GRACEKENNEDY LIMITED

Financial Statements
31 December 2015

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Independent Auditor's Report

To the Members of
GraceKennedy Limited

Report on the Consolidated and Company Stand-Alone Financial Statements
We have audited the accompanying consolidated financial statements of GraceKennedy Limited and its subsidiaries, set out on pages 1 to 109, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, and the accompanying financial statements of GraceKennedy Limited standing alone, which comprise the statement of financial position as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

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Opinion

In our opinion, the consolidated financial statements GraceKennedy Limited and its subsidiaries, and the financial statements of GraceKennedy Limited standing alone give a true and fair view of the financial position of GraceKennedy Limited and its subsidiaries and the GraceKennedy Limited standing alone as at 31 December 2015, and of their financial performance and cash flows for the year then ended, so far as concerns the members of GraceKennedy Limited, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

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

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

PricewaterhouseCoopers

Chartered Accountants
29 February 2016
Kingston, Jamaica

GraceKennedy Limited

Consolidated Statement of Financial Position

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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

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

Gordon Shirley — Chairman

Donald Wehby — Group Chief Executive Officer

GraceKennedy Limited

Consolidated Income Statement

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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

GraceKennedy Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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

Total comprehensive income attributable to owners of GraceKennedy Limited arises from:			
Continuing operations		2,261,622	4,447,803
Discontinued operations		93,492	150,196
		2,355,114	4,597,999

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 28.

GraceKennedy Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Stock Units '000	Share Capital $'000	Capital and Fair Value Reserves $'000	Retained Earnings $'000	Banking Reserves $'000	Other Reserves $'000	Non-Controlling Interest $'000	Total Equity $'000
		Attributable to owners of the parent							
Balance at 1 January 2014		331,921	643,074	4,356,384	22,544,646	2,077,782	3,143,798	1,467,700	34,233,384
Profit for the year		-	-	-	3,285,174	-	-	513,953	3,799,127
Other comprehensive income for the year		-	-	955,815	(81,671)	-	438,681	27,120	1,339,945
Total comprehensive income for 2014		-	-	955,815	3,203,503	-	438,681	541,073	5,139,072
Transactions with owners:									
Issue of shares	18 (a)	18	907	-	-	-	-	-	907
Repurchase of shares	18 (a)	(2,454)	(145,878)	-	-	-	-	-	(145,878)
Issue of treasury shares	18 (b)	2,989	183,710	(5,802)	-	-	-	-	177,908
Purchase of treasury shares	18 (b)	(1,500)	(93,280)	-	-	-	-	-	(93,280)
Transfer of non-controlling interests	22	-	-	-	-	-	-	34,112	34,112
Dividends paid by subsidiaries to non-controlling interests	22	-	-	-	-	-	-	(331,014)	(331,014)
Dividends paid	30	-	-	-	(770,239)	-	-	-	(770,239)
Total transactions with owners		(947)	(54,541)	(5,802)	(770,239)	-	-	(296,902)	(1,127,484)
Transfers between reserves:									
From capital reserves		-	-	(120,769)	120,769	-	-	-	-
To banking reserves		-	-	-	(5,944)	5,944	-	-	-
Balance at 31 December 2014		330,974	588,533	5,185,628	25,092,735	2,083,726	3,582,479	1,711,871	38,244,972
Profit for the year		-	-	-	2,759,498	-	-	494,522	3,254,020
Other comprehensive income for the year		-	-	(43,439)	(565,633)	-	204,688	(29,067)	(433,451)
Total comprehensive income for 2015		-	-	(43,439)	2,193,865	-	204,688	465,455	2,820,569
Transactions with owners									
Issue of shares	18 (a)	18	879	-	-	-	-	-	879
Repurchase of shares	18 (a)	(295)	(18,799)	-	-	-	-	-	(18,799)
Purchase of treasury shares	18 (b)	(57)	(2,824)	-	-	-	-	-	(2,824)
Increase in non-controlling interests	22	-	-	-	-	-	-	818	818
Decrease in non-controlling interests on disposal of subsidiary	22	-	-	-	-	-	-	(595,878)	(595,878)
Dividends paid by subsidiaries to non-controlling interests	22	-	-	-	-	-	-	(256,645)	(256,645)
Dividends paid	30	-	-	-	(820,030)	-	-	-	(820,030)
Total transactions with owners		(334)	(20,744)	-	(820,030)	-	-	(851,705)	(1,692,479)
Transfers between reserves:									
From capital reserves		-	-	(9,430)	9,430	-	-	-	-
To banking reserves		-	-	-	(504,293)	504,293	-	-	-
Balance at 31 December 2015		330,640	567,789	5,132,759	25,971,707	2,588,019	3,787,167	1,325,621	39,373,062

