-	-	(65,525)
Employee share option scheme:						
Value of services received		-	-	-	13,188	13,188
Dividends paid	29	-	-	-	(727,660)	(727,660)
Total transactions with owners		(2,880)	(165,005)	-	(714,472)	(879,477)
Balance at 31 December 2013		331,921	643,074	244,591	19,815,770	20,703,435

GraceKennedy Limited

Company Statement of Cash Flows

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	Restated 2012 $'000
SOURCES/(USES) OF CASH:			
Operating Activities	31	1,061,221	3,200,273
Financing Activities			
Loans received		1,221,552	478,935
Loans repaid		(1,399,460)	(1,814,248)
Repurchase of shares	18	(99,580)	-
Purchase of treasury shares	18	(65,525)	(5,972)
Sale of treasury shares	18	-	80,405
Issue of shares	18	100	86,173
Interest paid		(235,431)	(293,537)
Dividends	29	(727,660)	(665,937)
		(1,306,004)	(2,134,181)
Investing Activities			
Additions to fixed assets [(a)]	12	(41,251)	(49,535)
Proceeds from disposal of fixed assets		7,650	5,352
Additions to investments [(b)]		(596,093)	(1,194,181)
Loans receivable, net		(391,967)	(428,358)
Proceeds from sale of investments [(b)]		9,379	228,088
Investment in subsidiary		-	(83,574)
Proceeds from disposal of subsidiary		15,310	8,872
Additions to intangibles	11	(105,547)	(77,919)
Interest received		301,248	318,314
		(801,271)	(1,272,941)
Decrease in cash and cash equivalents		(1,046,054)	(206,849)
Cash and cash equivalents at beginning of year		1,551,163	1,699,294
Exchange and translation gains on net foreign cash balances		155,666	58,718
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	660,775	1,551,163

The principal non-cash transactions include:

[(a)] Acquisition of fixed assets under finance lease of $18,771,000 (2012: $11,496,000), (Note 12).

[(b)] Investments exchanged under the National Debt Exchange and Private Debt Exchange programmes of $1,806,954,000 (2012: $Nil).

1. Identification

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

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

The Group is organised into two divisions namely, GK Foods and GK Financial Group. The GK Foods division comprises all the food related companies while GK Financial Group comprises all the financial services companies in the Group. For the purpose of segment reporting the Group reports its results under the five segments described below.

The principal activities of the company, its subsidiaries and its associated companies (the Group) are as follows:

Food Trading -
Merchandising of general goods and food products, both locally and internationally; processing and distribution of food products; and the operation of a chain of supermarkets.

Retail and Trading -
Merchandising of agricultural supplies, home improvement supplies, and hardware and lumber.

Banking and Investments -
Commercial banking; investment management; lease and trade financing; stock brokerage; pension management; property rental; and mutual fund management.

Insurance -
General insurance and insurance brokerage.

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

2. Significant Accounting Policies

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

(a) Basis of preparation

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

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

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

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

- IAS 1, 'Presentation of financial statements' (effective for annual periods beginning on or after 1 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Group has implemented the amendment and has adjusted the statement of comprehensive income for the current and prior years.

- IAS 19 (revised), 'Employee benefits' (effective for annual periods beginning on or after 1 January 2013). The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See Note 42 for the impact of adopting the revised standard.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

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

- IFRS 10, 'Consolidated financial statements' (effective for annual periods beginning on or after 1 January 2013) The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes control as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The Group adopted IFRS 10 effective 1 January 2013. There was no impact from the adoption.

- IFRS 11, 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2013). This standard focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Group adopted IFRS 11 effective 1 January 2013. There was no impact from the adoption.

- IFRS 12, 'Disclosures of interests in other entities' (effective for annual periods beginning on or after 1 January 2013) includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles. The Group adopted IFRS 12 effective 1 January 2013 which resulted in expanded disclosures in the financial statements.

- IFRS 13, 'Fair value measurement', (effective for annual periods beginning on or after 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Group adopted IFRS 13 effective 1 January 2013 which resulted in expanded disclosures in the financial statements.

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 authorization of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the International Accounting Standards Board.

  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.

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2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

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

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

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

Acquisition-related costs are expensed as incurred.

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Entity	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held by the parent company %	Proportion of ordinary shares held by the Group %	Proportion of ordinary shares held by non-controlling interests %
First Global Leasing Limited	Jamaica	Lease financing	100	100	-
GraceKennedy Financial Group Limited and its subsidiaries –	Jamaica	Holding company	100	100	-
Allied Insurance Brokers Limited	Jamaica	Insurance brokerage	-	100	-
Jamaica International Insurance Company Limited	Jamaica	General Insurance	-	100	-
First Global Holdings Limited and its subsidiaries–	Jamaica	Holding company	25	100	-
First Global Bank Limited	Jamaica	Banking	-	100	-
First Global Financial Services Limited	Jamaica	Investment management	-	100	-
Grace Foods International Limited	Jamaica	Dormant	100	100	-
GK Foods & Services Limited	Jamaica	Food trading	100	100	-
GraceKennedy Logistics Services Limited	Jamaica	Dormant	100	100	-
GraceKennedy Money Services Caribbean SRL and its subsidiary –	Barbados	Holding company	-	75	25
GraceKennedy Remittance Services Limited and its subsidiaries –	Jamaica	Money services	-	75	25
Grace Kennedy Currency Trading Services Limited	Jamaica	Money services	-	75	25
GraceKennedy Payment Services Limited	Jamaica	Money services	-	75	25
GraceKennedy Money Services (Anguilla) Limited	Anguilla	Money services	-	75	25
GraceKennedy Money Services (Antigua & Barbuda) Limited	Antigua & Barbuda	Money services	-	75	25
GraceKennedy Money Services (Montserrat) Limited, Montserrat	Montserrat	Money services	-	75	25
GraceKennedy Money Services (St. Kitts) Limited	St. Kitts	Money services	-	75	25
GraceKennedy Money Services (St. Vincent and the Grenadines) Limited	St. Vincent and the Grenadines	Money services	-	75	25
GKMS (BVI) Limited	British Virgin Islands	Money services	-	75	25
Grace, Kennedy Remittance Services (Guyana) Limited	Guyana	Money services	-	75	25
GraceKennedy (Trinidad & Tobago) Limited, Trinidad and Tobago	Trinidad and Tobago	Money services	-	75	25
Horizon Shipping Limited	Jamaica	Dormant	100	100	-
Hardware and Lumber Limited (58.1%)	Jamaica	Retail & Trading	58.1	58.1	41.9
International Communications Limited	Jamaica	Dormant	100	100	-
Port Services Limited (97.2%)	Jamaica	Dormant	90.7	97.2	2.8
First Global Insurance Brokers Limited, Turks and Caicos Islands	Turks & Caicos	Insurance brokerage	-	100	-
Grace Foods Limited, St. Lucia	St. Lucia	Brand owner	100	100	-
GraceKennedy (Belize) Limited	Belize	Food trading	100	100	-
GraceKennedy (Ontario) Inc.,	Canada	Food trading	100	100	-

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2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Entity	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held by the parent company %	Proportion of ordinary shares held by the Group %	Proportion of ordinary shares held by non-controlling interests %
Grace, Kennedy (Caribbean) Limited	Turks & Caicos	Dormant	-	100	-
Grace, Kennedy (Guyana) Inc.	Guyana	Dormant	100	100	-
Grace, Kennedy (U.S.A.) Inc. and its subsidiary –	USA	Food trading	100	100	-
Grace Foods (USA) Inc.	USA	Food trading	-	100	-
GraceKennedy Trade Finance Limited	Belize	Dormant	100	100	-
GraceKennedy (St. Lucia) Limited and its subsidiaries –	St. Lucia	Holding company	100	100	-
Graken Holdings Limited	Turks & Caicos	Dormant	-	100	-
GraceKennedy Remittance Services (Turks and Caicos) Limited	Turks & Caicos	Dormant	-	100	-
GK Foods (UK) Limited, United Kingdom and its subsidiaries –	United Kingdom (UK)	Food trading	-	100	-
Grace Foods UK Limited	UK	Food trading		100	-
Enco Products Limited	UK	Food trading	-	100	-
Funnybones Foodservice Limited	UK	Food trading	-	100	-
Chadha Oriental Foods Limited	UK	Food trading	-	100	-
Grace, Kennedy Remittance Services (Trinidad & Tobago) Limited	Trinidad and Tobago	Dormant	100	100	-
Knutsford Re	Turks & Caicos	Insurance	-	100	-

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

During the year GKMS (BVI) Limited was formed and commenced operations. GK Foods Limited and GraceKennedy Ghana Limited were also formed but have not yet been capitalised.

The Group liquidated GraceKennedy (UK) Limited during the year.

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2. Significant Accounting Policies (Continued)

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognize the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

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

The Group's associated companies are as follows:

	Financial Reporting Year-end	Country of Incorporation	Nature of Business	Group's percentage interest	
				2013	2012
CSGK Finance Holdings Limited	31 December	Barbados	Banking	40.0	40.0
Dairy Industries (Jamaica) Limited	31 December	Jamaica	Food trading	50.0	50.0
EC Global Insurance Company Limited	31 December	St. Lucia	Insurance	30.0	30.0
Trident Insurance Company Limited	30 June	Barbados	Insurance	30.0	30.0
Telecommunications Alliance Limited	31 December	Jamaica	Dormant	49.0	49.0

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

(d) Segment reporting

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

(e) Foreign currency translation

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

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

2. Significant Accounting Policies (Continued)

(e) Foreign currency translation (continued)

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

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

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

Group companies

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

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

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

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

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

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

(f) Fixed assets

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

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

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

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

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

Land is not depreciated.

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

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2. Significant Accounting Policies (Continued)

(f) Fixed assets (continued)

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

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

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

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

(g) Intangible assets

Goodwill

Goodwill is recorded at cost and represents the excess of the value of consideration paid over the Group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the acquire and the fair value of the non-controlling interest in the acquire. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the software, which is 3 years.

Distribution channel agreements

Distribution channel agreements are recorded at cost and represent the value of the consideration paid to acquire rights to distribute beverages in specified routes. These costs are amortised over the estimated useful life of the agreements, which is 10 years.

Policy contracts

Policy contracts are amortised over their estimated useful life which is 15 years and are carried at cost less accumulated amortisation. The cost of policy contracts comprises its purchase price and professional fees directly attributed to acquiring the asset.

Brands

Brands are recorded at cost and represent the value of the consideration paid to acquire several well established and recognised beverage and ethnic food brands. These costs are amortised over the estimated useful life of the brands, which ranges from 5 to 20 years.

Customer relationships

Customer relationships are recorded at cost and represent the value of the consideration paid to acquire customer contracts and the related customer relationships with several outlet operators and insurance clients. These costs are amortised over the estimated useful life of the relationships, which is between 10 to 15 years.

2. Significant Accounting Policies (Continued)

(h) Financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled with 12 months, otherwise they are classified as no-current.

Loans and receivables

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

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

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

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

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

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

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

Available-for-sale financial assets

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

Recognition and measurement

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

2. Significant Accounting Policies (Continued)

(h) Financial assets (continued)

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

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

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

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

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

(i) Derivative financial instruments

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

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

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

(j) Investments in subsidiaries

Investments in subsidiaries are stated at cost.

(k) Impairment of non-financial assets

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

(l) Income taxes

Taxation expense in the income statement comprises current and deferred tax charges.

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

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2. Significant Accounting Policies (Continued)

(l) Income taxes (continued)

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

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

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

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

(m) Employee benefits

Pension obligations

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

Pension plan assets

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

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

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

Past-service costs are recognised immediately in income.

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

Other post-employment obligations

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

Equity compensation benefits

The Group operates an equity-settled, share-based compensation plan. Share options are granted to management and key employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of non-market vesting conditions. Options are granted at the market price of the shares on the date of the grant and are exercisable at that price. Options are exercisable beginning one year from the date of grant and have a contractual option term of six years. When options are exercised, the proceeds received net of any transaction costs are credited to share capital.

Termination benefits

Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either 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.

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2. Significant Accounting Policies (Continued)

(m) Employee benefits (continued)

Incentive plans

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

(n) Inventories

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

(o) Trade and insurance receivables

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

(p) Cash and cash equivalents

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

(q) Payable

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

(r) Insurance business provisions

Claims outstanding

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

Insurance reserves

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

Reinsurance ceded

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

Deferred policy acquisition costs

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

2. Significant Accounting Policies (Continued)

(s) Provisions

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

(t) Deposits

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

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

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

(v) Borrowings

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

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

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

(w) Borrowings costs

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

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

(x) Leases

As lessee

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

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

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

As lessor

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

(y) Share capital

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

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

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2. Significant Accounting Policies (Continued)

(z) Revenue recognition

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

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

(i) Sales of goods – wholesale

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

(ii) Sales of goods – retail

The Group operates a chain of retail outlets for selling general and food items, hardware and agro products. Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit. It is the Group's policy to sell its products to the retail customer with a right to return within 30 days. Accumulated experience is used to estimate and provide for such returns at the time of sale. The Group does not operate any loyalty programmes.

(iii) Sales of services

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

(iv) Interest income

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

(v) Dividend income

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

(aa) Dividends

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

(ab) Investment properties

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

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2. Significant Accounting Policies (Continued)

(ab) Investment properties (continued)

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

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

3. Insurance and Financial Risk Management

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

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

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

(i) Audit Committee

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Group Risk Management and Internal Audit. The Group Risk Management Committee establishes a framework within which the opportunities and risks affecting the Group may be measured, assessed, and effectively controlled. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) Corporate Governance Committee

The Corporate Governance Committee assists the Board in enhancing the Group's system of corporate governance by establishing, monitoring and reviewing the principles of good governance with which the Group and its directors will comply. The Committee promotes high standards of corporate governance based on the principles of openness, integrity and accountability taking into account the Group's existing legal and regulatory requirements. It establishes such procedures, policies and codes of conduct to meet these aims as it considers appropriate. Qualified individuals are identified and recommended by the Board to become members. It also leads the Board of Directors in its annual review of the Board's performance.

(iii) Asset and Liability Committees/Investment Committees

The Asset and Liability Committees (ALCO) are management committees responsible for monitoring and formulating investment portfolios and investment strategies within the Insurance, Banking and Investment, and Corporate divisions. The ALCO is also responsible for monitoring adherence to trading limits, policies and procedures that are established to ensure that there is adequate liquidity as well as monitoring and measuring capital adequacy for regulatory and business requirements. To discharge these responsibilities, the ALCO establishes asset and liability pricing policies to protect the liquidity structure as well as assesses the probability of various liquidity shocks and interest rate scenarios. It also establishes and monitors relevant liquidity ratios and statement of financial position targets. Overall, the Committee ensures compliance with the policies related to the management of liquidity risk, interest rate risk, and foreign exchange risk.

(iv) Corporate Finance Department

The Corporate Finance Department is responsible for managing the Group's assets and liabilities and the overall capital structure. It is also primarily responsible for the funding and liquidity risks of the Group. Corporate Finance identifies, evaluates and manages financial risks in close co-operation with the Group's operating business units.

The most important types of risk are insurance risk, credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

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3. Insurance and Financial Risk Management (Continued)

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

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

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

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

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

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

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

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

	2013		2012	
	Policy Limit $'000	**Maximum Net Retention $'000**	**Policy Limit $'000**	**Maximum Net Retention $'000**
Commercial property:				
Fire and consequential loss	524,933	3,181	440,451	2,669
Boiler and machinery	238,606	4,474	200,205	3,754
Engineering	318,141	5,965	266,940	5,005
Burglary, money and goods in transit	13,256	6,628	11,123	5,561
Glass and other	5,302	2,651	4,295	2,147
Liability	318,141	31,814	266,940	17,796
Marine, aviation and transport	26,512	5,302	22,500	1,125
Motor	10,000	7,500	7,500	7,500
Pecuniary loss:				
Fidelity	13,256	6,628	11,123	5,368
Surety/Bonds	50,000	10,000	50,000	10,000
Personal accident	23,861	11,930	20,000	10,000
Personal property	524,933	3,181	440,451	2,669

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3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Sensitivity Analysis of Actuarial Liabilities

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

Actuarial Assumptions

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

- Claims inflation has remained relatively constant and there have been no material legislative changes in the Jamaican civil justice system that would cause claim inflation to increase dramatically.

- There is no latent environmental or asbestos exposure embedded in the loss history.

- The case reserving and claim payments rates have and will remain relatively constant.

- The overall development of claims costs gross of reinsurance is not materially different from the development of claims costs net of reinsurance. This assumption is supported by:

  - The majority of the reinsurance program consists of proportional reinsurance agreements.
  - The non-proportional reinsurance agreements consist primarily of high attachment points.

- Claims are expressed at their estimated ultimate undiscounted value, in accordance with the requirement of the Insurance Act, 2001.

(ii) Provision for adverse deviation assumptions

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

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

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3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Development Claim Liabilities

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of the ultimate claims liability for accident years 2009 - 2013 has changed at successive year-ends, up to 2013. 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.