GraceKennedy Limited
Consolidated Statement of Cash Flows
Year ended 31 December 2015
(expressed in Jamaican dollars unless otherwise indicated)

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

The principal non-cash transactions include:

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

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

GraceKennedy Limited

Company Statement of Financial Position

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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

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

Gordon Shirley — Chairman

Donald Wehby — Group Chief Executive Officer

GraceKennedy Limited

Company Income Statement

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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

GraceKennedy Limited

Company Statement of Comprehensive Income

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 28.

GraceKennedy Limited

Company Statement of Changes in Equity

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Stock Units '000	Share Capital $'000	Capital and Fair Value Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2014		331,921	643,074	244,591	19,815,770	20,703,435
Profit for the year		-	-	-	2,904,027	2,904,027
Other comprehensive income for the year		-	-	11,775	82,563	94,338
Total comprehensive income for 2014		-	-	11,775	2,986,590	2,998,365
Transactions with owners						
Issue of shares	18 (a)	18	907	-	-	907
Repurchase of shares	18 (a)	(2,454)	(145,878)	-	-	(145,878)
Issue of treasury shares	18 (b)	2,989	183,710	(5,802)	-	177,908
Purchase of treasury shares	18 (b)	(1,500)	(93,280)	-	-	(93,280)
Dividends paid	30	-	-	-	(770,239)	(770,239)
Total transactions with owners		(947)	(54,541)	(5,802)	(770,239)	(830,582)
Balance at 31 December 2014		330,974	588,533	250,564	22,032,121	22,871,218
Profit for the year		-	-	-	2,383,856	2,383,856
Other comprehensive income for the year		-	-	2,665	(248,195)	(245,530)
Total comprehensive income for 2015		-	-	2,665	2,135,661	2,138,326
Transactions with owners						
Issue of shares	18 (a)	18	879	-	-	879
Repurchase of shares	18 (a)	(295)	(18,799)	-	-	(18,799)
Purchase of treasury shares	18 (b)	(57)	(2,824)	-	-	(2,824)
Dividends paid	30	-	-	-	(820,030)	(820,030)
Total transactions with owners		(334)	(20,744)	-	(820,030)	(840,774)
Balance at 31 December 2015		330,640	567,789	253,229	23,347,752	24,168,770

GraceKennedy Limited
Company Statement of Cash Flows
Year ended 31 December 2015
(expressed in Jamaican dollars unless otherwise indicated)

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

The principal non-cash transactions include:

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

1. Identification

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

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

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

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

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

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

Insurance -
General insurance and insurance brokerage.

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

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

2. Significant Accounting Policies

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

(a) Basis of preparation

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

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

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

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

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

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

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

At the date of authorisation of these financial statements a number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