		2009 $'000	2009 and prior $'000	2010 $'000	2010 and prior $'000	2011 $'000	2011 and prior $'000	2012 $'000	2012 and prior $'000	2013 $'000	2013 and prior $'000
2009	Paid during year	584,808	1,083,876								
	UCAE, end of year	519,811	1,266,121								
	IBNR, end of year	50,684	55,551								
	Ratio: excess (deficiency)										
2010	Paid during year	236,570	467,835	559,018	1,026,853						
	UCAE, end of year	307,036	873,139	509,260	1,382,399						
	IBNR, end of year	-	-	63,254	63,254						
	Ratio: excess (deficiency)	(4.71%)	(1.46%)								
2011	Paid during year	100,905	237,777	265,315	503,092	558,955	1,062,047				
	UCAE, end of year	214,227	509,574	300,526	810,100	640,404	1,450,504				
	IBNR, end of year	-	-	2,365	2,365	67,945	70,310				
	Ratio: excess (deficiency)	3.29%	8.06%	0.75%	9.00%						
2012	Paid during year	50,693	134,513	77,639	212,152	302,781	514,933	523,539	1,038,472		
	UCAE, end of year	161,614	408,821	257,595	666,416	428,924	1,095,340	645,917	1,741,258		
	IBNR, end of year	-	-	-	-	4,023	4,023	78,759	82,782		
	Ratio: excess (deficiency)	3.63%	5.50%	(4.90%)	4.43%	(3.87%)	(6.15%)				
2013	Paid during year	37,614	129,598	57,095	186,693	148,236	334,929	338,425	673,354	595,975	1,269,329
	UCAE, end of year	151,608	433,044	249,243	682,287	414,066	1,096,353	477,954	1,574,307	766,713	2,341,020
	IBNR, end of year	-	-	-	-	-	-	10,023	10,023	80,193	90,216
	Ratio: excess (deficiency)	(1.21%)	(6.15%)	(13.41%)	(9.59%)	(22.13%)	(27.97%)	(14.04%)	(23.77%)		

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3. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk

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

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

a) The retention limit or maximum exposure on insurance policies under the reinsurance treaties range between $2,651,000 and $31,814,000 (2012: $1,125,000 and $17,796,000).

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	
	2013	**2012**
	$'000	**$'000**
Property	28,400	211,972
Motor	8,755	6,089
Marine	(5,223)	36,973
Liability	17,127	11,192
Pecuniary loss	(7,834)	2,407
Accident	(876)	(261)
	40,349	268,372

(c) Financial risk

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

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

(i) Credit risk

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

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk

(i) Credit risk (continued)

Credit review process

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

(a) Trade and other receivables

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

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

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

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

(b) Loans and leases

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

Group's internal rating scale:

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

(c) Reinsurance

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

(d) Premium and other receivables

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

(e) Investments

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

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

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

Securities lending and reverse repurchase transactions – cash or securities.

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

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

Impairment

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

***Impairment (*continued)**

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

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

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

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

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

Group's rating

	2013		2012	
	Loans, Leases, Premium and Trade Receivables $'000	**Impairment Provision $'000**	**Loans, Leases, Premium and Trade Receivables $'000**	**Impairment Provision $'000**
Low risk	33,973	-	44,957	-
Standard risk	24,246,908	-	21,218,056	-
Sub-Standard	976,176	549,203	1,057,547	549,361
	25,257,057	549,203	22,320,560	549,361

Company's rating

	2013		2012	
	Loans and Trade Receivables $'000	**Impairment Provision $'000**	**Loans and Trade Receivables $'000**	**Impairment Provision $'000**
Low risk	-	-	-	-
Standard risk	2,613,274	-	2,091,114	-
Sub-Standard	181,402	116,203	156,394	115,756
	2,794,676	116,203	2,247,508	115,756

Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets as reported in the statement of financial position.

This represents a worst case scenario of credit risk exposure to the Group and company at 31 December 2013 and 2012, without taking account of any collateral held or other credit enhancements.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and leases, premium and trade receivables

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

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Neither past due nor impaired -				
Low risk	33,973	44,957	-	-
Standard risk	21,606,958	18,485,104	2,507,712	1,977,353
	21,640,931	18,530,061	2,507,712	1,977,353
Past due but not impaired	2,639,950	2,732,952	105,562	113,761
Impaired	976,176	1,057,547	181,402	156,394
Gross	25,257,057	22,320,560	2,794,676	2,247,508
Less: provision for credit losses	(549,203)	(549,361)	(116,203)	(115,756)
Net	24,707,854	21,771,199	2,678,473	2,131,752

Ageing analysis of loans and leases, premium and trade receivables that are past due but not impaired:

Loans and leases, premium and trade receivables that are less than 3 months past due are not considered impaired. As of 31 December 2013, loans and leases, premium and trade receivables of $2,639,950,000 (2012: $2,732,952,000) and $105,562,000 (2012: $113,761,000) for the Group and company respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these loans and leases, premium and trade receivables is as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Less than 1 month	1,708,030	1,792,737	-	-
Within 1 to 3 months	632,719	598,699	103,180	106,052
Over 3 months	299,201	341,516	2,382	7,709
	2,639,950	2,732,952	105,562	113,761

As of 31 December 2013, loans and leases, premium and trade receivables of $976,176,000 (2012: $1,057,547,000) and $181,402,000 (2012: $156,394,000) for the Group and company respectively were impaired. The amount of the provision was $549,203,000 (2012: $549,361,000) and $116,203,000 (2012: $115,756,000) for the Group and company respectively. There are no financial assets other than loans, leases, premium and trade receivables that are past due.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

The individually impaired receivables mainly relate to wholesalers who are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The ageing of the impaired loans and lease receivables is as follows:

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
3 to 6 months	241,202	196,576	-	-
Over 6 months	297,487	419,089	-	-
	538,689	615,665	-	-

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

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
At 1 January	151,415	145,722	-	-
Provision for receivables impairment	51,115	40,358	-	-
Receivables written off during the year as uncollectible	-	(18,148)	-	-
Unused amounts reversed	(37,345)	(16,517)	-	-
At 31 December	165,185	151,415	-	-

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

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
3 to 6 months	206,139	54,228	56,037	33,960
Over 6 months	231,348	387,654	125,365	122,434
	437,487	441,882	181,402	156,394

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

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
At 1 January	397,946	408,554	115,756	108,383
Provision for receivables impairment	102,429	137,675	10,660	29,303
Receivables written off during the year as uncollectible	(104,004)	(123,613)	(4,043)	(13,262)
Unused amounts reversed	(12,353)	(24,670)	(6,170)	(8,668)
At 31 December	384,018	397,946	116,203	115,756

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

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

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
3 to 6 months	447,341	250,804	56,037	33,960
Over 6 months	528,835	806,743	125,365	122,434
	976,176	1,057,547	181,402	156,394

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

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
At 1 January	549,361	554,276	115,756	108,383
Provision for receivables impairment	153,544	178,033	10,660	29,303
Receivables written off during the year as uncollectible	(104,004)	(141,761)	(4,043)	(13,262)
Unused amounts reversed	(49,698)	(41,187)	(6,170)	(8,668)
At 31 December	549,203	549,361	116,203	115,756

The creation and release of provision for impaired receivables have been included in expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and Leases, Premium and Trade receivables

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Public sector	197,880	138,144	-	-
Professional and other services	2,596,467	1,741,135	-	-
Personal	4,276,868	3,449,075	66,503	73,515
Agriculture, fishing and mining	423,461	368,870	-	-
Construction and real estate	2,169,384	2,037,348	-	-
Electricity, gas and water	683,109	373,063	-	-
Distribution	3,104,825	2,804,513	1,113,268	749,094
Manufacturing	997,542	925,000	-	276
Transportation	2,353,700	2,008,454	-	-
Tourism and entertainment	790,805	677,959	223,944	192,836
Financial and other money services	1,180,450	1,316,351	389,897	354,843
Brokers and agents	762,462	1,127,161	-	-
Reinsurers and coinsurers	1,076,919	1,216,100	-	-
Supermarket chains	1,133,371	853,377	339,623	310,793
Wholesalers	521,788	837,525	234,857	165,200
Retail and direct customers	1,502,541	1,366,992	272,341	285,948
Other	1,392,470	987,979	154,243	115,003
	25,164,042	22,229,046	2,794,676	2,247,508
Less: Provision for credit losses	(549,203)	(549,361)	(116,203)	(115,756)
	24,614,839	21,679,685	2,678,473	2,131,752
Interest receivable	93,015	91,514	-	-
	24,707,854	21,771,199	2,678,473	2,131,752

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Financial assets – individually impaired

Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Loans and leases	538,689	615,665	-	-
Trade and other receivables	437,487	441,882	181,402	156,394

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

Repossessed collateral

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

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

Debt securities

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

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Government of Jamaica:				
Available-for-sale securities	35,561,343	37,061,282	3,286,938	3,150,907
Corporate:				
Available-for-sale securities	6,390,152	5,358,433	634,299	552,899
Other government				
Available-for-sale securities	468,745	-	-	-
Bank of Jamaica	3,261,234	2,297,255	-	-
Other (Note 6)	2,140,026	837,095	1,302,485	598,318
	47,821,500	45,554,065	5,223,722	4,302,124

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk

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

Liquidity risk management process

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

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

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

(iii) Maintaining committed lines of credit;

(iv) Optimising cash returns on investment;

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

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

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

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial liabilities cash flows

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

	Group				
	1 to 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
As at 31 December 2013:					
Deposits	15,278,226	2,589,865	2,982	-	17,871,073
Securities sold under agreements to repurchase	21,874,084	2,075,170	1,341,150	-	25,290,404
Bank and other loans	2,521,993	5,785,027	3,425,582	654,987	12,387,589
Trade and other payables	15,226,874	-	-	-	15,226,874
Total financial liabilities (contractual dates)	54,901,177	10,450,062	4,769,714	654,987	70,775,940

	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 2012:					
Deposits	13,056,727	2,820,155	-	-	15,876,882
Securities sold under agreements to repurchase	23,030,280	4,933,005	-	-	27,963,285
Bank and other loans	3,333,218	3,320,263	3,297,389	1,077,009	11,027,879
Trade and other payables	13,510,563	-	-	-	13,510,563
Total financial liabilities (contractual dates)	52,930,788	11,073,423	3,297,389	1,077,009	68,378,609

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial liabilities cash flows (continued)

	Company			
	1 to 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Total $'000**
As at 31 December 2013:				
Bank and other loans	1,056,338	2,287,840	120,037	3,464,215
Trade and other payables	1,790,265	-	-	1,790,265
Subsidiaries	240,081	-	-	240,081
Total financial liabilities (contractual dates)	3,086,684	2,287,840	120,037	5,494,561

	Company			
	1 to 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Total $'000**
As at 31 December 2012:				
Bank and other loans	1,240,769	1,391,609	224,477	2,856,855
Trade and other payables	1,365,023	-	-	1,365,023
Subsidiaries	1,000,710	-	-	1,000,710
Total financial liabilities (contractual dates)	3,606,502	1,391,609	224,477	5,222,588

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	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Floating rate –				
Expiring within one year	6,712,851	6,570,541	5,457,920	4,313,796
Expiring beyond one year	477,212	743,356	477,212	740,510

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Off-statement of financial position items
The table below shows the contractual expiry periods of the Group's contingent liabilities and commitments.

	Group			
At 31 December 2013	**No later than 1 year $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Loan commitments	2,898,656	-	-	2,898,656
Operating lease commitments	988,005	2,747,394	666,815	4,402,214
	3,886,661	2,747,394	666,815	7,300,870
At 31 December 2012				
Loan commitments	2,887,375	-	-	2,887,375
Operating lease commitments	922,034	2,713,977	759,813	4,395,824
	3,809,409	2,713,977	759,813	7,283,199

(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, interest rates and prices. Market risk is monitored by the research and treasury departments which carry out extensive research and monitor the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

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

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

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

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk

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

	Group						
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CAN$ J$'000**	**EURO J$'000**	**Other J$'000**	**Total J$'000**
At 31 December 2013:							
Financial Assets							
Cash and deposits	3,716,074	3,694,745	560,565	196,224	471,249	493,031	9,131,888
Investment securities and pledged assets	19,749,447	27,938,998	68,710	-	-	266,883	48,024,038
Trade and other receivables	4,016,665	2,272,669	1,542,266	315,966	54,701	267,080	8,469,347
Loans receivable	12,040,435	4,198,072	-	-	-	-	16,238,507
Total financial assets	39,522,621	38,104,484	2,171,541	512,190	525,950	1,026,994	81,863,780
Financial Liabilities							
Deposits	7,016,631	9,857,597	308,741	131,148	453,900	-	17,768,017
Securities sold under agreements to repurchase	9,120,945	15,851,270	-	-	-	101,874	25,074,089
Bank and other loans	6,510,819	3,488,739	1,419,902	146,173	-	6,157	11,571,790
Trade and other payables	8,525,489	4,252,633	1,650,351	418,465	124,191	255,745	15,226,874
Total financial liabilities	31,173,884	33,450,239	3,378,994	695,786	578,091	363,776	69,640,770
Net financial position	8,348,737	4,654,245	(1,207,453)	(183,596)	(52,141)	663,218	12,223,010

	Group						
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CAN$ J$'000**	**EURO J$'000**	**Other J$'000**	**Total J$'000**
At 31 December 2012:							
Financial Assets							
Cash and deposits	6,063,689	4,017,049	335,247	117,533	68,350	387,787	10,989,655
Investment securities and pledged assets	18,453,330	26,336,210	76,376	-	597,020	277,467	45,740,403
Trade and other receivables	4,287,296	1,876,688	1,202,049	294,600	21,524	207,866	7,890,023
Loans receivable	10,007,154	3,874,022	-	-	-	-	13,881,176
Total financial assets	38,811,469	36,103,969	1,613,672	412,133	686,894	873,120	78,501,257
Financial Liabilities							
Deposits	6,945,725	8,413,349	237,066	112,984	58,915	-	15,768,039
Securities sold under agreements to repurchase	10,566,668	16,560,509	-	-	465,758	118,885	27,711,820
Bank and other loans	5,484,090	3,683,827	823,072	202,212	134,781	10,346	10,338,328
Trade and other payables	9,243,940	2,159,549	1,526,290	270,760	58,160	251,864	13,510,563
Total financial liabilities	32,240,423	30,817,234	2,586,428	585,956	717,614	381,095	67,328,750
Net financial position	6,571,046	5,286,735	(972,756)	(173,823)	(30,720)	492,025	11,172,507

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	Company				
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**Other J$'000**	**Total J$'000**
At 31 December 2013:					
Financial Assets					
Cash and deposits	598,402	1,003,881	-	2,944	1,605,227
Investment securities	2,229,295	2,992,935	-	40,585	5,262,815
Trade and other receivables	1,109,054	-	-	-	1,109,054
Subsidiaries	65,309	17,613	-	-	82,922
Loans receivable	1,144,722	424,697	-	-	1,569,419
Total financial assets	5,146,782	4,439,126	-	43,529	9,629,437
Financial Liabilities					
Bank and other loans	2,530,811	866,971	-	-	3,397,782
Trade and other payables	1,133,928	656,337	-	-	1,790,265
Subsidiaries	88,026	152,055	-	-	240,081
Total financial liabilities	3,752,765	1,675,363	-	-	5,428,128
Net financial position	1,394,017	2,763,763	-	43,529	4,201,309

	Company				
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**Other J$'000**	**Total J$'000**
At 31 December 2012:					
Financial Assets					
Cash and deposits	752,066	1,130,633	-	2,647	1,885,346
Investment securities	1,958,590	2,331,390	-	56,357	4,346,337
Trade and other receivables	954,300	-	-	-	954,300
Subsidiaries	179,374	293,920	-	-	473,294
Loans receivable	822,609	354,843	-	-	1,177,452
Total financial assets	4,666,939	4,110,786	-	59,004	8,836,729
Financial Liabilities					
Bank and other loans	1,438,203	1,348,191	-	-	2,786,394
Trade and other payables	944,582	420,441	-	-	1,365,023
Subsidiaries	327,074	673,636	-	-	1,000,710
Total financial liabilities	2,709,859	2,442,268	-	-	5,152,127
Net financial position	1,957,080	1,668,518	-	59,004	3,684,602

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Foreign currency sensitivity

The following tables indicate the currencies to which the Group and company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 15% increase (2012: 10%) and a 1% decrease (2012: 1%) in foreign currency rates . The sensitivity of the profit was as a result of foreign exchange gains/losses on translation of foreign currency denominated loans and lease receivables, cash and deposits, debt securities classified as available for sale and foreign exchange losses/gains on translation of foreign currency denominated borrowings. Profit for the Group and company is more sensitive to movement in currency/US dollar exchange rates in 2013 than 2012 because the net foreign currency exposure has increased. 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 on an individual basis.

	Group			
	% Change in Currency Rate 2013	Effect on Profit before taxation 2013 $'000	% Change in Currency Rate 2012	Effect on Profit before taxation 2012 $'000
Currency:				
USD	+15%	781,965	+10%	464,435
GBP	+15%	(14,856)	+10%	2,718
CAN	+15%	6,670	+10%	4,675
EURO	+15%	110	+10%	(548)
USD	-1%	(52,131)	-1%	(46,444)
GBP	-1%	990	-1%	(272)
CAN	-1%	(445)	-1%	(467)
EURO	-1%	(7)	-1%	55

	Company			
	% Change in Currency Rate 2013	Effect on Profit before taxation 2013 $'000	% Change in Currency Rate 2012	Effect on Profit before taxation 2012 $'000
Currency:				
USD	+15%	417,561	+10%	169,830
USD	-1%	(27,837)	-1%	(16,983)

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

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

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

The Group manages interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments and also manages the maturities of interest bearing financial assets and liabilities. The respective boards within the Group set limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by the ALCOs.

The following tables summarise the Group's and the company's exposure to interest rate risk. It includes the Group and company financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Group						
	Within 1 Month	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 31 December 2013:							
Assets							
Cash and deposits	4,642,908	2,008,623	-	-	-	2,480,357	9,131,888
Investment securities and pledged assets	5,599,033	13,127,836	2,474,525	5,263,177	21,361,873	197,594	48,024,038
Loans receivable	225,036	2,604,189	479,131	6,120,358	6,762,230	47,563	16,238,507
Trade and other receivables	-	-	-	-	-	8,469,347	8,469,347
Total financial assets	10,466,977	17,740,648	2,953,656	11,383,535	28,124,103	11,194,861	81,863,780
Liabilities							
Deposits	12,233,456	3,011,545	2,520,820	2,196	-	-	17,768,017
Securities sold under agreements to repurchase	12,827,427	9,333,219	2,005,215	908,228	-	-	25,074,089
Bank loans	2,056,441	2,906,542	2,638,842	3,139,796	830,169	-	11,571,790
Trade payables	-	-	-	-	-	15,226,874	15,226,874
Total financial liabilities	27,117,324	15,251,306	7,164,877	4,050,220	830,169	15,226,874	69,640,770
Total interest repricing gap	(16,650,347)	2,489,342	(4,211,221)	7,333,315	27,293,934	(4,032,013)	12,223,010

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	Group						
	Within 1 Month	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 31 December 2012:							
Assets							
Cash and deposits	3,232,289	2,928,008	-	-	-	4,829,358	10,989,655
Investment securities and pledged assets	1,054,223	12,876,500	3,501,516	14,912,374	13,209,452	186,338	45,740,403
Loans receivable	747,346	1,216,418	773,661	5,853,972	5,216,072	73,707	13,881,176
Trade and other receivables	-	-	-	-	-	7,890,023	7,890,023
Total financial assets	5,033,858	17,020,926	4,275,177	20,766,346	18,425,524	12,979,426	78,501,257
Liabilities							
Deposits	10,734,602	2,293,497	2,739,940	-	-	-	15,768,039
Securities sold under agreements to repurchase	14,228,599	8,651,623	4,831,598	-	-	-	27,711,820
Bank loans	608,022	3,020,727	2,925,578	2,640,985	1,143,016	-	10,338,328
Trade payables	-	-	-	-	-	13,510,563	13,510,563
Total financial liabilities	25,571,223	13,965,847	10,497,116	2,640,985	1,143,016	13,510,563	67,328,750
Total interest repricing gap	(20,537,365)	3,055,079	(6,221,939)	18,125,361	17,282,508	(531,137)	11,172,507

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	Company						
	Within 1 Month $'000	**1 to 3 Months $'000**	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
At 31 December 2013:							
Assets							
Cash and deposits	488,602	816,754	-	-	-	299,871	1,605,227
Investment securities	-	-	2,070,563	1,263,389	1,889,770	39,093	5,262,815
Loans receivable	-	-	753,822	-	-	815,597	1,569,419
Trade and other receivables	-	-	-	-	-	1,109,054	1,109,054
Subsidiaries	-	-	-	-	-	82,922	82,922
Total financial assets	488,602	816,754	2,824,385	1,263,389	1,889,770	2,346,537	9,629,437
Liabilities							
Bank loans	1,380,588	919,782	1,069,912	27,500	-	-	3,397,782
Trade payables	-	-	-	-	-	1,790,265	1,790,265
Subsidiaries	-	-	-	-	-	240,081	240,081
Total financial liabilities	1,380,588	919,782	1,069,912	27,500	-	2,030,346	5,428,128
Total interest repricing gap	(891,986)	(103,028)	1,754,473	1,235,889	1,889,770	316,191	4,201,309

	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-Interest Bearing $'000**	**Total $'000**
At 31 December 2012:							
Assets							
Cash and deposits	785,372	785,565	-	-	-	314,409	1,885,346
Investment securities	-	-	1,606,618	1,481,875	1,213,631	44,213	4,346,337
Loans receivable	-	-	354,843	-	-	822,609	1,177,452
Trade and other receivables	-	-	-	-	-	954,300	954,300
Subsidiaries	-	-	-	-	-	473,294	473,294
Total financial assets	785,372	785,565	1,961,461	1,481,875	1,213,631	2,608,825	8,836,729
Liabilities							
Bank loans	336,977	1,192,125	1,219,792	37,500	-	-	2,786,394
Trade payables	-	-	-	-	-	1,365,023	1,365,023
Subsidiaries	-	-	-	-	-	1,000,710	1,000,710
Total financial liabilities	336,977	1,192,125	1,219,792	37,500	-	2,365,733	5,152,127
Total interest repricing gap	448,395	(406,560)	741,669	1,444,375	1,213,631	243,092	3,684,602

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

Interest rate sensitivity

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

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

Group

Change in basis points: 2013 JMD / USD	Effect on Profit before taxation 2013 $'000	Effect on Other Components of Equity 2013 $'000	Change in basis points: 2012 JMD / USD	Effect on Profit before taxation 2012 $'000	Effect on Other Components of Equity 2012 $'000
-100/-50	16,805	502,495	-100 / -50	65,276	400,677
+250/+200	(217,715)	(1,751,053)	+400 / +250	(377,139)	(1,794,677)

Company

Change in basis points: 2013 JMD / USD	Effect on Profit before taxation 2013 $'000	Effect on Other Components of Equity 2013 $'000	Change in basis points: 2012 JMD / USD	Effect on Profit before taxation 2012 $'000	Effect on Other Components of Equity 2012 $'000
-100/-50	(6,545)	62,292	-100 / -50	(1,716)	50,716
+250/+200	15,396	(201,975)	+400 / +250	1,991	(219,938)

Price risk

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

The impact of a 10% change in the quoted prices for these equities would be an increase or decrease in the carrying value of $1,674,000 (2012: $2,396,000) in income and $15,943,000 (2012: $13,818,000) in other comprehensive income.

3. Insurance and Financial Risk Management (Continued)

(d) Capital management

Insurance subsidiaries

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

(i) To comply with the capital requirements set by the Financial Services Commission (FSC) for insurance companies;

(ii) To safeguard their ability to continue as going concerns so that they can continue to provide returns for stockholders and benefits for other stakeholders; and

(iii) To maintain a strong capital base to support the development of business.

Capital adequacy is managed at the operating company level. For the insurance companies, it is calculated by the Compliance Officer and reviewed by executive management, the Audit Committee and the Board of Directors. In addition, the company seeks to maintain internal capital adequacy at levels higher than the regulatory requirements.

The primary measure used to assess capital adequacy is the Minimum Capital Test (MCT). This information is required to be filed with the Financial Services Commission on an annual basis. The minimum standard recommended by the regulators for companies is a MCT of 250% (2012: 225%).

The FSC requires each general insurance company to hold the minimum level of regulatory capital of $90,000,000. For the insurance brokerage, the company seeks to maintain internal capital adequacy at levels higher than the regulatory requirements of $10,000,000.

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3. Insurance and Financial Risk Management (Continued)

(d) Capital management (continued)

The banking and investment subsidiaries

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

(i) To comply with the capital requirements set by the regulators of the banking and investment markets where the entities within the Group operate;

(ii) To safeguard their ability to continue as going concerns so that they can continue to provide returns for stockholders and benefits for other stakeholders; and

(iii) To maintain a strong capital base to support the development of business.

Capital adequacy and the use of regulatory capital are monitored monthly by management and the required information is filed monthly with the Bank of Jamaica (BOJ) and the Financial Services Commission (FSC).

The BOJ requires the banking entity to:

(i) Hold the minimum level of regulatory capital as a percentage of total assets of 8%; and
(ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%.

The FSC requires the investment services entities to:

(i) Hold the minimum level of regulatory capital as a percentage of total assets of 6%; and
(ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 14%.

The regulatory capital as managed by the subsidiaries' ALCOs is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill and negative fair value reserves are deducted in arriving at Tier 1 capital; and

(ii) Tier 2 capital: general provisions for loan losses on assets limited to 1.25% of risk-weighted assets.

Risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Group complied with the regulatory capital requirements to which it is subjected.

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3. Insurance and Financial Risk Management (Continued)

(d) Capital management (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 2013, the Group's strategy, which was unchanged from 2012, was to maintain a debt to equity ratio not exceeding 100%. The debt to equity ratios at 31 December 2013 and 2012 were as follows:

	The Group	
	2013 $000	**Restated 2012 $000**
Total borrowings (Note 15)	11,571,790	10,338,328
Owners equity	32,765,684	30,702,837
Gearing ratio	35.3%	33.7%

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 change in the discount rate from 11.1% to 12.1% would result in a reduction in the value in use by $1,186,216,000, which would not result in an impairment of goodwill.

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Pension plan assets and post-employment obligations

The cost of these benefits and the present value of the pension and the other post-employment liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-employment benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-employment benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The appropriate discount rate is determined at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-employment benefit obligations. In determining the appropriate discount rate, the interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid are considered, and that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation in the respective economies. Other key assumptions for the pension and post-employment benefits cost and credits are based in part on current market conditions.

(iv) Liabilities arising from claims made under insurance contracts

The determination of the liabilities under insurance contracts represents the liability for future claims payable by the insurance subsidiary based on contracts for the insurance business in force at the statement of financial position date using several methods, including the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method and the Frequency-Severity method. These liabilities represent the amount of future premiums that will, in the opinion of the actuary, be sufficient to pay future claims relating to contracts of insurance in force, as well as meet the other expenses incurred in connection with such contracts. A margin for risk or uncertainty (adverse deviations) in these assumptions is added to the liability. The assumptions are examined each year in order to determine their validity in light of current best estimates or to reflect emerging trends in the insurance subsidiary's experience.

Claims are analysed separately between those arising from damage to insured property and consequential losses. Claims arising from damage to insured property can be estimated with greater reliability, and the insurance subsidiary's estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allows the insurance subsidiary to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of claims arising from consequential losses makes the estimation process more uncertain for these claims.

(v) Investment properties

Investment properties are carried in the statement of financial position at market value. The Group uses independent qualified property appraisers to value its investment properties annually, generally using the income approach. This approach takes into consideration various assumptions and factors including; the level of current and future occupancy, the rate of annual rent increases, the rate of inflation of direct expenses, the appropriate discount rate, and the current condition of the properties together with an estimate of future maintenance and capital expenditures. Reference is also made to recent comparable sales. A change in any of these assumptions and factors could have a significant impact on the valuation of investment properties.

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5. Cash and Deposits

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Cash at bank and in hand	5,894,397	6,018,899	386,533	343,833
Deposits	3,237,491	4,970,756	1,218,694	1,541,513
	9,131,888	10,989,655	1,605,227	1,885,346

Included in deposits is interest receivable of $199,000 (2012: $6,215,000) and $3,939,000 (2012: $15,500,000) for the Group and company, respectively. The weighted average effective interest rate on deposits was 4.34% (2012: 5.88%) and 3.75% (2012: 4.75%) for the Group and company, respectively, and these deposits have an original term of maturity of 3 months or less.

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

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Cash at bank and in hand	5,894,397	6,018,899	386,533	343,833
Deposits	3,237,491	4,970,756	1,218,694	1,541,513
	9,131,888	10,989,655	1,605,227	1,885,346
Bank overdrafts (Note 15)	(2,527,598)	(1,414,607)	(944,452)	(334,183)
	6,604,290	9,575,048	660,775	1,551,163

GraceKennedy Limited

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6. Investment Securities and Pledged Assets

(a) Investment securities

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Available-for-sale:				
Quoted equities	159,425	138,177	38,758	43,878
Bank of Jamaica	3,261,234	2,297,255	-	-
Government of Jamaica securities	35,561,343	37,061,282	3,286,938	3,150,907
Foreign government securities	468,745	-	-	-
Corporate bonds	6,390,152	5,358,433	634,299	552,899
Other debt securities	2,140,026	837,095	1,302,485	598,318
Other	21,425	24,200	335	335
	48,002,350	45,716,442	5,262,815	4,346,337
Financial assets at fair value through profit or loss:				
Derivative financial instruments (Note 37)	4,944	-	-	-
Quoted equities	16,744	23,961	-	-
	21,688	23,961	-	-
Total	48,024,038	45,740,403	5,262,815	4,346,337
Less: Pledged assets (Note 6b)	27,140,200	29,431,618	-	-
Investment securities in the statement of financial position	20,883,838	16,308,785	5,262,815	4,346,337

Included in investment securities is interest receivable of $801,462,000 (2012: $814,602,000) and $82,727,000 (2012: $98,096,000) for the Group and the company respectively.

Included in Government of Jamaica securities are instruments which mature between 3 months and 12 months or which the Group intends to realise within 12 months and have an effective interest rate of 5.54% (2012: 6.94%) and 4.75% (2012: 7.42%) for the Group and the company respectively.

Included in Bank of Jamaica is $2,197,310,000 (2012: $1,952,395,000) held at the Bank of Jamaica under Section 14(1) of the Banking Act, 1992, representing the required ratio of 12% (2012: 12%) for Jamaican dollar cash reserves and 9% (2012: 9%) for United States dollar cash reserves of the banking subsidiary's prescribed liabilities. It is not available for investment, lending or other use by the Group or the banking subsidiary.

Included in investment securities for the company is $691,382,000 (2012: $322,597,000) and Group $9,579,998,000 (2012: $10,114,374,000) which matures in the next 12 months.

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6. Investment Securities and Pledged Assets (Continued)

(b) Pledged assets

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

	Group			
	Asset		**Related liability**	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Total in the statement of financial position (Note 6a)	27,140,200	29,431,618	25,362,823	27,963,778

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	
	2013 $'000	**2012 $'000**
Pledged assets with right to sell or repledge	7,763,259	6,173,590

(c) Available-for-sale securities

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
At 1 January	45,716,442	40,975,397	4,346,337	3,208,013
Exchange differences	3,426,650	898,846	402,705	233,558
Additions	7,322,122	7,334,558	596,093	1,194,181
Disposals	(7,682,025)	(3,004,564)	-	(228,088)
Net losses transfer to/(from) equity	(780,839)	(487,795)	(82,320)	(61,327)
At 31 December	48,002,350	45,716,442	5,262,815	4,346,337
Less non-current portion	(38,422,352)	(35,602,068)	(4,571,433)	(4,023,740)
Current portion	9,579,998	10,114,374	691,382	322,597

The Group removed profits of $360,687,000 (2012: $173,072,000) and losses of $292,626,000 (2012: $Nil) from equity into the income statement. Losses were due to participation in the National Debt Exchange and Private Debt Exchange and impairments. The Company removed profits of $8,614,000 (2012: $Nil) and losses of $21,096,000 (2012: $Nil) from equity into the income statement. Losses were due to impairments.

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7. Receivables

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Trade receivables, less provision for impairment	5,393,836	4,673,010	1,037,694	908,060
Insurance receivables, less provision for impairment	2,292,714	2,438,706	-	-
Receivable from associates (Note 34(e))	17,327	13,740	15,914	10,866
Prepayments	624,979	617,101	83,180	101,258
Other receivables	765,470	764,567	55,446	35,374
	9,094,326	8,507,124	1,192,234	1,055,558

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	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Raw materials and spares	561,332	475,406	-	-
Work in process	-	4,114	-	-
Finished goods	1,767,260	1,274,275	-	-
Merchandise	4,427,749	3,962,751	1,671,070	1,294,434
Goods in transit	1,588,756	852,829	400,880	136,010
	8,345,097	6,569,375	2,071,950	1,430,444

The inventory write-down recognised as an expense amounted to $303,476,000 (2012: $286,951,000) and $135,411,000 (2012: $118,870,000) for the Group and the company respectively.

9. Loans Receivable

(a) Loans receivable comprise:

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Finance leases, less deferred profit	262,764	265,809	-	-
Loans and receivables:				
Loans to subsidiaries (Note 34 (e))	-	-	1,502,916	1,103,937
Loans to others	15,975,730	13,615,270	66,503	73,515
Other receivables	13	97	-	-
	16,238,507	13,881,176	1,569,419	1,177,452

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

Included in loans receivable is interest receivable of $93,015,000 (2012: $91,514,000) for the Group.
Included in loans receivable is $3,423,640,000 (2012: $2,745,426,000) and $753,822,000 (2012: $354,843,000) which matures in the next 12 months for the Group and the company respectively.

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9. Loans Receivable (Continued)

(b) Finance lease receivables

	Group	
	2013 $'000	**2012 $'000**
Gross receivables from finance leases:		
Not later than 1 year	147,116	145,526
Later than 1 year and not later than 5 years	169,715	167,522
Later than 5 years	5,007	11,684
	321,838	324,732
Unearned future finance income on finance leases	(59,074)	(58,923)
Net investment in finance leases	262,764	265,809
The net investment in finance leases is analysed as follows:		
Not later than 1 year	118,594	116,471
Later than 1 year and not later than 5 years	139,481	139,206
Later than 5 years	4,689	10,132
Total	262,764	265,809

10. Investments in Associates

	Group		Company	
	2013 $'000	**Restated 2012 $'000**	**2013 $'000**	**Restated 2012 $'000**
At beginning of year	899,027	796,905	185,173	185,173
Amounts recognised in the income statement	260,175	174,007	-	-
Amounts recognised in the other comprehensive income	6,813	45,356	-	-
Dividends paid	(137,049)	(117,241)	-	-
Amounts recognised in the statement of financial position	1,028,966	899,027	185,173	185,173

Dairy Industries (Jamaica) Limited (DIJL), in the opinion of the directors, is material to the Group. DIJL has share capital consisting solely of ordinary shares, which are held directly by the Group. 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.