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

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

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

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

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

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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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 %
GK Investment Limited (formerly First Global Leasing Limited) and its subsidiary –	Jamaica	Lease financing	100	100	-
Greenfield Media Productions Limited	Jamaica	Media rights holder	-	55	45
GraceKennedy Financial Group Limited and its subsidiaries –	Jamaica	Holding company	100	100	-
Allied Insurance Brokers Limited	Jamaica	Insurance brokerage	-	100	-
GK General Insurance Company Limited (formerly Jamaica International Insurance Company Limited)	Jamaica	General Insurance	-	100	-
GraceKennedy Money Services Caribbean SRL and its subsidiary –	Barbados	Holding company	-	75	25
GraceKennedy Remittance Services Limited and its subsidiaries –	Jamaica	Money services	-	75	25
Grace Kennedy Currency Trading Services Limited	Jamaica	Money services	-	75	25
GraceKennedy Payment Services Limited	Jamaica	Money services	-	75	25
GraceKennedy Money Services (Anguilla) Limited	Anguilla	Money services	-	75	25
GraceKennedy Money Services (Antigua & Barbuda) Limited	Antigua & Barbuda	Money services	-	75	25
GraceKennedy Money Services (Montserrat) Limited	Montserrat	Money services	-	75	25
GraceKennedy Money Services (St. Kitts) Limited	St. Kitts	Money services	-	75	25
GraceKennedy Money Services (St. Vincent and the Grenadines) Limited	St. Vincent and the Grenadines	Money services	-	75	25
GraceKennedy Money Services (BVI) Limited (formerly GKMS (BVI) Limited)	British Virgin Islands	Money services	-	75	25
GraceKennedy Money Services (Cayman) Limited	Cayman Islands	Money services	-	75	25
Grace, Kennedy Remittance Services (Guyana) Limited	Guyana	Money services	-	75	25
GraceKennedy (Trinidad & Tobago) Limited	Trinidad and Tobago	Money services	-	75	25
EC Global Insurance Company Limited	St. Lucia	General Insurance	-	80	20
GK Insurance Brokers Limited (formerly First Global Insurance Brokers Limited)	Turks & Caicos	Insurance brokerage	-	100	-
Knutsford Re	Turks & Caicos	Insurance	-	100	-
First Global Holdings Limited and its subsidiaries–	Jamaica	Holding company	25	100	-
First Global Bank Limited	Jamaica	Banking	-	100	-
GK Capital Management Limited	Jamaica	Investment manager	-	100	-
GraceKennedy Properties Limited	Jamaica	Property rental	-	100	-
Grace Foods International Limited	Jamaica	Dormant	100	100	-
GK Foods & Services Limited	Jamaica	Food trading	100	100	-
GraceKennedy Logistics Services Limited	Jamaica	Dormant	100	100	-
Horizon Shipping Limited	Jamaica	Dormant	100	100	-
International Communications Limited	Jamaica	Dormant	100	100	-

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2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

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

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

During the year Greenfield Media Productions Limited and GraceKennedy Money Services (Cayman) Limited were formed and commenced operations. GraceKennedy Money Services (Turks & Caicos Islands) Limited was also formed but has not yet been capitalised.

The Group liquidated Port Services Limited during the year.

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

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

(c) **Associates**

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

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

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

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

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

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

The Group's associated companies are as follows:

	Financial Reporting Year-end	Country of Incorporation	Nature of Business	Group's Percentage Interest	
				2015	2014
CSGK Finance Holdings Limited	31 December	Barbados	Banking	40.0	40.0
Dairy Industries (Jamaica) Limited	31 December	Jamaica	Food trading	50.0	50.0
Trident Insurance Company Limited	30 June	Barbados	Insurance	30.0	30.0
Telecommunications Alliance Limited	31 December	Jamaica	Dormant	49.0	49.0

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

(d) **Segment reporting**

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

(e) **Foreign currency translation**

Functional and presentation currency

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

Transactions and balances

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

2. Significant Accounting Policies (Continue)

(e) Foreign currency translation (continued)

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

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

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

Group companies

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

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

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

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

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

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

(f) Fixed assets

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

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

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

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

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

Land is not depreciated.

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

2. Significant Accounting Policies (Continued)

(f) Fixed assets (continued)

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

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

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

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

(g) Intangible assets

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

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

Computer software
Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the software, which ranges from 3 to 5 years.

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

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

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

Customer relationships
Customer relationships are recorded at cost and represent the value of the consideration paid to acquire customer contracts and the related customer relationships with several outlet operators and insurance clients. These costs are amortised over the estimated useful life of the relationships, which is between 5 to 15 years.

2. Significant Accounting Policies (Continued)

(h) Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

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

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

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

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

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

Available-for-sale financial assets

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

Recognition and measurement

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

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2. Significant Accounting Policies (Continued)

(h) Financial assets (continued)

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

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

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

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

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

(i) Derivative financial instruments

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

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

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

(j) Investments in subsidiaries

Investments in subsidiaries are stated at cost.

(k) Impairment of non-financial assets

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

(l) Income taxes

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

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

2. Significant Accounting Policies (Continued)

(l) Income taxes (continued)

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

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

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

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

(m) Employee benefits

Pension obligations

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

Pension plan assets

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

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

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

Past-service costs are recognised immediately in income.