DIJL is a private company and there is no quoted market price available for its shares.

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

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10. Investments in Associates (Continued)

The summarised information for DIJL that was accounted for using the equity method for the years ended 31 December 2013 and 31 December 2012 is as follows:

Summarised statement of financial position

	Dairy Industries (Jamaica) Limited	
	2013 $'000	**2012 $'000**
Current		
Cash and cash equivalents	164,103	134,297
Other current assets (excluding cash)	1,076,440	821,518
Total current net assets	1,240,543	955,815
Financial liabilities (excluding trade payables)	37,778	-
Other current liabilities (including trade payables)	451,179	313,561
Total current liabilities	488,957	313,561
Non-current		
Assets	513,435	483,471
Non-financial liabilities	140,293	142,853
Total non-current liabilities	140,293	142,853
Net assets	1,124,728	982,872

Summarised income statement

	Dairy Industries (Jamaica) Limited	
	2013 $'000	**2012 $'000**
Revenue	2,533,632	2,267,878
Depreciation	31,812	29,261
Interest income	5,904	-
Interest expense	(13,556)	-
Profit before income tax	512,188	344,786
Taxation expense	(153,958)	(122,178)
Profit after tax	358,230	222,608
Other comprehensive income	13,626	90,712
Total comprehensive income	371,856	313,320
Dividends received by the Group from associate	115,000	95,000

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10. Investments in Associates (Continued)

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

	Dairy Industries (Jamaica) Limited	
Summarised financial information	**2013 $'000**	**2012 $'000**
Opening net assets at 1 January	982,872	859,552
Profit for the period	358,230	222,608
Other comprehensive income	13,626	90,712
Dividends paid	(230,000)	(190,000)
Closing net assets	1,124,728	982,872
Interest in associates (%)	50	50
Interest in associates (J$)	562,364	491,436
Carrying value	562,364	491,436

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11. Intangible Assets

	Brands and Customer Relationships $'000	Goodwill $'000	Computer Software $'000	Policy Contracts $'000	Total $'000
			Group		
Cost					
At 1 January 2012	1,378,334	723,183	1,575,003	589,088	4,265,608
Additions	-	-	228,701	-	228,701
Retirement of asset	-	-	(3,021)	-	(3,021)
Transfer from capital work in progress	-	-	120,694	-	120,694
Exchange differences	96,380	45,991	487	-	142,858
At 31 December 2012	1,474,714	769,174	1,921,864	589,088	4,754,840
Additions	-	-	462,022	-	462,022
Retirement of asset	-	(26,650)	-	-	(26,650)
Exchange differences	167,657	67,098	2,184	-	236,939
At 31 December 2013	1,642,371	809,622	2,386,070	589,088	5,427,151
Accumulated Amortisation and Impairment					
At 1 January 2012	428,287	335,140	1,373,517	235,635	2,372,579
Amortisation charge for the year	89,891	-	149,715	39,272	278,878
Retirement of asset	-	-	(3,021)	-	(3,021)
At 31 December 2012	518,178	335,140	1,520,211	274,907	2,648,436
Amortisation charge for the year	99,702	-	212,317	39,272	351,291
Retirement of asset	-	(26,650)	-	-	(26,650)
Exchange differences	27,310	-	1,534	-	28,844
At 31 December 2013	645,190	308,490	1,734,062	314,179	3,001,921
Net Book Amount					
31 December 2013	997,181	501,132	652,008	274,909	2,425,230
31 December 2012	956,536	434,034	401,653	314,181	2,106,404

Impairment tests for goodwill

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

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11. Intangible Assets (Continued)

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

	2013 $000	2012 $000
Food Trading	501,132	434,034

For the year ended 31 December 2013, management tested for impairment the goodwill allocated to all the CGUs.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value in use calculations:

	Revenue Growth Rate	EBITDA to Revenue	Capital Expenditure to Revenue	Discount Rate
Food Trading	14.55%	4.93%	0.91%	11.10%

	Computer Software $'000
	Company
Cost	
At 1 January 2012	408,159
Additions	77,919
Retirement of asset	(159)
At 31 December 2012	485,919
Additions	105,547
Retirement of asset	275
At 31 December 2013	591,741
Accumulated Amortisation	
At 1 January 2012	323,909
Amortisation charge for the year	62,933
Retirement of asset	(159)
At 31 December 2012	386,683
Amortisation charge for the year	98,843
Retirement of asset	275
At 31 December 2013	485,801
Net Book Amount	
31 December 2013	105,940
31 December 2012	99,236

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12. Fixed Assets

	Freehold Land and Buildings $'000	Leasehold Buildings and Improvements $'000	Plant, Equipment, Fixtures & Vehicles $'000	Capital Work in Progress $'000	Total $'000
			Group		
Cost or Valuation					
At 1 January 2012	4,446,904	1,042,504	5,230,615	334,470	11,054,493
Additions	28,536	130,123	406,818	229,508	794,985
Revaluation adjustment	199,954	-	-	-	199,954
Transfers	5,164	122,323	189,538	(317,025)	-
Transfer to computer software	-	-	-	(120,694)	(120,694)
Disposals	(30,008)	(12,010)	(146,750)	(6,868)	(195,636)
Exchange differences	297	21,267	25,503	-	47,067
At 31 December 2012	4,650,847	1,304,207	5,705,724	119,391	11,780,169
Additions	131,674	26,288	357,173	204,536	719,671
Revaluation adjustment	126,948	-	-	-	126,948
Transfers	54,473	463	73,827	(128,763)	-
Transfer to investment properties (Note 40)	(365,000)	-	-	-	(365,000)
Disposals	(82,879)	(1,212)	(87,037)	-	(171,128)
Exchange differences	603	47,837	256,860	-	305,300
At 31 December 2013	4,516,666	1,377,583	6,306,547	195,164	12,395,960
Accumulated Depreciation					
At 1 January 2012	119,293	576,307	3,465,645	-	4,161,245
Charge for the year	69,209	94,579	520,117	-	683,905
Revaluation adjustment	(187,997)	-	-	-	(187,997)
On disposals	(474)	(8,881)	(118,438)	-	(127,793)
At 31 December 2012	31	662,005	3,867,324	-	4,529,360
Charge for the year	86,605	164,411	436,596	-	687,612
On disposals	(833)	-	(16,002)	-	(16,835)
Exchange differences	-	13,484	235,403	-	248,887
At 31 December 2013	85,803	839,900	4,523,321	-	5,449,024
Net Book Value					
31 December 2013	4,430,863	537,683	1,783,226	195,164	6,946,936
31 December 2012	4,650,816	642,202	1,838,400	119,391	7,250,809

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12. Fixed Assets (Continued)

	Freehold Land and Buildings $'000	Leasehold Buildings and Improvements $'000	Plant, Equipment, Fixtures & Vehicles $'000	Capital Work in Progress $'000	Total $'000
			Company		
Cost or Valuation					
At 1 January 2012	52,712	78,749	626,818	549	758,828
Additions	-	10,234	46,549	4,248	61,031
Revaluation adjustment	7,288	-	-	-	7,288
Transfers	-	-	549	(549)	-
Disposals	-	-	(11,128)	-	(11,128)
At 31 December 2012	60,000	88,983	662,788	4,248	816,019
Additions	-	209	59,813	-	60,022
Transfers	-	-	4,248	(4,248)	-
Disposals	-	-	(10,381)	-	(10,381)
At 31 December 2013	60,000	89,192	716,468	-	865,660
Accumulated Depreciation					
At 1 January 2012	1,093	61,127	450,757	-	512,977
Charge for the year	1,093	3,453	67,365	-	71,911
Revaluation adjustment	(2,186)	-	-	-	(2,186)
On disposals	-	-	(5,222)	-	(5,222)
At 31 December 2012	-	64,580	512,900	-	577,480
Charge for the year	1,188	2,858	67,176	-	71,222
On disposals	-	-	(2,739)	-	(2,739)
At 31 December 2013	1,188	67,438	577,337	-	645,963
Net Book Value					
31 December 2013	58,812	21,754	139,131	-	219,697
31 December 2012	60,000	24,403	149,888	4,248	238,539

(a) The tables above include carrying values of $23,097,000 (2012: $24,842,000) and $23,497,000 (2012: $18,411,000) for the Group and the company, respectively, representing assets being acquired under finance leases. All amounts related to finance leases are shown in the 'Plant, Equipment, Fixtures & Vehicles' category of fixed assets.

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12. Fixed Assets (Continued)

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

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Cost	3,539,323	3,435,621	41,123	41,123
Accumulated depreciation	333,714	268,626	7,804	6,776
Net Book Value	3,205,609	3,166,995	33,319	34,347

(c) The Group had certain land and buildings revalued in 2013, while others were last revalued during 2012, by independent valuers. The valuations were done on the basis of open market value, with the exception of the Distribution Centre, for which recent market transactions are not available due to the specialised nature of the assets. The revaluation surpluses, net of applicable deferred income taxes, were credited to the capital and fair value reserves in equity (Note 19).

(d) In 2013 some land and buildings were transferred to investment properties (Note 40). These properties, which were previously occupied by the Group, have now been leased to third parties.

13. Deferred Income Taxes

During the 2012/13 budget presentation, the Government of Jamaica announced a reduction in the corporate income tax rate for unregulated entities defined as an entity not regulated by the Financial Services Commission, the Bank of Jamaica, the Ministry of Finance and Planning or the Office of Utilities Regulation, from 33 1/3% to 25%, effective 1 January 2013. The change in the tax rate was signed into law on 28 December 2012 and as such was applied in determining the amounts for deferred taxation in the financial statements for the year ended 31 December 2012.

On 12 February 2013, the Minister of Finance and Planning announced in Parliament that a surtax of 5% would be imposed on the taxable income of "large unregulated companies" effective from 1 April 2013. This represented an addition to the 25% tax rate levied as at 1 January 2013. This additional tax was imposed by Order under the Provisional Collection of Tax Act and was confirmed by Act 21 of August 2013, which amended the Income Tax Act. The amendment imposed a tax rate of 30% on the income of a large unregulated company with effect from 1 April 2013. A "large unregulated company" is defined as an unregulated company which has gross annual income of not less than $500,000,000.

During the year, the Government of Jamaica continued its reform of taxes. As a result of this The Fiscal Incentives Act dated 20 December 2013 was signed into law. Under this Act the tax rate for large unregulated companies was reduced from 30% to 25% effective 1 January 2014. As such this rate was applied in determining the amounts for deferred taxation in the financial statements for the year ended 31 December 2013.

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

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

	Group		Company	
	2013 $'000	**Restated 2012 $'000**	**2013 $'000**	**Restated 2012 $'000**
At beginning of year	(305,674)	(1,404,969)	(1,566,680)	(2,497,790)
Income statement (charge) /credit (Note 27)	(305,064)	510,719	117,861	579,651
Tax credit relating to components of other comprehensive income (Note 27)	264,942	565,906	352,329	351,459
Exchange differences	31,145	22,670	-	-
At end of year	(314,651)	(305,674)	(1,096,490)	(1,566,680)

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13. Deferred Income Taxes (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. Subject to agreement with the taxation administration in the relevant jurisdictions, the Group has recognised tax losses of $1,631,599,000 (2012: $2,395,444,000) and recognised tax credits of $271,318,000 (2012: $271,318,000) to carry forward indefinitely against future taxable income.

Deferred income tax liabilities of $127,126,000 (2012: $162,053,000) 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 $508,505,000 (2012: $486,158,000).

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 2012 as previously stated	224,462	353,866	61,307	2,769,080	409,316	3,818,031
Effect of changes in accounting standard	-	-	-	(261,107)	-	(261,107)
At 1 January 2012 as restated	224,462	353,866	61,307	2,507,973	409,316	3,556,924
Charged/(credited) to the income statement	57,979	(53,469)	(16,873)	(642,779)	(3,145)	(658,287)
Charged/(credited) to other comprehensive income	36,037	(141,684)	-	(464,506)	-	(570,153)
Exchange differences	-	37	-	-	2	39
At 31 December 2012	318,478	158,750	44,434	1,400,688	406,173	2,328,523
Charged/(credited) to the income statement	5,904	(67,457)	15,565	27,128	(35,773)	(54,633)
Charged/(credited) to other comprehensive income	25,092	(54,806)	-	(51,199)	-	(80,913)
Exchange differences	-	-	-	-	11	11
At 31 December 2013	349,474	36,487	59,999	1,376,617	370,411	2,192,988

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 2012 as previously stated	28,801	-	949,032	721,743	273,291	1,972,867
Effect of changes in accounting standard	-	-	-	179,088	-	179,088
At 1 January 2012 as restated	28,801	-	949,032	900,831	273,291	2,151,955
Credited/(charged) to the income statement	12,829	-	35,637	(110,867)	(85,167)	(147,568)
Credited/(charged) to other comprehensive income	-	-	-	(4,247)	-	(4,247)
Exchange differences	293	-	22,291	-	125	22,709
At 31 December 2012	41,923	-	1,006,960	785,717	188,249	2,022,849
Credited/(charged) to the income statement	1,860	445	(299,161)	56,714	(119,555)	(359,697)
Credited to other comprehensive income	-	156,577	-	27,452	-	184,029
Exchange differences	773	-	30,279	-	104	31,156
At 31 December 2013	44,556	157,022	738,078	869,883	68,798	1,878,337

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13. Deferred Income Taxes (Continued)

	Company					
Deferred tax liabilities	**Fixed Assets $'000**	**Fair Value Gains $'000**	**Unrealised Foreign Exchange Gains $'000**	**Pension Plan Asset $'000**	**Other $'000**	**Total $'000**
At 1 January 2012 as previously stated	21,205	95,799	11,173	2,716,103	21,716	2,865,996
Effect of changes in accounting standard	-	-	-	36,461	-	36,461
At 1 January 2012 as restated	21,205	95,799	11,173	2,752,564	21,716	2,902,457
Credited to the income statement	(8,152)	-	(5,015)	(654,131)	(5,101)	(672,399)
Charged/(credited) to other comprehensive income	874	(39,282)	-	(306,012)	-	(344,420)
At 31 December 2012	13,927	56,517	6,158	1,792,421	16,615	1,885,638
Charged/(credited) to the income statement	8,359	-	(2,450)	(98,711)	(6,527)	(99,329)
Credited to other comprehensive income	(39)	(20,580)	-	(317,093)	-	(337,712)
At 31 December 2013	22,247	35,937	3,708	1,376,617	10,088	1,448,597

Deferred tax assets	**Fixed Assets $'000**	**Employee Benefit Obligations $'000**	**Other $'000**	**Total $'000**
At 1 January 2012 as previously stated	13,889	250,390	10,170	274,449
Effect of changes in accounting standard	-	130,218	-	130,218
At 1 January 2012 as restated	13,889	380,608	10,170	404,667
Charged to the income statement	(3,044)	(84,583)	(5,121)	(92,748)
Credited to other comprehensive income	-	7,039	-	7,039
At 31 December 2012	10,845	303,064	5,049	318,958
Credited to the income statement	290	10,074	8,168	18,532
Credited to other comprehensive income	-	14,617	-	14,617
At 31 December 2013	11,135	327,755	13,217	352,107

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13. Deferred Income Taxes (Continued)

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

	Group		Company	
	2013 $'000	**Restated 2012 $'000**	**2013 $'000**	**Restated 2012 $'000**
Deferred tax assets	953,864	1,421,327		-
Deferred tax liabilities	(1,268,515)	(1,727,001)	(1,096,490)	(1,566,680)
	(314,651)	(305,674)	(1,096,490)	(1,566,680)
The gross amounts shown in the above tables include the following:				
Deferred tax assets:				
Deferred tax assets to be recovered after more than 12 months	1,652,517	1,834,600	338,890	313,909
Deferred tax assets to be recovered within 12 months	225,820	188,249	13,217	5,049
	1,878,337	2,022,849	352,107	318,958
Deferred tax liabilities				
Deferred tax liabilities to be settled after more than 12 months	(1,726,091)	(1,719,166)	(1,398,864)	(1,806,348)
Deferred tax liabilities to be settled within 12 months	(466,897)	(609,357)	(49,733)	(79,290)
	(2,192,988)	(2,328,523)	(1,448,597)	(1,885,638)
Deferred tax liabilities net	(314,651)	(305,674)	(1,096,490)	(1,566,680)

14. Pensions and Other Post-Employment Obligations

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

Defined contribution scheme

The defined contribution pension scheme is open to Jamaican based employees hired on or after 1 April 2010. Employees contribute 5% of pensionable earnings with the option to contribute an additional voluntary contribution of 5%. The employer contributions are currently set at 10%. The Group's and company's contributions for the year were $93,968,000 (2012: $65,010,000) and $18,218,000 (2012: $10,955,000) respectively.

Defined benefit scheme

The Group's defined benefit pension scheme, which commenced on 1 January 1975, is funded by employee contributions at 5% of salary with the option to contribute an additional 5%, and employer contributions at 0.02%, as recommended by independent actuaries. The last valuation was carried out at 31 December 2013. Pension at normal retirement age is based on 2% per year of pensionable service of the average of the highest three years' annual salary during the last ten years of service. This scheme was closed to new members as at 31 March 2010.

The Board of Trustees of the pension fund is comprised of representatives from both the employer and members of the plan. The Board of Trustees of the pension fund is required by law to act in the interest of the fund and all relevant stakeholders. The Board of Trustees of the fund is responsible for the investment policy with regard to the assets of the fund. The funds are managed by First Global Financial Services Limited.

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

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

Pension benefits

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

	Group		Company	
	2013 $'000	**Restated 2012 $'000**	**2013 $'000**	**Restated 2012 $'000**
Present value of funded obligations	14,229,610	13,154,421	7,163,328	5,777,511
Fair value of plan assets	(19,736,079)	(18,996,677)	(12,669,797)	(12,947,196)
Asset in the statement of financial position	(5,506,469)	(5,842,256)	(5,506,469)	(7,169,685)

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

	Group		Company	
	2013 $'000	**Restated 2012 $'000**	**2013 $'000**	**Restated 2012 $'000**
Beginning of year, as restated	13,154,421	10,966,907	5,777,511	4,848,849
Current service cost	609,721	544,845	209,143	179,300
Interest cost	1,431,009	1,153,863	619,546	499,426
Past service cost	(621,029)	-	695,372	-
	1,419,701	1,698,708	1,524,061	678,726
Remeasurements -				
Loss from change in demographic assumptions	-	441,352	-	213,068
Loss/(gain) from change in financial assumptions	44,049	(220,263)	52,036	(72,947)
Experience (gains)/losses	(166,123)	466,647	(50,708)	261,593
	(122,074)	687,736	1,328	401,714
Members' contributions	245,536	252,672	21,453	83,992
Benefits paid	(467,974)	(451,602)	(161,025)	(235,770)
End of year	14,229,610	13,154,421	7,163,328	5,777,511

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

Pension benefits (continued)

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

	Group		Company	
	2013 $'000	**Restated 2012 $'000**	**2013 $'000**	**Restated 2012 $'000**
Beginning of year	18,996,677	18,490,828	12,947,196	13,106,540
Interest income on plan assets	1,980,459	1,839,207	1,350,413	1,303,087
Re-measurements -				
Return on plan assets, excluding amounts included in interest income	(566,211)	(1,101,637)	(1,267,043)	(822,335)
Members' contributions	245,536	252,672	21,453	83,992
Employers' contributions	754	1,438	49	441
Benefits paid	(467,974)	(451,602)	(161,025)	(235,770)
Adjustment to plan assets	(453,162)	(34,229)	(221,246)	(488,759)
End of year	19,736,079	18,996,677	12,669,797	12,947,196

Adjustments to plan assets relate to associated companies and the transfer of members of a subsidiary to a defined contribution scheme.

The amounts recognised in the income statement are as follows:

	Group		Company	
	2013 $'000	**Restated 2012 $'000**	**2013 $'000**	**Restated 2012 $'000**
Current service cost	609,721	544,845	209,143	179,300
Interest income (net)	(549,450)	(685,344)	(730,867)	(803,661)
Past service cost	(621,029)	-	695,372	-
Adjustment to plan assets	453,162	34,229	221,246	488,759
Total, included in staff costs (Note 26)	(107,596)	(106,270)	394,894	(135,602)

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately $8,084,087,000 relating to active employees, $1,192,390,000 relating to deferred members and $4,953,133,000 relating to members in retirement.

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

Pension benefits (continued)

The plan assets are comprised of:

	Group			
	2013 $'000	**%**	**2012 $'000**	**%**
Equity	3,459,766	18%	3,017,193	16%
Debt	861,421	4%	805,344	4%
Real Estate	1,827,169	9%	1,730,882	9%
Government securities	10,948,191	56%	11,400,293	60%
Other	2,639,532	13%	2,042,965	11%
	19,736,079	100%	18,996,677	100%

	Company			
	2013 $'000	**%**	**2012 $'000**	**%**
Equity	2,221,035	18%	2,056,369	16%
Debt	552,999	4%	548,884	4%
Real Estate	1,172,971	9%	1,179,683	9%
Government securities	7,028,314	56%	7,769,876	60%
Other	1,694,478	13%	1,392,384	11%
	12,669,797	100%	12,947,196	100%

The pension plan assets include the company's ordinary stock units with a fair value of $843,593,000 (2012: $753,358,000), buildings occupied by Group companies with fair values of $871,075,000 (2012: $873,010,000), and repurchase agreement investments with Group companies of $1,662,386,000 (2012: $2,253,354,000).

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 2014 are $571,000. The actual return on plan assets was $1,414,248,000 (2012: $737,572,000).

The principal actuarial assumptions used were as follows:

	2013	**2012**
Discount rate	9.5%	10.5%
Long term inflation rate	5.5%	6.0%
Future salary increases	6.0%	7.5%
Future pension increases	5.5%	6.5%

Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

The average life expectancy in years of a pensioner retiring at age 60 on the statement of financial position date is as follows:

	2013	**2012**
Male	23.18	23.09
Female	25.98	25.93

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

Pension benefits (continued)

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

	Group		
		Impact on post-employment obligations	
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	Decrease by 14.5%	Increase by 18.8%
Future salary increases	1%	Increase by 5.5%	Decrease by 4.8%
Expected pension increase	1%	Increase by 12.3%	Decrease by 10.3%

	Company		
		Impact on post-employment obligations	
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	Decrease by 13.0%	Increase by 16.5%
Future salary increases	1%	Increase by 3.9%	Decrease by 3.5%
Expected pension increase	1%	Increase by 11.9%	Decrease by 10.0%

	Group		Company	
	Increase Assumption by One Year	Decrease Assumption by One Year	Increase Assumption by One Year	Decrease Assumption by One Year
Life expectancy	Increase by 2.2%	Decrease by 2.3%	Increase by 2.2%	Decrease by 2.2%

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 scheme, the main actuarial assumption is a long term increase in health costs of 7.0% per year (2012: 7.5% per year).

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

Other post-employment obligations (continued)

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

	Group		Company	
	2013 $'000	**Restated 2012 $'000**	**2013 $'000**	**Restated 2012 $'000**
Present value of unfunded obligations	3,202,616	2,887,948	1,311,018	1,212,257

The movement in the defined benefit obligation is as follows:

	Group		Company	
	2013 $'000	**Restated 2012 $'000**	**2013 $'000**	**Restated 2012 $'000**
Beginning of year	2,887,948	2,702,493	1,212,257	1,141,825
Current service cost	174,071	167,164	50,155	48,370
Interest expense	314,975	280,481	128,481	115,112
Past service cost	(141,643)	(117,525)	(49,221)	(43,038)
	347,403	330,120	129,415	120,444
Remeasurements -				
Loss from change in demographic assumptions	-	101,150	-	46,355
Loss/(gain) from change in financial assumptions	214,325	(55,619)	72,306	(16,953)
Experience gains	(93,559)	(60,470)	(13,839)	(1,245)
	120,766	(14,939)	58,467	28,157
Benefits paid	(153,501)	(129,726)	(89,121)	(78,169)
End of year	3,202,616	2,887,948	1,311,018	1,212,257

The amounts recognised in the income statement were as follows:

	Group		Company	
	2013 $'000	**Restated 2012 $'000**	**2013 $'000**	**Restated 2012 $'000**
Current service cost	174,071	167,164	50,155	48,370
Interest cost	314,975	280,481	128,481	115,112
Past service cost	(141,643)	(117,525)	(49,221)	(43,038)
Total included in staff costs (Note 26)	347,403	330,120	129,415	120,444

The total charge was included in administration expenses.

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

Other post-employment obligations (continued)

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

	Group		Company	
	2013 $'000	Restated 2012 $'000	2013 $'000	Restated 2012 $'000
Gratuity Plan	778,136	867,249	271,522	301,266
Group Life Plan	491,768	347,516	183,595	132,841
Insured Group Health	692,609	521,418	228,110	178,213
Self Insured Health Plan	750,091	669,424	271,698	241,943
Supplementary Pension Plan	490,012	482,341	356,093	357,994
Liability in the statement of financial position	3,202,616	2,887,948	1,311,018	1,212,257

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

	Group		
	Impact on post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	Decrease by 13.6%	Increase by 17.3%
Medical inflation rate	1%	Increase by 17.5%	Decrease by 14.0%

	Company		
	Impact on post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	Decrease by 11.8%	Increase by 14.8%
Medical inflation rate	1%	Increase by 15.0%	Decrease by 12.2%

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 Company's long term strategy to manage the plan efficiently.

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

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

Changes in bond yields

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

Inflation risk

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

Life expectancy

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

The Board of Trustees is ultimately responsible for the establishment and oversight of the plan's risk management framework. The Trustees have established an Investment Committee for managing and monitoring the overall risk management process, as well as implementing policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The Committee is responsible for formulating and monitoring investment portfolios and investment strategies for the plan. The Committee is also responsible for approval and monitoring of appropriate trading limits, reports and compliance controls to ensure that the mandate is properly followed. A large portion of assets in 2013 consists of bonds and equities.

Funding levels are monitored on an annual basis and the current agreed contribution rate by the Group is 0.02% of pensionable salaries. The next triennial valuation is due to be completed as at 31 December 2016. The Group considers that the contribution rates set at the last valuation date to be sufficient to prevent a deficit and that regular contributions, which are based on service costs, will not increase significantly.

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

Plans	Years
Gratuity Plan	11.6
Group Life Plan	14.4
Insured Group Health	19.2
Pension Plan	17.3
Self Insured Health Plan	13.7
Superannuation plan	7.4

Expected maturity analysis of undiscounted pension and other post-employment benefits:

	Group			
At 31 December 2013	**Less than 1 Year $'000**	**2 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
Pension benefits	372,324	1,931,940	102,333,204	104,637,468
Other post-employment benefits	185,084	649,356	19,557,702	20,392,142
Total	557,408	2,581,296	121,890,906	125,029,610

	Company			
At 31 December 2013	**Less than 1 Year $'000**	**2 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
Pension benefits	253,224	1,264,068	40,847,899	42,365,191
Other post-employment benefits	84,026	375,510	6,006,676	6,466,212
Total	337,250	1,639,578	46,854,575	48,831,403

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15. Bank and Other Loans

	Group		Company	
	2013 **$'000**	**2012** **$'000**	**2013** **$'000**	**2012** **$'000**
Secured on assets	1,970,447	2,520,868	-	-
Unsecured	9,601,343	7,817,460	3,397,782	2,786,394
	11,571,790	10,338,328	3,397,782	2,786,394

(a) Unsecured loans of certain subsidiaries are supported by letters of comfort from the parent company. Interest rates on these loans range between 2.51% -13.5% (2012: 2.51% - 12.76%).

(b) Bank and other loans comprise:

	Group		Company	
	2013 **$'000**	**2012** **$'000**	**2013** **$'000**	**2012** **$'000**
Bank overdrafts (Note 5)	2,527,598	1,414,607	944,452	334,183
Bank borrowings	5,504,371	5,671,683	1,624,745	1,659,349
Finance leases	19,883	21,536	42,590	35,673
Customer deposits	-	2,926	-	-
Derivative financial instruments (Note 37)	9,544	5,828	-	-
Other loans	3,510,394	3,221,748	785,995	757,189
Total borrowings	11,571,790	10,338,328	3,397,782	2,786,394

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Certain bank borrowings are secured on the assets of subsidiaries that have the loans. All other borrowings are unsecured. Included in bank borrowings is interest payable of $126,385,000 (2012: $61,758,000) and $40,336,000 (2012: $9,173,000) for the Group and the company, respectively.

Included in bank borrowings and other loans is $7,973,327,000 (2012: $5,032,753,000) and $3,304,092,000 (2012: $2,237,986,000) for the Group and the company respectively, which matures in the next 12 months.

Included in customer deposits is interest payable of $Nil (2012: $23,000) for the Group.

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 6.64% (2012: 6.88%) and are within level 2 of the fair value hierarchy.

(c) Finance lease liabilities – minimum lease payments:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Not later than 1 year	4,938	4,728	18,439	17,232
Later than 1 year and not later than 5 years	17,110	19,543	33,440	27,477
	22,048	24,271	51,879	44,709
Future finance charges on finance leases	(2,165)	(2,735)	(9,289)	(9,036)
Present value of finance lease liabilities	19,883	21,536	42,590	35,673

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15. Bank and Other Loans (Continued)

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

The present value of finance lease liabilities is as follows:

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Between 1 and 2 years	8,274	7,691	25,790	22,302
Between 2 and 5 years	11,609	13,845	16,800	13,371
	19,883	21,536	42,590	35,673

16. Payables

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Trade payables	6,412,286	5,879,392	718,525	660,404
Payable to associates (Note 34(e))	384,891	179,054	184,665	49,570
Accruals	2,278,097	1,723,299	486,745	375,735
Claims outstanding	2,625,501	2,047,345	-	-
Insurance reserves	2,244,394	2,353,420	-	-
Other payables	1,281,705	1,328,053	400,330	279,314
	15,226,874	13,510,563	1,790,265	1,365,023

All payables balances are due within the next 12 months.

17. Provisions

Provisions comprise warranties as follows:

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
At beginning of year	6,839	7,243	6,221	6,221
Additional provisions	3,907	-	-	-
Utilised during year	(3,907)	(404)	-	-
At end of year	6,839	6,839	6,221	6,221

This relates to warranties given on roofing, which was undertaken by one of the subsidiary companies. The Group is no longer in this line of business and the warranties expire fully in 2036.

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18. Share Capital

	2013	2012	2013	2012
Authorised -	**’000**	**’000**	**’000**	**’000**
Ordinary shares	400,000	400,000	400,000	400,000
Issued and fully paid -	**’000**	**’000**	**$’000**	**$’000**
Ordinary stock units	333,659	335,319	748,769	848,249
Treasury shares	(1,738)	(518)	(105,695)	(40,170)
Issued and outstanding	331,921	334,801	643,074	808,079

(a) During the year, the company issued 2,000 (2012: 2,989,000) shares to its employees for cash of $100,000 (2012: $86,173,000). The shares were issued under the Directors, Senior Managers and Permanent Employees Stock Option Plans. The company, under its share buy-back programme which commenced in 2013, repurchased 1,662,000 (2012: Nil) units at a fair value of $99,580,000 (2012: $Nil).

(b) During the year, the company through its employee investment trust sold Nil (2012: 1,677,000) units of its own shares at a fair value of $Nil (2012: $80,405,000) and purchased 1,220,000 (2012: 120,000) units at a fair value of $65,525,000 (2012: $5,972,000). The total number of treasury shares held by the company at the end of the year was 1,738,000 (2012: 518,000) at a cost of $105,695,000 (2012: $40,170,000).

(c) At the Annual General Meeting held on 25 June 2002, the stockholders passed a resolution for 7,000,000 of the authorised but unissued shares to be set aside for allocation and sale to the directors of the company. The allocation and sale of these shares are governed by the provisions of the 2002 Stock Option Plan for the Directors of GraceKennedy Limited.

On 1 July 2002, under the rules of the Stock Option Plan, the following allocation was made:

	No. of Shares
Executive directors	5,973,160
Non-executive directors	600,000

The options were granted at a subscription price of $32.81, being the mid-market price of the company’s shares on the Jamaica Stock Exchange at the grant date, and are exercisable over a period of ten years, at the end of which time unexercised options will expire. One-fifth of the total of the grant to each director will vest on each anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

As a result of the issue of bonus shares on 18 December 2002, the amount of shares allocated was increased and the option price per share reduced. The new option price has been set at $27.34, with adjusted allocations as follows:

	No. of Shares
Executive directors	7,167,792
Non-executive directors	720,000

At a Board Meeting held on 27 January 2006, the directors passed a resolution for 120,000 of the authorised but unissued shares of $1.00 each to be set aside for allocation and sale to the directors of the company. The allocation and sale of these shares are governed by the provisions of the 2002 Stock Option Plan for the Directors of GraceKennedy Limited.

The options were granted at a subscription price of $85.59, being the mid-market price of the company’s shares on the Jamaica Stock Exchange at the grant date, and are exercisable over a period of six years, at the end of which time unexercised options will expire. One-fifth of the total of the grant to each director will vest on each anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

Movement on directors’ stock options:

	2013		2012	
	Executive ’000	**Non-Executive ’000**	**Executive ’000**	**Non-Executive ’000**
At 1 January	-	-	2,546	272
Exercised	-	-	(2,546)	(192)
Expired	-	-	-	(80)
At 31 December	-	-	-	-

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18. Share Capital (Continued)

(d) At the Annual General Meeting held on 29 May 2003, the stockholders passed a resolution for 10,000,000 of the authorised but unissued shares to be set aside for allocation and sale to the managers of the company. The allocation and sale of these shares will be governed by the provisions of the 2003 Stock Option Plan for the Managers of GraceKennedy Limited.