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

Other post-employment obligations

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

Equity compensation benefits

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

Termination benefits

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

2. Significant Accounting Policies (Continued)

(m) Employee benefits (continued)

Incentive plans

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

(n) Inventories

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

(o) Trade and insurance receivables

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

(p) Cash and cash equivalents

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

(q) Payables

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

(r) Insurance business provisions

Claims outstanding

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

Insurance reserves

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

Reinsurance ceded

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

Deferred policy acquisition costs

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

2. Significant Accounting Policies (Continued)

(s) Provisions

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

(t) Deposits

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

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

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

(v) Borrowings

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

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

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

(w) Borrowings costs

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

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

(x) Leases

As lessee

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

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

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

As lessor

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

(y) Share capital

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

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

2. Significant Accounting Policies (Continued)

(z) Revenue recognition

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

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

(i) Sales of goods – wholesale

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

(ii) Sales of goods – retail

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

(iii) Sales of services

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

(iv) Interest income

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

(v) Dividend income

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

2. Significant Accounting Policies (Continued)

(aa) Dividends

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

(ab) Investment properties

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

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

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

(ac) Discontinued operations

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

3. Insurance and Financial Risk Management

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

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

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

(i) Audit Committee

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

(ii) Corporate Governance Committee

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

(iii) Asset and Liability Committees/Investment Committees

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

(iv) Corporate Finance Department

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

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

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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:

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

3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Sensitivity Analysis of Actuarial Liabilities

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

Actuarial Assumptions

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

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

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

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

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

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

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

(ii) Provision for adverse deviation assumptions

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

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

(iii) Scenario Testing

The two major assumptions that determine reserve levels are:

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

- The selection of loss development factors.

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

Development Claim Liabilities

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of the ultimate claims liability for accident years 2006 - 2014 has changed at successive year-ends, up to 2015. Updated unpaid claims and adjustment expenses (UCAE) and claims incurred but not reported (IBNR) estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the development calculations.

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

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

Development Claim Liabilities (continued)

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

3. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk

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

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

a) The retention limit or maximum exposure on insurance policies under the reinsurance treaties range between $3,601,000 and $36,009,000 (2014: $4,004,000 and $34,317,000).

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

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

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

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

(c) Financial risk

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

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

(i) Credit risk

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

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

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Credit review process

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

(a) Trade and other receivables

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

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

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

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

(b) Loans and leases

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

Group's internal rating scale:

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

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

(c) Reinsurance

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

(d) Premium and other receivables

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

(e) Investments

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

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

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

Securities lending and reverse repurchase transactions – cash or securities.

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

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

Impairment

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

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

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

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

(i) **Credit risk (continued)**

Impairment (continued)

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

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

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

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

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

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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

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

Company's rating

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

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

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

This represents a worst case scenario of credit risk exposure to the Group and company at 31 December 2015 and 2014, without taking account of any collateral held or other credit enhancements.

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

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

(i) **Credit Risk (continue)**

Loans and leases, premium and trade receivables

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

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

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

Loans and leases, premium and trade receivables that are less than 3 months past due are not considered impaired. As of 31 December 2015, loans and leases, premium and trade receivables of $2,699,142,000 (2014: $3,235,921,000) and $154,704,000 (2014:$154,196,000) for the Group and company respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these loans and leases, premium and trade receivables is as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Less than 1 month	1,389,665	1,889,846	-	-
Within 1 to 3 months	1,019,643	839,979	137,150	140,907
Over 3 months	289,834	506,096	17,554	13,289
	2,699,142	3,235,921	154,704	154,196

As of 31 December 2015, loans and leases, premium and trade receivables of $1,798,951,000 (2014: $1,659,414,000) and $137,529,000 (2014: $166,081,000) for the Group and company respectively were impaired. The amount of the provision was $715,579,000 (2014: $604,786,000) and $97,981,000 (2014: $108,119,000) for the Group and company respectively. There are no financial assets other than loans, leases, premium and trade receivables that are past due.