On 6 January 2012, under the rules of the Stock Option Plan, the following allocation was made:

	No. of Shares
Senior managers	2,932,008

The options were granted at a subscription price of $50.83, being the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous ten days prior to the grant date, and are exercisable over a period of six years, at the end of which time unexercised options will expire. One-third of the total of the grant to each senior manager will vest on each anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

Movement on this option:

	2013 '000	**2012 '000**
At 1 January	2,683	2,753
Exercised	(2)	(8)
Forfeited	(212)	(62)
At 31 December	2,469	2,683

(e) At the Annual General Meeting held on 28 May 2008, the stockholders passed a resolution for 10,000,000 of the authorised but unissued shares of no par value to be set aside for allocation and sale to the permanent employees of the company. The allocation and sale of these shares will be governed by the provisions of the 2008 Stock Offer Plan for the permanent employees of GraceKennedy Limited.

On 1 March 2012, under the rules of the Stock Offer Plan, the following allocation was made:

	No. of Shares
Permanent employees	2,739,440

The options were granted quarterly at subscription prices ranging between $39.30 to $46.81, being the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous ten trading days prior to the dates on which the grants were made less a 25% discount, and are exercisable over a period of three months, at the end of which time unexercised options will expire. The total of the grant to each permanent employee was fully vested at the date of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

Movement on this option:	**2013 '000**	**2012 '000**
At 1 January	-	1,279
Exercised	-	(198)
Expired	-	(1,081)
At 31 December	-	-

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18. Share Capital (Continued)

(f) At the Annual General Meeting held on 27 May 2009, the stockholders passed a resolution for authorised but unissued shares up to a maximum of 7½% of the total number of issued shares of no par value to be set aside for allocation and sale to the directors, managers and employees of the company. The allocation and sale of these shares will be governed by the provisions of the 2009 Stock Offer Plan for the directors, managers and employees of GraceKennedy Limited

On 3 January 2012, under the rules of the Stock Offer Plan, the following allocation was made:

	No. of Shares
Directors	361,728

The options were granted at a subscription price of $50.26, being the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous three days prior to the grant date, and are exercisable over a period of six years, at the end of which time unexercised options will expire. The total of the grant to each director will fully vest on the third anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

Movement on this option:	**2013 '000**	**2012 '000**
At 1 January	226	317
Exercised	-	(45)
Forfeited	-	(46)
At 31 December	226	226

On 8 December 2012, under the rules of the Stock Offer Plan, the following allocation was made:

	No. of Shares
Directors and senior executives	1,136,160

The options were granted at a subscription price of $60.20, being the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous three days prior to the grant date, and are exercisable over a period of six years, at the end of which time unexercised options will expire. The total of the grant to each director and senior executive will fully vest on the third anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

Movement on this option:	**2013 '000**	**2012 '000**
At 1 January	1,103	1,136
Forfeited	-	(33)
At 31 December	1,103	1,103

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18. Share Capital (Continued)

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

	2013		2012	
	Average exercise price in $ per share	**Options ’000**	**Average exercise price in $ per share**	**Options ’000**
At 1 January	53.65	4,012	43.74	8,303
Forfeited	50.83	(212)	53.07	(141)
Exercised	50.83	(2)	28.83	(2,989)
Expired	-	-	46.74	(1,161)
At 31 December	53.81	3,798	53.65	4,012

Shares totalling 1,857,000 (2012: 1,000,000) 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:

		2013	2012
	Exercise price in $ per share	**Options ’000**	**Options ’000**
2016	50.78	2,695	2,909
2017	61.20	1,103	1,103
		3,798	4,012

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18. Share Capital (Continued)

(h) The fair value of options granted determined using the Black-Scholes valuation model was $130,945,000. The significant inputs into the model were the weighted average share prices of $51.00, $55.65 and $61.20 at the grant dates, exercise prices of $50.83, $41.67 and $61.20, standard deviation of expected share price returns of 33.2%, option life of six years and three months and risk-free interest rates of 7.48%, 6.51% and 6.28% The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the term of the options.

The breakdown of the fair value of options granted is as follows:

	$'000
Fair value of options granted	130,945
Expensed in 2011	(73,687)
Expensed in 2012	(22,828)
Expensed in 2013	(15,749)
Amount to be expensed in future periods	18,681

(i) During 2013 Nil shares were sold to key management personnel through the employee investment trust. On 14 December 2012, 1,677,000 shares were sold to key management personnel through the employee investment trust at a discount of 14% from the average of the last 3 trading days' closing prices of the stock as at 26 November 2012. The cost of the discount of $11,434,000 was expensed in 2012.

19. Capital and Fair Value Reserves

	Group							
	Capital Reserve	Loan Loss Reserve	Fair Value Reserves	Total	Capital Reserve	Loan Loss Reserve	Fair Value Reserves	Total
	2013				2012			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Realised gains on disposal of assets	87,487	-	-	87,487	87,487	-	-	87,487
Capital distributions received	46,750	-	-	46,750	46,750	-	-	46,750
Realised gain on sale of shares	89,565	-	-	89,565	89,565	-	-	89,565
Profits capitalised by Group companies	2,302,086	-	-	2,302,086	2,302,248	-	-	2,302,248
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	-	1,386,329	1,386,329	-	-	1,279,407	1,279,407
Fair value (losses)/ gains, net of deferred taxes	-	-	(169,622)	(169,622)	-	-	399,834	399,834
Loan loss reserve	-	516,708	-	516,708	-	392,424	-	392,424
Catastrophe reserve	12,270	-	-	12,270	12,270	-	-	12,270
Other	84,811	-	-	84,811	85,319	-	-	85,319
	2,622,969	516,708	1,216,707	4,356,384	2,623,639	392,424	1,679,241	4,695,304

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19. Capital and Fair Value Reserves (Continued)

	Company					
	Capital Reserve	Fair Value Reserves	Total	Capital Reserve	Fair Value Reserves	Total
		2013			2012	
	$'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	-	22,079	22,079	-	22,040	22,040
Fair value gains, net of deferred taxes	-	198,005	198,005	-	259,745	259,745
	24,507	220,084	244,591	24,507	281,785	306,292

20. Banking Reserves

Banking reserves represent both those reserves required to be maintained by the banking subsidiary, First Global Bank Limited (FGB), in compliance with the Jamaica Banking Act; as well as additional reserves that the Banking Act permits FGB to transfer from net profit to constitute part of its capital base for purposes of determining the maximum level of deposit liabilities and lending to customers.

21. Non - Controlling Interests

	2013 $'000	2012 $'000
Beginning of year as previously stated	1,332,340	1,276,509
Effect of changes in accounting standard	(166,828)	(171,009)
Beginning of year as restated	1,165,512	1,105,500
Share of total comprehensive income, as restated:		
Share of net profit of subsidiaries	572,430	307,444
Revaluation surplus	-	6,169
Remeasurement of post-employment benefit obligations	(5,405)	13,288
Other	22,556	11,030
	589,581	337,931
Disposal of non-controlling interest	-	(49,111)
Employee share option scheme: value of services received	254	611
Dividends paid	(287,647)	(229,419)
End of year	1,467,700	1,165,512

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company further does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

The total non-controlling interest for the period is $1,467,700,000 of which $491,103,000 is for Hardware and Lumber Limited and $976,551,000 is for GraceKennedy Money Services Caribbean SRL. The non-controlling interest in respect of other subsidiaries is not material.

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21. Non - Controlling Interests (Continued)

Summarised financial information on subsidiaries with material non-controlling interests.

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	Hardware & Lumber Limited		GraceKennedy Money Services Caribbean SRL	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Current				
Assets	2,195,000	1,815,386	5,344,013	4,780,966
Liabilities	(1,094,176)	(902,823)	(1,887,475)	(1,590,298)
Total current net assets	1,100,824	912,563	3,456,538	3,190,668
Non-current				
Assets	621,821	419,418	692,275	540,437
Liabilities	(550,561)	(650,177)	(242,609)	(211,947)
Total non-current net assets	71,260	(230,759)	449,666	328,490
Net assets	1,172,084	681,804	3,906,204	3,519,158

Summarised income statement

	Hardware & Lumber Limited		GraceKennedy Money Services Caribbean SRL	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Revenue	6,810,600	6,291,683	5,543,657	4,845,486
Profit before income tax	814,420	120,609	1,895,593	1,611,497
Taxation expense	(215,763)	(122,320)	(609,223)	(401,731)
Profit after tax	598,657	(1,711)	1,286,370	1,209,766
Other comprehensive income	(84,422)	52,876	210,099	1,575
Total comprehensive income	514,235	51,165	1,496,469	1,211,341
Total comprehensive income allocated to non-controlling interest	215,464	21,438	374,117	302,835
Dividends paid to non-controlling interest	(10,162)	(4,234)	(277,485)	(222,441)

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21. Non - Controlling Interests (Continued)

Summarised financial information on subsidiaries with material non-controlling interests (continued)

Summarised cash flows

	Hardware & Lumber Limited		GraceKennedy Money Services Caribbean SRL	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Cash flows from operating activities				
Cash generated from operations	488,855	419,908	1,952,115	2,402,696
Interest paid	(49,350)	(61,745)	(418)	(959)
Income tax recovered/(paid)	1,935	451	(591,441)	(493,619)
Net cash generated from operating activities	441,440	358,614	1,360,256	1,908,118
Net cash used in investing activities	(38,360)	(49,137)	(81,238)	(299,271)
Net cash used in financing activities	(191,554)	(423,200)	(1,077,584)	(891,497)
Net increase/(decrease) in and cash equivalents	211,526	(113,723)	201,434	717,350
Cash and cash equivalents at the beginning of year	205,936	319,659	3,419,419	2,676,316
Exchange gains on cash and cash equivalents	430	-	64,471	25,753
Cash and cash equivalents at end of year	417,892	205,936	3,685,324	3,419,419

The information above represents amounts before intercompany eliminations.

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22. Segment Information

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Group has five reportable segments which are based on the different types of products and services that it offers. These products and services are described in its principal activities (Note 1). The reportable segments derive their revenue primarily from food trading and financial services as well as retail trading. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies (Note 2). The Group evaluates performance on the basis of profit or loss before tax expense not including post-employment benefits, share-based payments and net corporate central office costs which are shown in unallocated amounts.

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

Operating segments

	2013						
	Food Trading	**Retail & Trading**	**Banking & Investments**	**Insurance**	**Money Services**	**Unallocated/ Elimination**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE							
External sales	44,608,196	6,807,304	5,537,587	4,760,758	5,543,657	-	67,257,502
Inter-segment sales	288,460	3,296	21,384	398,330	-	(711,470)	-
Total Revenue	44,896,656	6,810,600	5,558,971	5,159,088	5,543,657	(711,470)	67,257,502
Operating results	1,297,681	383,563	675,617	108,891	1,877,788	65,797	4,409,337
Unallocated income	-	-	-	-	-	645,755	645,755
Profit from operations	-	-	-	-	-	-	5,055,092
Finance income	10,473	5,919	8,841	13,751	42,267	221,220	302,471
Finance expense	(341,459)	(46,752)	(65,047)	(8,822)	(418)	(80,041)	(542,539)
Share of results of associates	179,115	-	72,799	8,261	-	-	260,175
Profit before taxation	1,145,810	342,730	692,210	122,081	1,919,637	852,731	5,075,199
Taxation							(1,281,135)
Net Profit							3,794,064
Operating assets	27,713,406	2,742,010	59,168,041	9,647,270	5,734,275	(4,433,980)	100,571,022
Investment in associates	562,364	-	398,970	57,499	10,133	-	1,028,966
Unallocated assets	-	-	-	-	-	7,043,318	7,043,318
Total assets	28,275,770	2,742,010	59,567,011	9,704,769	5,744,408	2,609,338	108,643,306
Operating liabilities	14,205,190	1,299,057	50,720,962	6,131,419	1,636,467	(4,345,486)	69,647,609
Unallocated liabilities	-	-	-	-	-	4,762,313	4,762,313
Total liabilities	14,205,190	1,299,057	50,720,962	6,131,419	1,636,467	416,827	74,409,922
Other segment items							
Additions to non-current assets [b]	478,609	39,060	441,569	115,651	106,804	-	1,181,693
Depreciation	(454,110)	(42,676)	(74,753)	(40,723)	(75,350)	-	(687,612)
Amortisation	(165,836)	(5,076)	(90,617)	(80,507)	(9,255)	-	(351,291)
Impairment	(21,096)	-	-	-	-	-	(21,096)

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22. Segment Information (Continued)

Operating segments (continued)

	2012 Restated						
	Food Trading	**Retail & Trading**	**Banking & Investments**	**Insurance**	**Money Services**	**Unallocated/ Elimination**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE							
External sales	40,208,345	6,284,645	5,345,443	4,656,411	4,845,424	-	61,340,268
Inter-segment sales	257,546	7,037	23,859	389,277	62	(677,781)	-
Total Revenue	40,465,891	6,291,682	5,369,302	5,045,688	4,845,486	(677,781)	61,340,268
Operating results	1,054,327	193,392	675,403	384,333	1,573,376	63,681	3,944,512
Unallocated income	-	-	-	-	-	252,711	252,711
Profit from operations	-	-	-	-	-	-	4,197,223
Finance income	31,039	5,681	24,358	16,589	77,651	194,295	349,613
Finance expense	(383,596)	(67,708)	(104,980)	(7,324)	(959)	(53,872)	(618,439)
Share of results of associates	111,304	-	55,206	7,497	-	-	174,007
Profit before taxation	813,074	131,365	649,987	401,095	1,650,068	456,815	4,102,404
Taxation							(316,072)
Net Profit							3,786,332
Operating assets	23,264,775	2,382,281	58,333,278	9,030,905	5,061,582	(3,027,875)	95,044,946
Investment in associates	491,436	-	348,220	49,238	10,133	-	899,027
Unallocated assets	-	-	-	-	-	8,175,471	8,175,471
Total assets	23,756,211	2,382,281	58,681,498	9,080,143	5,071,715	5,147,596	104,119,444
Operating liabilities	12,326,011	1,259,741	50,289,975	5,510,379	1,284,325	(3,334,842)	67,335,589
Unallocated liabilities	-	-	-	-	-	4,915,506	4,915,506
Total liabilities	12,326,011	1,259,741	50,289,975	5,510,379	1,284,325	1,580,664	72,251,095
Other segment items							
Additions to non-current assets [b]	503,086	50,727	289,912	93,326	86,635	-	1,023,686
Depreciation	(448,883)	(51,188)	(67,730)	(39,171)	(76,933)	-	(683,905)
Amortisation	(143,332)	(6,812)	(36,542)	(80,865)	(11,327)	-	(278,878)

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22. Segment Information (Continued)

Operating segments (continued)

The profit or loss, assets and liabilities for reportable segments are reconciled to the totals for profit or loss, assets and liabilities as follows:

	Profit before taxation		Assets		Liabilities	
	2013 $'000	Restated 2012 $'000	2013 $'000	Restated 2012 $'000	2013 $'000	Restated 2012 $'000
Total for reportable segments	4,222,468	3,645,589	106,033,968	98,971,848	73,993,095	70,670,431
Inter-segment eliminations	-	-	(4,433,980)	(3,027,875)	(4,345,486)	(3,334,842)
Unallocated amounts:						
Corporate central office results	954,032	583,763	-	-	-	-
Post-employment benefits	(85,552)	(92,686)	-	-	-	-
Share-based payments	(15,749)	(34,262)	-	-	-	-
Taxation recoverable	-	-	582,985	911,888	-	-
Deferred tax assets	-	-	953,864	1,421,327	-	-
Pension plan asset	-	-	5,506,469	5,842,256	-	-
Taxation	-	-	-	-	291,182	300,557
Deferred tax liabilities	-	-	-	-	1,268,515	1,727,001
Other post-employment obligations	-	-	-	-	3,202,616	2,887,948
Total unallocated	852,731	456,815	7,043,318	8,175,471	4,762,313	4,915,506
Total per financial statements	5,075,199	4,102,404	108,643,306	104,119,444	74,409,922	72,251,095

Geographical information

	Revenue [(a)]		Non-current assets [(b)]	
	2013 $'000	2012 $'000	2013 $'000	Restated 2012 $'000
Jamaica	43,040,726	40,598,571	8,333,375	8,059,701
United Kingdom	10,255,588	8,751,317	1,536,909	1,378,795
United States of America	4,909,927	4,344,814	614	517
Canada	4,132,025	3,448,573	25,312	26,217
Other Caribbean countries	3,798,290	3,457,967	869,922	791,010
Other European countries	909,280	579,464	-	-
Africa	78,955	41,269	-	-
Other countries	132,711	118,293	-	-
Total	67,257,502	61,340,268	10,766,132	10,256,240

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

[(b)] For the purposes of segment information, non-current assets exclude financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

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23. Revenues

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Sales of products	51,415,500	46,492,990	13,641,116	13,249,138
Sales of services	5,535,171	4,844,273	-	-
Financial services income	5,787,333	5,658,002	-	-
Interest income on investments classified as –				
Available-for-sale securities	2,656,005	2,712,388	-	-
Interest income on loans receivable	1,863,493	1,632,615	-	-
	67,257,502	61,340,268	13,641,116	13,249,138

24. Expense by Nature

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Auditors' remuneration	129,312	121,144	13,894	14,615
Advertising and marketing	2,007,667	1,816,135	488,459	557,813
Amortisation of intangibles	351,291	278,878	98,843	62,933
Cost of inventory recognised as expense	37,914,773	34,546,202	10,505,341	10,134,867
Depreciation	687,612	683,905	71,222	71,911
Impairment	21,096	-	21,096	-
Insurance	574,084	536,419	95,841	86,016
Interest expense and other financial services expenses	5,549,432	5,273,129	-	-
Legal, professional and other fees	1,603,549	1,448,600	436,853	432,111
Occupancy costs - Lease rental charges, utilities, etc.	2,251,590	1,860,108	758,348	769,908
Repairs and maintenance expenditure	469,327	457,905	13,280	16,046
Staff costs (Note 26)	9,082,723	8,257,540	2,525,857	1,911,167
Transportation	1,235,023	1,162,596	302,304	297,900
Other expenses	2,035,563	1,736,218	608,564	511,338
	63,913,042	58,178,779	15,939,902	14,866,625