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

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

(i) **Credit risk (continued)**

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

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
3 to 6 months	-	589,319	-	-
Over 6 months	1,321,513	648,057	-	-
	1,321,513	1,237,376	-	-

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

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

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

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

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

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

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

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

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

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

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

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Financial assets – individually impaired

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

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

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

Repossessed collateral

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

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

Debt securities

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

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk

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

Liquidity risk management process

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

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

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

(iii) Maintaining committed lines of credit;

(iv) Optimising cash returns on investment;

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

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

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

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

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

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

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

(ii) **Liquidity risk**

Financial liabilities cash flows

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

	Group				
	1 to 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
As at 31 December 2015:					
Deposits	19,391,945	4,979,227	21,135	-	24,392,307
Securities sold under agreements to repurchase	5,664,480	1,777,327	1,319,217	-	8,761,024
Bank and other loans	5,182,832	3,384,030	4,338,089	2,615,502	15,520,453
Trade and other payables	11,056,007	6,160,256	-	-	17,216,263
Total financial liabilities (contractual dates)	41,295,264	16,300,840	5,678,441	2,615,502	65,890,047

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial liabilities cash flows (continued)

	Company			
	1 to 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Total $'000**
As at 31 December 2015:				
Bank and other loans	1,743,552	1,543,443	1,335,170	5,145,349
Trade and other payables	2,204,102	-	-	2,204,102
Subsidiaries	2,870,823	-	-	2,870,823
Total financial liabilities (contractual dates)	6,818,477	1,543,443	1,335,170	10,220,274

	Company			
	1 to 3 Months $'000	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Total $'000**
As at 31 December 2014:				
Bank and other loans	1,795,896	2,367,490	54,238	4,217,624
Trade and other payables	1,781,118	-	-	1,781,118
Subsidiaries	2,420,347	-	-	2,420,347
Total financial liabilities (contractual dates)	5,997,361	2,367,490	54,238	8,419,089

The assets available to meet all of the liabilities and to cover outstanding loan commitments include: cash, Central Bank balances, items in the course of collection, investment securities and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions. The Group and the company have the following undrawn committed borrowing facilities:

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

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

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

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

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

Off-statement of financial position items

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

	Group			
	No later 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
As at 31 December 2015:				
Loan commitments	1,904,707	-	-	1,904,707
Guarantees, acceptances and other financial facilities	338,101	-	-	338,101
Capital commitments	64,686	-	-	64,686
Operating lease commitments	1,215,621	3,857,395	921,140	5,994,156
	3,523,115	3,857,395	921,140	8,301,650
As at 31 December 2014:				
Loan commitments	2,043,880	-	-	2,043,880
Guarantees, acceptances and other financial facilities	693,953	-	-	693,953
Operating lease commitments	1,037,870	3,076,257	1,215,643	5,329,770
	3,775,703	3,076,257	1,215,643	8,067,603

(iii) **Market risk**

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

Currency risk

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

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

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

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

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

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

				Group			
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CAN$ J$'000**	**EURO J$'000**	**Other J$'000**	**Total J$'000**
As at 31 December 2014:							
Financial Assets							
Cash and deposits	5,348,030	2,017,160	547,302	172,282	722,962	701,244	9,508,980
Investment securities and pledged assets	11,404,083	18,022,483	141,552	10,971	-	467,150	30,046,239
Trade and other receivables	4,219,426	3,592,116	1,754,661	400,560	48,879	676,660	10,692,302
Loans receivable	14,235,758	4,128,671	-	-	-	-	18,364,429
Total financial assets	35,207,297	27,760,430	2,443,515	583,813	771,841	1,845,054	68,611,950
Financial Liabilities							
Deposits	9,100,777	10,924,901	332,542	121,259	717,948	-	21,197,427
Securities sold under agreements to repurchase	2,818,072	4,657,477	11	-	-	52,914	7,528,474
Bank and other loans	6,082,056	3,659,373	1,041,358	238,848	-	42,525	11,064,160
Trade and other payables	9,374,183	5,947,057	2,263,032	543,763	133,173	791,486	19,052,694
Total financial liabilities	27,375,088	25,188,808	3,636,943	903,870	851,121	886,925	58,842,755
Net financial position	7,832,209	2,571,622	(1,193,428)	(320,057)	(79,280)	958,129	9,769,195

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

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

(iii) **Market risk (continued)**

Currency risk (continued)

Concentrations of currency risk (continued)