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25. Other Income

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Dividend income	11,873	4,211	1,383,097	1,489,664
Net foreign exchange gains	761,613	241,787	443,784	105,317
Gain on disposal of investments	132,995	41,693	24,669	8,681
Gain/(loss) on disposal of fixed assets	7,645	(2,073)	8	(554)
Fees and commissions	208,263	139,621	1,682,745	1,463,868
Interest income – available-for-sale securities	271,466	302,478	-	-
Rebates, reimbursements and recoveries	211,630	221,687	374,283	380,783
Miscellaneous	105,147	86,330	13,699	2,520
	1,710,632	1,035,734	3,922,285	3,450,279

26. Staff Costs

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Wages and salaries	6,807,558	6,110,537	1,517,883	1,426,854
Pension (Note 14)	(107,596)	(106,270)	394,894	(135,602)
Pension contributions to defined contribution scheme (Note 14)	93,968	65,010	18,218	10,955
Other post-employment benefits (Note 14)	347,403	330,120	129,415	120,444
Share options granted to employees	15,749	34,262	13,188	28,108
Statutory contributions	611,427	594,814	148,188	134,264
Other costs	1,314,214	1,229,067	304,071	326,144
	9,082,723	8,257,540	2,525,857	1,911,167

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27. Taxation

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

	Group		Company	
	2013 $'000	**Restated 2012 $'000**	**2013 $'000**	**Restated 2012 $'000**
Current tax	1,041,333	799,321	208,793	53,781
Adjustment to prior year provision	(65,262)	27,470	(1,227)	-
Deferred tax (Note 13)	305,064	(510,719)	(117,861)	(579,651)
	1,281,135	316,072	89,705	(525,870)

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	
	2013 $'000	**Restated 2012 $'000**	**2013 $'000**	**Restated 2012 $'000**
Profit before tax	5,075,199	4,102,404	1,723,978	1,952,809
Tax calculated at a tax rate of 33⅓%	1,691,733	1,367,468	574,659	650,936
Adjusted for the effects of:				
Different tax rates in other countries	(114,565)	(105,505)	-	-
Change in tax rate of unregulated Jamaican companies	(45,218)	(498,491)	(35,013)	(606,643)
Income not subject to tax	(248,012)	(341,406)	(445,679)	(531,577)
Expenses not deductible for tax purposes	166,349	121,891	16,433	13,549
Adjustment to prior year provision	(65,262)	27,470	(1,227)	-
Share of profits of associates included net of tax	(86,725)	(58,002)	-	-
Recognition/utilisation of previously unrecognised tax losses	-	(142,564)	-	-
Recognition of previously unrecognised tax credits	(16,087)	(53,781)	(16,087)	(53,781)
Other	(1,078)	(1,008)	(3,381)	1,646
Tax expense/(credit)	1,281,135	316,072	89,705	(525,870)

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27. Taxation (Continued)

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

Group

	2013			2012 Restated		
	Before tax $'000	Tax (charge)/ credit $'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	126,948	(25,092)	101,856	387,951	(36,037)	351,914
Remeasurement of post-employment benefits obligations	(564,903)	78,651	(486,252)	(1,774,434)	460,259	(1,314,175)
	(437,955)	53,559	(384,396)	(1,386,483)	424,222	(962,261)
Items that may be subsequently reclassified to profit or loss						
Foreign currency translation adjustments	682,573	-	682,573	399,775	-	399,775
Fair value (losses)/gains	(780,839)	211,383	(569,456)	(487,795)	141,684	(346,111)
Share of other comprehensive income of associated companies	6,813	-	6,813	45,356	-	45,356
	(91,453)	211,383	119,930	(42,664)	141,684	99,020
Other comprehensive income	(529,408)	264,942	(264,466)	(1,429,147)	565,906	(863,241)
Deferred tax (Note 13)		264,942			565,906	

Company

	2013			2012 Restated		
	Before tax $'000	Tax credit $'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	-	39	39	9,474	(874)	8,600
Remeasurement of post-employment benefits obligations	(1,326,838)	331,710	(995,128)	(1,252,206)	313,051	(939,155)
	(1,326,838)	331,749	(995,089)	(1,242,732)	312,177	(930,555)
Items that may be subsequently reclassified to profit or loss						
Fair value (losses)/gains	(82,320)	20,580	(61,740)	(61,327)	39,282	(22,045)
	(82,320)	20,580	(61,740)	(61,327)	39,282	(22,045)
Other comprehensive income	(1,409,158)	352,329	(1,056,829)	(1,304,059)	351,459	(952,600)
Deferred tax (Note 13)		352,329			351,459	

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28. Net Profit Attributable to the owners of GraceKennedy Limited

Dealt with as follows in the financial statements of:

	2013 $'000	Restated 2012 $'000
The company	1,634,271	2,478,679
Intra-group dividends eliminated on consolidation	(1,382,764)	(1,488,189)
Adjusted company profit	251,507	990,490
The subsidiaries	2,709,952	2,314,391
The associates	260,175	174,007
	3,221,634	3,478,888

29. Dividends

	2013 $'000	2012 $'000
Paid,		
Interim – 70 cents per stock unit (2012: 60 cents)	233,933	199,441
Interim – 78 cents per stock unit (2012: 70 cents)	260,221	233,271
Final – 70 cents per stock unit (2012:70 cents)	233,506	233,225
	727,660	665,937

30. Earnings Per Stock Unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to owners by the weighted average number of ordinary stock units outstanding during the year.

	2013	Restated 2012
Net profit attributable to owners ($'000)	3,221,634	3,478,888
Weighted average number of stock units outstanding ('000)	333,581	333,881
Basic earnings per stock unit ($)	9.66	10.42

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) 1,329,000 (2012: 1,329,000) ordinary stock units for the full year in respect of the Stock Option Plan for directors (Note 18),
(b) 2,469,000 (2012: 2,683,000) ordinary stock units for the full year in respect of the Stock Option Plan for managers (Note 18).

	2013	Restated 2012
Net profit attributable to owners ($'000)	3,221,634	3,478,888
Weighted average number of stock units outstanding ('000)	333,581	333,881
Adjustment for share options ('000)	216	199
	333,797	334,080
Diluted earnings per stock unit ($)	9.65	10.41

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31. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

		Group		Company	
	Note	2013 $'000	Restated 2012 $'000	2013 $'000	Restated 2012 $'000
Net profit		3,794,064	3,786,332	1,634,273	2,478,679
Items not affecting cash:					
Depreciation	12	687,612	683,905	71,222	71,911
Amortisation	11	351,291	278,878	98,843	62,933
Impairment charge		21,096	-	21,096	-
Loss/(gain) on disposal of fixed assets		(7,645)	2,073	(8)	554
Gain on disposal of investments		(132,995)	(41,693)	(24,669)	(8,681)
Share options – value of employee services expensed	18	15,749	22,828	13,188	16,674
Exchange loss/(gain) on foreign balances		184,366	944,006	(350,309)	(54,995)
Interest income – non financial services		(302,471)	(349,613)	(366,261)	(412,061)
Interest income – financial services		(4,631,507)	(4,634,382)	-	-
Interest expense – non financial services		542,539	618,439	265,784	292,044
Interest expense – financial services		1,567,173	1,239,624	-	-
Taxation expense	27	1,281,135	316,072	89,705	(525,870)
Unremitted equity income in associates		(123,126)	(56,766)	-	-
Pension plan surplus		(108,350)	(107,708)	394,845	(136,043)
Other post-employment obligations		193,902	200,394	40,294	42,275
		3,332,833	2,902,389	1,888,003	1,827,420
Changes in working capital components:					
Inventories		(1,775,722)	(45,198)	(641,506)	(12,592)
Receivables		(587,202)	(14,540)	(130,724)	(116,224)
Loans receivable, net		(2,357,886)	(1,945,666)	-	-
Payables		1,716,311	1,257,738	385,046	(104,032)
Deposits		808,144	1,385,203	-	-
Securities sold under repurchase agreements		(4,619,459)	269,197	-	-
Subsidiaries		-	-	(370,257)	1,677,229
Provisions		-	(404)	-	-
Cash (used in)/provided by operating activities		(3,482,981)	3,808,719	1,130,562	3,271,801

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31. Cash Flows from Operating Activities (Continued)

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

	Group		Company	
	2013 $'000	Restated 2012 $'000	2013 $'000	Restated 2012 $'000
Cash (used in)/provided by operating activities	(3,482,981)	3,808,719	1,130,562	3,271,801
Interest received – financial services	4,628,690	4,646,800	-	-
Interest paid – financial services	(1,641,520)	(1,268,019)	-	-
Translation gains	359,956	197,787	-	-
Taxation paid	(656,543)	(789,598)	(69,341)	(71,528)
Net cash (used in)/provided by operating activities	(792,398)	6,595,689	1,061,221	3,200,273

32. Commitments

(a) Future lease payments under operating leases at 31 December 2013 were as follows:

		$'000
In financial year	2014	988,005
	2015	1,024,748
	2016	768,863
	2017 and beyond	1,620,598

(b) At 31 December 2013 and 2012, the Group had no authorised capital expenditure for which it had established contracts.

33. Contingent Liabilities

(a) In 2000, a suit was filed jointly against a subsidiary, GraceKennedy Remittance Services Limited ("GKRS") and a software developer by Paymaster (Jamaica) Limited (Paymaster), a bills payment company. The suit claimed damages arising out of the use by the subsidiary of certain software, to which Paymaster alleged it owned the copyright.

In the judgment handed down by the Supreme Court on 30 April 2011, the court ruled in favour of GKRS and the software developer on all claims. Accordingly, the Court ordered costs to be paid by Paymaster to GKRS and the software developer and an enquiry into any damages suffered by GKRS and the software developer as a result of an injunction obtained by Paymaster in the suit. On 10 June 2011, Paymaster filed an appeal against the decision of the Supreme Court in the Court of Appeal and applied for a stay of execution, pending the appeal. Further to an application made by Paymaster to the Court of Appeal the enquiry into damages resulting from the injunction by the Supreme Court was on 6 May 2012 stayed pending appeal. The recovery of costs was not stayed and GKRS may therefore proceed to pursue the recovery of costs against Paymaster. GKRS is presently in the process of an application to assess and approve its costs in the Supreme Court. The appeal was heard on September 24-25, 2013, with the Court of Appeal reserving its judgment. Management has considered the advice of the company's attorneys and is of the opinion that Paymaster's appeal is unlikely to succeed.

(b) Various companies in the Group are involved in certain legal proceedings incidental to the normal conduct of business. The management of these companies believes that none of these proceedings, individually or in aggregate, will have a material effect on the Group.

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34. Related Party Transactions and Balances

The following transactions were carried out with related parties:

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
(a) Sales of goods and services				
Sales of goods	5,469	4,743	415,275	438,553
Sales of services	68,439	63,143	1,909,800	1,751,515
(b) Purchase of goods and services				
Purchases of goods	2,135,585	1,927,522	5,141,667	4,793,981
Purchases of services	-	-	550,671	608,785
(c) Interest				
Interest income	-	283	80,106	116,300
Interest expense	5,904	4,764	47,880	63,816

Dividends received by the company from subsidiaries and associated companies were $1,244,993,000 (2012: $1,371,254,000) and $137,049,000 (2012: $116,935,000) 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	
	2013 $'000	**Restated 2012 $'000**	**2013 $'000**	**Restated 2012 $'000**
Salaries and other short-term employee benefits	242,681	237,550	166,038	169,272
Fees paid to directors	37,282	36,439	32,951	30,509
Post-employment benefits	(76,275)	(111,325)	(66,942)	(100,534)
Share-based payments	12,528	25,642	10,631	23,106
	216,216	188,306	142,678	122,353

The following amounts are in respect of directors' emoluments:

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Fees	37,282	36,439	32,951	30,509
Management remuneration	171,416	170,201	129,334	126,560
Post-employment benefits paid	29,655	26,958	5,669	5,016
Share-based payments	-	7,918	-	7,918
	238,353	241,516	167,954	170,003

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34. Related Party Transactions and Balances (Continued)

(d) Transactions with key management (continued)

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

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Sale of goods and services –				
Sale of goods	484	677	484	677
Sale of services	1,116	559	-	-
Interest earned and incurred –				
Interest income	1,745	1,533	-	-
Interest expense	5,988	14,213	-	-

Transactions with companies controlled by directors and other key management personnel

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Sale of goods and services –				
Sale of services	617	513	-	-

(e) Year-end balances with related parties

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Cash and deposits with subsidiaries	-	-	287,432	785,565
Investment securities with subsidiaries	-	-	349,879	45,419
Receivable from subsidiaries	-	-	82,922	473,294
Receivable from associates (Note 7)	17,327	13,740	15,914	10,866
Loans receivable from subsidiaries (Note 9)	-	-	1,502,916	1,103,937
Payable to subsidiaries		-	240,081	1,000,710
Payable to associates (Note 16)	384,891	179,054	184,665	49,570
Loans & leases payable to subsidiaries	-	-	159,870	148,483
Deposits payable to associates	176,168	146,147	-	-

(f) Loans to related parties

Loans receivable from subsidiaries are repayable in the years 2014 and 2016 and bear interest at 0% - 9.75% (2012: 0% - 6%). No provision was required in 2013 and 2012 for loans made to associated companies and subsidiaries.

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34. Related Party Transactions and Balances (Continued)

(f) Loans to related parties (continued)

	Company	
	2013 $'000	**2012 $'000**
Loans to subsidiaries:		
At 1 January	1,103,937	749,094
Loans advanced during the year	396,954	351,860
Interest charged	43,801	12,005
Interest received	(41,776)	(9,022)
At 31 December	1,502,916	1,103,937

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

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

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Receivables	362	177	228	177
Loans receivable	85,840	89,669	66,503	73,515
Payables	364	-	-	-
Deposits payable	122,445	101,571	-	-
Securities sold under agreements to repurchase	120,169	272,084	-	-

Balances with companies controlled by directors and other key management personnel

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Receivables	218	-	-	-

(h) Loans to directors and other key management

The loans receivable attract interest at rates ranging between 0% - 14.75% (2012: 0% - 14.75%) and are repayable in the years 2014 - 2022. These loans are secured and are made on terms similar to those offered to other employees. No provision has been required in 2013 and 2012 for the loans made to directors and senior managers.

	Group		Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Loans to directors and other key management:				
At 1 January	89,669	17,648	73,515	-
Loans advanced during the year	6,743	87,409	-	73,515
Loan repayments received	(10,572)	(15,388)	(7,012)	-
Interest charged	1,745	1,533	-	-
Interest received	(1,745)	(1,533)	-	-
At 31 December	85,840	89,669	66,503	73,515

(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 1,329,000 (2012: 1,329,000).

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35. Fair Values Estimation

Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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			
	2013			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Available-for-sale securities:				
Quoted equities	159,425	-	-	159,425
Bank of Jamaica	-	3,261,234	-	3,261,234
Government of Jamaica securities	-	35,561,343	-	35,561,343
Foreign governments	-	468,745	-	468,745
Corporate bonds	-	5,905,689	484,463	6,390,152
Other debt securities	-	2,140,026	-	2,140,026
Other	-	21,425	-	21,425
Financial assets at fair value through profit or loss:				
Derivative financial instruments	-	4,944	-	4,944
Quoted equities	16,744	-	-	16,744
Total Assets	176,169	47,363,406	484,463	48,024,038
Liabilities				
Financial assets at fair value through profit or loss:				
Derivative financial instruments	-	9,544	-	9,544
Total Liabilities	-	9,544	-	9,544

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35. Fair Values Estimation (Continued)

Financial Instruments (Continued)

	Group			
	2012			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Available-for-sale securities:				
Quoted equities	138,177	-	-	138,177
Bank of Jamaica	-	2,297,255	-	2,297,255
Government of Jamaica securities	-	37,061,282	-	37,061,282
Corporate bonds	-	5,358,433	-	5,358,433
Other debt securities	-	837,095	-	837,095
Other	-	24,200	-	24,200
Financial assets at fair value through profit or loss:				
Quoted equities	23,961	-	-	23,961
Total Assets	162,138	45,578,265	-	45,740,403
Liabilities				
Financial assets at fair value through profit or loss:				
Derivative financial instruments	-	5,828	-	5,828
Total Liabilities	-	5,828	-	5,828

	Company			
	2013			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Available-for-sale securities:				
Quoted equities	38,758	-	-	38,758
Government of Jamaica securities	-	3,286,938	-	3,286,938
Corporate bonds	-	634,299	-	634,299
Other debt securities	-	1,302,485	-	1,302,485
Other	-	335	-	335
	38,758	5,224,057	-	5,262,815

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35. Fair Values Estimation (Continued)

Financial Instruments (Continued)

	Company			
	2012			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Available-for-sale securities:				
Quoted equities	43,878	-	-	43,878
Government of Jamaica securities	-	3,150,907	-	3,150,907
Corporate bonds	-	552,899	-	552,899
Other debt securities	-	598,318	-	598,318
Other	-	335	-	335
	43,878	4,302,459	-	4,346,337

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments listed on a public stock exchange classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments

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35. Fair Values of Financial Instruments (Continued)

Financial Instruments (Continued)

Note that all of the resulting fair value estimates are included in level 2 except for certain corporate bonds as explained below.