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

	Company						
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CAN$ J$'000**	**EURO J$'000**	**Other J$'000**	**Total J$'000**
As at 31 December 2014:							
Financial Assets							
Cash and deposits	1,899,694	329,131	-	-	-	4,231	2,233,056
Investment securities	1,798,672	3,588,273	-	-	-	43,254	5,430,199
Trade and other receivables	1,149,957	23,188	-	-	-	-	1,173,145
Subsidiaries	122,915	322,419	-	-	-	-	445,334
Loans receivable	1,930,303	1,375,084	-	-	-	-	3,305,387
Total financial assets	6,901,541	5,638,095	-	-	-	47,485	12,587,121
Financial Liabilities							
Bank and other loans	1,713,866	2,414,150	-	-	-	-	4,128,016
Trade and other payables	1,049,161	728,457	1,336	151	2,013	-	1,781,118
Subsidiaries	2,233,949	185,801	597	-	-	-	2,420,347
Total financial liabilities	4,996,976	3,328,408	1,933	151	2,013	-	8,329,481
Net financial position	1,904,565	2,309,687	(1,933)	(151)	(2,013)	47,485	4,257,640

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Foreign currency sensitivity

The following tables indicate the currencies to which the Group and company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the changes in carrying amounts of outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 8% increase (2014: 10%) and a 1% decrease (2014: 1%) in foreign currency rates to arrive at the corresponding impact on profit. The sensitivity analysis includes cash and deposits, investment securities, receivables, loans receivable, deposits, securities sold under agreements to repurchased, bank and other loans, and payables. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be assessed on an individual basis.

	Group			
	% Change in Currency Rate 2015	Effect on Profit before taxation 2015 $'000	% Change in Currency Rate 2014	Effect on Profit before taxation 2014 $'000
Currency:				
USD	+8%	366,883	+10%	242,450
GBP	+8%	5,811	+10%	1,511
CAN	+8%	3,402	+10%	519
EURO	+8%	(201)	+10%	61
USD	-1%	(45,860)	-1%	(24,245)
GBP	-1%	(726)	-1%	(151)
CAN	-1%	(425)	-1%	(52)
EURO	-1%	25	-1%	(6)

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

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

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

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

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

	Group						
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-rate Sensitive $'000	Total $'000
At 31 December 2015:							
Assets							
Cash and deposits	2,854,811	1,414,500	-	-	-	5,632,106	9,901,417
Investment securities and pledged assets	4,259,691	3,366,596	2,944,639	14,650,890	5,937,478	1,707,948	32,867,242
Loans receivable	857,327	3,077,061	2,074,432	8,631,446	7,766,009	189,316	22,595,591
Trade and other receivables	-	-	-	-	-	10,900,230	10,900,230
Total financial assets	7,971,829	7,858,157	5,019,071	23,282,336	13,703,487	18,429,600	76,264,480
Liabilities							
Deposits	15,759,223	3,607,523	4,872,117	19,574	-	-	24,258,437
Securities sold under agreements to repurchase	3,060,599	2,599,402	1,754,912	1,227,065	-	-	8,641,978
Bank loans	3,904,384	3,691,272	3,751,278	1,232,377	1,356,796	-	13,936,107
Trade payables	-	-	-	-	-	17,216,263	17,216,263
Total financial liabilities	22,724,206	9,898,197	10,378,307	2,479,016	1,356,796	17,216,263	64,052,785
Total interest repricing gap	(14,752,377)	(2,040,040)	(5,359,236)	20,803,320	12,346,691	1,213,337	12,211,695

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	Group						
	Within 1 Month $'000	**1 to 3 Months $'000**	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Non-rate Sensitive $'000**	**Total $'000**
At 31 December 2014:							
Assets							
Cash and deposits	6,285,204	703,057	-	-	-	2,520,719	9,508,980
Investment securities and pledged assets	4,040,705	2,682,726	3,466,403	9,295,270	9,165,049	1,396,086	30,046,239
Loans receivable	249,409	2,967,167	1,577,992	8,273,344	5,093,375	203,142	18,364,429
Trade and other receivables	-	-	-	-	-	10,692,302	10,692,302
Total financial assets	10,575,318	6,352,950	5,044,395	17,568,614	14,258,424	14,812,249	68,611,950
Liabilities							
Deposits	13,939,558	3,636,874	3,601,563	19,432	-	-	21,197,427
Securities sold under agreements to repurchase	1,623,360	2,805,844	2,121,584	977,686	-	-	7,528,474
Bank loans	2,076,416	370,445	4,762,520	3,050,572	804,207	-	11,064,160
Trade payables	-	-	-	-	-	19,052,694	19,052,694
Total financial liabilities	17,639,334	6,813,163	10,485,667	4,047,690	804,207	19,052,694	58,842,755
Total interest repricing gap	(7,064,016)	(460,213)	(5,441,272)	13,520,924	13,454,217	(4,240,445)	9,769,195

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

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

(iii) **Market risk (continued)**

Interest rate risk (continued)

	Company						
	Within 1 Month $'000	**1 to 3 Months $'000**	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Non-rate Sensitive $'000**	**Total $'000**
At 31 December 2015:							
Assets							
Cash and deposits	173,715	1,167,376	-	-	-	464,150	1,805,241
Investment securities	-	823,999	1,578,279	1,782,483	2,010,587	121,883	6,317,231
Loans receivable	150,000	-	614,385	1,420,185	-	949,175	3,133,745
Trade and other receivables	-	-	-	-	-	1,264,862	1,264,862
Subsidiaries	-	-	-	-	-	1,273,308	1,273,308
Total financial assets	323,715	1,991,375	2,192,664	3,202,668	2,010,587	4,073,378	13,794,387
Liabilities							
Bank loans	1,682,773	1,926,911	1,112,059	13,901	-	-	4,735,644
Trade payables	-	-	-	-	-	2,204,102	2,204,102
Subsidiaries	-	-	-	-	-	2,870,823	2,870,823
Total financial liabilities	1,682,773	1,926,911	1,112,059	13,901	-	5,074,925	9,810,569
Total interest repricing gap	(1,359,058)	64,464	1,080,605	3,188,767	2,010,587	(1,001,547)	3,983,818

	Company						
	Within 1 Month $'000	**1 to 3 Months $'000**	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Non-rate Sensitive $'000**	**Total $'000**
At 31 December 2014:							
Assets							
Cash and deposits	509,583	1,277,847	-	-	-	445,626	2,233,056
Investment securities	-	719,000	1,631,969	1,021,418	2,004,045	53,767	5,430,199
Loans receivable	-	-	1,819,259	-	-	1,486,128	3,305,387
Trade and other receivables	-	-	-	-	-	1,173,145	1,173,145
Subsidiaries	-	-	-	-	-	445,334	445,334
Total financial assets	509,583	1,996,847	3,451,228	1,021,418	2,004,045	3,604,000	12,587,121
Liabilities							
Bank loans	1,806,139	-	2,270,777	51,100	-	-	4,128,016
Trade payables	-	-	-	-	-	1,781,118	1,781,118
Subsidiaries	-	-	-	-	-	2,420,347	2,420,347
Total financial liabilities	1,806,139	-	2,270,777	51,100	-	4,201,465	8,329,481
Total interest repricing gap	(1,296,556)	1,996,847	1,180,451	970,318	2,004,045	(597,465)	4,257,640

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

Interest rate sensitivity

The following 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: 2015 JMD / USD	Effect on Profit before taxation 2015 $'000	Effect on Other Components of Equity 2015 $'000	Change in basis points: 2014 JMD / USD	Effect on Profit before taxation 2014 $'000	Effect on Other Components of Equity 2014 $'000
-150/-50	(30,617)	226,436	-100/-50	690	259,238
+100/+100	(89,183)	(381,434)	+250/+200	(102,305)	(962,717)

Company

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

Price Risk

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

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

3. Insurance and Financial Risk Management (Continued)

(d) Capital management

Insurance subsidiaries

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

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

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

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

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

The primary measure used to assess capital adequacy is the Minimum Capital Test (MCT). This information is required to be filed with the Financial Services Commission on an annual basis. The minimum standard recommended by the regulators for companies is a MCT of 250% (2014: 250%).

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

The banking and investment subsidiaries

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

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

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

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

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

The BOJ requires the banking entity to:

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

The FSC requires the investment services entities to:

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

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

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

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

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

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

3. Insurance and Financial Risk Management (Continued)

(d) Capital management (continued)

Companies not requiring external regulatory capital requirements

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

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

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

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

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

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

Key sources of estimation uncertainty

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

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2 (g). The assessment of goodwill impairment involves the determination of the value in use. Determination of value in use involves the estimation of future cash flows from the business taking into consideration the growth rates, inflation rates and the discount rates. Any changes in these variables would impact the value in use calculations. A 1% increase in the discount rate would result in a reduction in the value in use by $3,386,234,000, which would not result in an impairment of goodwill.