The following table presents the changes in level 3 instruments for the years ended 31 December.

	Group	
	2013 $'000	**2012 $'000**
At beginning of year	-	115,797
Acquisitions	484,463	
Disposals	-	(115,797)
At end of year	484,463	-

There were no transfers between the levels during the year.

Fair Value of Land and Buildings and Investment Properties

An independent valuation of the Group's land and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2012. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'capital and fair value reserves' in shareholders' equity (Note 19). The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Group			
	Fair value measurements at 31 December 2013 using:			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Recurring for fair value measurements				
Land and office buildings – Investment properties	-	365,000	-	365,000
Land and office buildings – Fixed assets	-	1,577,558	-	1,577,558
Distribution centre	-	-	2,557,034	2,557,034
Factories	-	296,271	-	296,271
	-	2,238,829	2,557,034	4,795,863

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35. Fair Values of Financial Instruments (Continued)

Fair Value of Land and Buildings (Continued)

	Group			
	Fair value measurements at 31 December 2012 using:			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Recurring for fair value measurements				
Office buildings – Fixed assets	-	1,783,802	-	1,783,802
Distribution centre	-	-	2,620,000	2,620,000
Factories	-	247,014	-	247,014
	-	2,030,816	2,620,000	4,650,816

	Company			
	Fair value measurements at 31 December 2013 using:			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Recurring for fair value measurements				
Land and office buildings – Fixed assets	-	58,812	-	58,812

	Company			
	Fair value measurements at 31 December 2012 using:			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Recurring for fair value measurements				
Land and office buildings – Fixed assets	-	60,000	-	60,000

There were no transfers between levels 1 and 2 during the year.

Valuation techniques used to derive level 2 fair values

Level 2 fair values of land, office buildings and factories have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

Fair value measurements using significant unobservable inputs (Level 3)

	Distribution Centre $'000
Opening balance	2,620,000
Additions	2,599
Depreciation	(65,565)
Closing balance	2,557,034

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

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35. Fair Values of Financial Instruments (Continued)

Fair Value of Land and Buildings (Continued)

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. As at 31 December 2013, the fair values of the land and buildings have been determined by DC Tavares Finson Realty Company Limited. The external valuations of the level 3 land and buildings have been performed using a cost approach using unobservable inputs. The external valuer has determined these inputs based on the size, age and condition of the land and buildings and the state of the local economy.

Information about fair value measurements using significant unobservable inputs (Level 3)

		Group			
Description	**Fair value at 31 December 2013 $'000**	**Valuation technique(s)**	**Unobservable inputs**	**Range of unobservable inputs**	**Relationship of unobservable inputs**
Distribution centre	2,557,034	Cost approach	Certified costs of construction as at date of completion of property	US$21,500,000 - US$22,000,000	The higher the costs of construction the higher the fair value
			Rate of increase in construction costs from date of completion of property to date of valuation	22%	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	10%	The higher the interest cost the higher the fair value
			Estimated profit margin required by developer	5%	The higher the developer's profit the higher the fair value
			Rate of obsolescence	5%	The higher the rate of obsolescence the lower the fair value
	2,557,034				

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36. Financial Instruments by Category

	Group			
	Loans and receivables **$'000**	**Assets at fair value through profit and loss** **$'000**	**Available for sale** **$'000**	**Total** **$'000**
As at 31 December 2013:				
Cash and deposits	9,131,888	-	-	9,131,888
Investment securities and pledged assets	-	21,688	48,002,350	48,024,038
Loans receivable	16,238,507	-	-	16,238,507
Trade and other receivables	8,469,347	-	-	8,469,347
Total financial assets	33,839,742	21,688	48,002,350	81,863,780

	Group			
	Loans and receivables **$'000**	**Assets at fair value through profit and loss** **$'000**	**Available for sale** **$'000**	**Total** **$'000**
As at 31 December 2012:				
Cash and deposits	10,989,655	-	-	10,989,655
Investment securities and pledged assets	-	23,961	45,716,442	45,740,403
Loans receivable	13,881,176	-	-	13,881,176
Trade and other receivables	7,890,023	-	-	7,890,023
Total financial assets	32,760,854	23,961	45,716,442	78,501,257

	Group		
	Liabilities at fair value through profit and loss **$'000**	**Other financial liabilities at amortised cost** **$'000**	**Total** **$'000**
As at 31 December 2013:			
Deposits	-	17,768,017	17,768,017
Securities sold under agreements to repurchase	-	25,074,089	25,074,089
Bank and other loans	9,544	11,562,246	11,571,790
Trade and other payables	-	15,226,874	15,226,874
Total financial liabilities	9,544	69,631,226	69,640,770

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36. Financial Instruments by Category (Continued)

	Group		
	Liabilities at fair value through profit and loss	**Other financial liabilities at amortised cost**	**Total**
	$'000	**$'000**	**$'000**
As at 31 December 2012:			
Deposits	-	15,768,039	15,768,039
Securities sold under agreements to repurchase	-	27,711,820	27,711,820
Bank and other loans	5,828	10,332,500	10,338,328
Trade and other payables	-	13,510,563	13,510,563
Total financial liabilities	5,828	67,322,922	67,328,750

	Company		
	Loans and receivables	**Available for sale**	**Total**
	$'000	**$'000**	**$'000**
As at 31 December 2013:			
Cash and deposits	1,605,227	-	1,605,227
Investment securities	-	5,262,815	5,262,815
Loans receivable	1,569,419	-	1,569,419
Trade and other receivables	1,109,054	-	1,109,054
Subsidiaries	82,922	-	82,922
Total financial assets	4,366,622	5,262,815	9,629,437

	Company		
	Loans and receivables	**Available for sale**	**Total**
	$'000	**$'000**	**$'000**
As at 31 December 2012:			
Cash and deposits	1,885,346	-	1,885,346
Investment securities	-	4,346,337	4,346,337
Loans receivable	1,177,452	-	1,177,452
Trade and other receivables	954,300	-	954,300
Subsidiaries	473,294	-	473,294
Total financial assets	4,490,392	4,346,337	8,836,729

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36. Financial Instruments by Category (Continued)

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

	Company
	Other financial liabilities at amortised cost
	$'000
As at 31 December 2012:	
Bank and other loans	2,786,394
Trade and other payables	1,365,023
Subsidiaries	1,000,710
Total financial liabilities	5,152,127

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37. Derivative Financial Instruments

Derivatives are carried at fair value in the statement of financial position as either assets or liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group's counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group was to default. The fair values are set out below:

	Group			
	2013		2012	
	Assets $'000	**Liabilities $'000**	**Assets $'000**	**Liabilities $'000**
Forward foreign exchange contracts	4,944	9,544	-	5,828

Forward foreign exchange contracts represent commitments to buy and sell foreign currencies on a net basis at future dates at specified prices. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2013 were $929,825,000 (2012: $513,090,000).

38. Custodial Services

One of the Group's investment subsidiaries provides custody and brokerage services to certain third parties. Assets that are held in a custodial capacity are not included in these financial statements. At the statement of financial position date, the subsidiary had investment custody accounts amounting to approximately $17,701,512,000 (2012: $12,210,000,000). Fees earned in relation to custodial services were $15,655,000 (2012: $12,444,000).

39. Fiduciary Activities

One of the Group's investment subsidiaries provides pension administration and management services. At the statement of financial position date, the subsidiary had pension assets held under management amounting to approximately $30,129,685,000 (2012: $28,391,385,000). Fees earned in relation to fiduciary activities were $172,463,000 (2012: $162,118,000).

40. Investment Properties

	Group	
	2013 $'000	**2012 $'000**
At 1 January	-	-
Transfer from fixed assets (Note 12)	365,000	-
At 31 December	365,000	-

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

The Group's land and buildings related to investment properties were last revalued in 2013 by independent valuators, DC Tavares Finson Realty Company Limited. The valuations were done on the basis of open market value.

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41. Reclassification

Pledged assets
In the prior year financial statements, pledged assets of $29,431,618,000 as at 31 December 2012 and $28,368,098,000 as at 31 December 2011 were included in investment securities. This is now disclosed separately on the face of the statement of financial position.

Intercompany
In 2012, intercompany payables and receivables were netted in one financial statement line item. Intercompany payables of $1,000,710,000 (2011: $1,238,114,000) and intercompany receivables of $473,294,000 (2011: $2,387,927,000) are now included separately on the face of the statement of financial position.

The effects of these reclassifications are shown in Note 42.

42. Restatement

The financial statements of the Group for the years ended 31 December 2012 and 31 December 2011 have been restated to reflect the effect of the adoption of IAS 19 (Revised), 'Employee Benefits'.

Effect on statement of financial position as at 31 December 2011

	Group		
	As previously stated $'000	**Effects of restatements and reclassifications $'000**	**As restated $'000**
Assets			
Investment securities	41,018,930	(28,368,098)	12,650,832
Pledged assets	-	28,368,098	28,368,098
Investment in associates	824,160	(27,255)	796,905
Deferred tax assets	1,066,226	179,088	1,245,314
Pension plan assets	8,307,244	(783,323)	7,523,921
Other assets	48,957,208	-	48,957,208
Total Assets	100,173,768	(631,490)	99,542,278
Liabilities			
Deferred tax liabilities	2,911,390	(261,107)	2,650,283
Other post-employment obligations	2,165,226	537,267	2,702,493
Other liabilities	64,482,747	-	64,482,747
Total Liabilities	69,559,363	276,160	69,835,523
Equity			
Capital and reserves attributable to the company's owners			
Share capital	593,968	-	593,968
Capital and fair value reserves	4,794,309	-	4,794,309
Retained earnings	19,911,616	(736,641)	19,174,975
Banking reserves	1,942,967	-	1,942,967
Other reserves	2,095,036	-	2,095,036
	29,337,896	(736,641)	28,601,255
Non-Controlling interest	1,276,509	(171,009)	1,105,500
Total Equity	30,614,405	(907,650)	29,706,755
Total Equity and Liabilities	100,173,768	(631,490)	99,542,278

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42. Restatement (Continued)

Effect on statement of financial position as at 31 December 2012

Group	As previously stated $'000	Effects of restatements and reclassifications $'000	As restated $'000
Assets			
Investment securities	45,740,403	(29,431,618)	16,308,785
Pledged assets	-	29,431,618	29,431,618
Investment in associates	905,593	(6,566)	899,027
Deferred tax assets	1,044,050	377,277	1,421,327
Pension plan assets	8,470,413	(2,628,157)	5,842,256
Other assets	50,216,431	-	50,216,431
Total Assets	106,376,890	(2,257,446)	104,119,444
Liabilities			
Deferred tax liabilities	2,182,574	(455,573)	1,727,001
Other post-employment obligations	2,448,079	439,869	2,887,948
Other liabilities	67,636,146	-	67,636,146
Total Liabilities	72,266,799	(15,704)	72,251,095
Equity			
Capital and reserves attributable to the company's owners			
Share capital	808,079	-	808,079
Capital and fair value reserves	4,695,304	-	4,695,304
Retained earnings	22,789,883	(2,074,914)	20,714,969
Banking reserves	2,000,704	-	2,000,704
Other reserves	2,483,781	-	2,483,781
	32,777,751	(2,074,914)	30,702,837
Non-Controlling interest	1,332,340	(166,828)	1,165,512
Total Equity	34,110,091	(2,241,742)	31,868,349
Total Equity and Liabilities	106,376,890	(2,257,446)	104,119,444

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42. Restatement (Continued)

Effect on the results of the operations for the year ended 31 December 2012

Group	As previously stated $'000	Effects of restatements and reclassifications $'000	As restated $'000
Revenues	61,340,268	-	61,340,268
Expenses	58,205,777	(26,998)	58,178,779
	3,134,491	26,998	3,161,489
Other income	1,035,734	-	1,035,734
Profit from Operations	4,170,225	26,998	4,197,223
Interest income – non-financial services	349,613	-	349,613
Interest expense – non-financial services	(618,439)	-	(618,439)
Share of results of associated companies	176,210	(2,203)	174,007
Profit before Taxation	4,077,609	24,795	4,102,404
Taxation	(248,468)	(67,604)	(316,072)
NET PROFIT	3,829,141	(42,809)	3,786,332
Attributable to:			
Owners of GraceKennedy Limited	3,512,590	(33,702)	3,478,888
Non-Controlling interests	316,551	(9,107)	307,444
	3,829,141	(42,809)	3,786,332
Earnings per Stock Unit for profit attributable to the owners of the company during the year:			
Basic	$10.52	$(0.10)	$10.42
Diluted	$10.51	$(0.10)	$10.41

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42. Restatement (Continued)

Effect on total comprehensive income for the year ended 31 December 2012

Group	As previously stated $'000	Effects of restatements and reclassifications $'000	As restated $'000
Profit for the year	3,829,141	(42,809)	3,786,332
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on revaluation of land and buildings	351,914	-	351,914
Remeasurement of post-employment benefit obligations	-	(1,314,175)	(1,314,175)
	351,914	(1,314,175)	(962,261)
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation adjustments	399,775	-	399,775
Fair value losses	(346,111)	-	(346,111)
Share of other comprehensive income of associated companies	22,464	22,892	45,356
	76,128	22,892	99,020
Other comprehensive income for the year, net of tax	428,042	(1,291,283)	(863,241)
Total comprehensive income for the year	4,257,183	(1,334,092)	2,923,091
Attributable to:			
Owners of GraceKennedy Limited	3,923,433	(1,338,273)	2,585,160
Non - Controlling interests	333,750	4,181	337,931
	4,257,183	(1,334,092)	2,923,091

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42. Restatement (Continued)

Effect on statement of financial position as at 31 December 2011

Company			
	As previously stated $'000	**Effects of restatements and reclassifications $'000**	**As restated $'000**
Assets			
Subsidiaries	1,149,813	1,238,114	2,387,927
Pension plan assets	8,148,310	109,381	8,257,691
Other assets	19,691,288	-	19,691,288
Total Assets	28,989,411	1,347,495	30,336,906
Liabilities			
Subsidiaries	-	1,238,114	1,238,114
Deferred tax liabilities	2,591,547	(93,757)	2,497,790
Other post-employment obligations	751,169	390,656	1,141,825
Other liabilities	5,491,129	-	5,491,129
Total Liabilities	8,833,845	1,535,013	10,368,858
Equity			
Share capital	593,968	-	593,968
Capital and fair value reserves	373,242	-	373,242
Retained earnings	19,188,356	(187,518)	19,000,838
Total Equity	20,155,566	(187,518)	19,968,048
Total Equity and Liabilities	28,989,411	1,347,495	30,336,906

Effect on statement of financial position as at 31 December 2012

Company			
	As previously stated $'000	**Effects of restatements and reclassifications $'000**	**As restated $'000**
Assets			
Subsidiaries	-	473,294	473,294
Pension plan assets	8,377,640	(1,207,955)	7,169,685
Other assets	21,299,776	-	21,299,776
Total Assets	29,677,416	(734,661)	28,942,755
Liabilities			
Subsidiaries	527,416	473,294	1,000,710
Deferred tax liabilities	1,958,046	(391,366)	1,566,680
Other post-employment obligations	854,747	357,510	1,212,257
Other liabilities	4,157,638	-	4,157,638
Total Liabilities	7,497,847	439,438	7,937,285
Equity			
Share capital	808,079	-	808,079
Capital and fair value reserves	306,292	-	306,292
Retained earnings	21,065,198	(1,174,099)	19,891,099
Total Equity	22,179,569	(1,174,099)	21,005,470
Total Equity and Liabilities	29,677,416	(734,661)	28,942,755

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42. Restatement (Continued)

Effect on the results of the operations for the year ended 31 December 2012

Company	As previously stated $'000	Effects of restatements and reclassifications $'000	As restated $'000
Turnover	13,249,138	-	13,249,138
Cost of goods sold	(10,234,700)	-	(10,234,700)
Gross Profit	3,014,438	-	3,014,438
Other income	3,450,279	-	3,450,279
Administration expenses	(4,599,941)	(31,984)	(4,631,925)
Profit from Operations	1,864,776	(31,984)	1,832,792
Interest income	412,061	-	412,061
Interest expense	(292,044)	-	(292,044)
Profit before Taxation	1,984,793	(31,984)	1,952,809
Taxation	541,312	(15,442)	525,870
NET PROFIT	2,526,105	(47,426)	2,478,679

Effect on total comprehensive income for the year ended 31 December 2012

Company	As previously stated $'000	Effects of restatements and reclassifications $'000	As restated $'000
Profit for the year	2,526,105	(47,426)	2,478,679
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on revaluation of land and buildings	8,600	-	8,600
Remeasurement of post-employment benefit obligations	-	(939,155)	(939,155)
	8,600	(939,155)	(930,555)
Items that may be subsequently reclassified to profit or loss			
Fair value losses	(22,045)	-	(22,045)
	(22,045)	-	(22,045)
Other comprehensive income for the year, net of tax	(13,445)	(939,155)	(952,600)
Total comprehensive income for the year	2,512,660	(986,581)	1,526,079