(ii) Income taxes

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

(iii) Pension plan assets and post-employment obligations

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

(iv) Liabilities arising from claims made under insurance contracts

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

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

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

Key sources of estimation uncertainty (continued)

(v) Investment properties

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

(vi) Land and buildings

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

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

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

5. Cash and Deposits

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

Included in deposits is interest receivable of $5,325,000 (2014: $6,947,000) and $4,716,000 (2014: $5,193,000) for the Group and company, respectively. The weighted average effective interest rate on deposits was 3.91% (2014: 5.72%) and 4.19% (2014: 6.87%) for the Group and company, respectively, and these deposits have an average maturity of under 3 months.

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and in hand	8,317,401	6,612,896	614,039	496,976
Deposits	1,584,016	2,896,084	1,191,202	1,736,080
	9,901,417	9,508,980	1,805,241	2,233,056
Bank overdrafts (Note 15)	(2,827,358)	(1,599,339)	(937,205)	(175,375)
	7,074,059	7,909,641	868,036	2,057,681

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6. Investment Securities and Pledged Assets

(a) Investment securities

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

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

Included in Government of Jamaica securities are instruments which mature between 3 months and 12 months or which the Group intends to realise within 12 months and have an effective interest rate of 6.26% (2014: 6.36%) and 4.00% (2014: 4.00%) for the Group and the company respectively.

Included in Bank of Jamaica securities is $2,847,553,000 (2014: $2,447,911,000) held at the Bank of Jamaica under Section 14(1) of the Banking Act, 1992, representing the required ratio of 12% (2014: 12%) for Jamaican dollar cash reserves and 9% (2014: 9%) for United States dollar cash reserves of the banking subsidiary's prescribed liabilities. It is not available for investment, lending or other use by the Group or the banking subsidiary.

Included in investment securities for the Group is $7,391,270,000 (2014: $7,087,341,000) and company $1,554,840,000 (2014: $1,842,342,000) which matures within the next 12 months.

6. Investment Securities and Pledged Assets (Continued)

(b) Pledged assets

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

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

There were no pledged assets in relation to the company.

Of the assets pledged as security, the following represents the total for those assets pledged for which the transferee has the right by contract or custom to sell or repledge the collateral.

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

(c) Available-for-sale securities

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

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

7. Receivables

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

The fair values of trade and other receivables approximate carrying values. All receivable balances are due within the next 12 months.

8. Inventories

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

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

9. Loans Receivable

(a) Loans receivable comprise:

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

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

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

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

9. Loans Receivable (Continued)

(b) Finance lease receivables:

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

10. Investments in Associates

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

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

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10. Investments in Associates (Continued)

Dairy Industries (Jamaica) Limited (DIJL) and CSGK Finance Holdings Limited (CSGK), in the opinion of the directors, are material to the Group.

DIJL has share capital consisting solely of ordinary shares, which are partially owned by the Group and held directly by the parent company. The Group owns 50% of the share capital in DIJL. DIJL is one of the main manufacturers of dairy products such as cheese and yogurt, within Jamaica; and sells its products mainly through distributors including to companies within the Group.

CSGK has share capital consisting solely of ordinary shares, which are held indirectly by the parent company through a banking and investment subsidiary. The Group owns 40% of the share capital in CSGK. CSGK is a finance company whose principal activities, through its wholly owned subsidiary Signia Financial Group Inc., are the provision of term finance, motor vehicle leasing, acceptance of deposits, foreign exchange dealing and stock broking.

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

There are no contingent liabilities relating to the Group's interest in DIJL, CSGK and the Group's other associated companies.

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

Summarised statement of financial position

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

10. Investments in Associates (Continued)

Summarised income statement

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

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

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

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

	Group	
	2014	**2013**
	$'000	**$'000**
Profit or loss from continuing operations	(6,303)	26,880
Other comprehensive income	3,506	3,016
Total comprehensive income	(2,797)	29,896

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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 2014	1,642,371	809,622	2,386,070	589,088	5,427,151
Additions	-	-	465,459	-	465,459
Acquisition through business combination (Note 42)	934,998	834,193	-	-	1,769,191
Retirement of asset	-	(625)	(589,012)	-	(589,637)
Exchange differences	66,868	19,075	1,247	-	87,190
At 31 December 2014	2,644,237	1,662,265	2,263,764	589,088	7,159,354
Additions	818	8,402	550,537	-	559,757
Retirement of asset	(117)	-	(262,317)	-	(262,434)
Exchange differences	74,327	40,676	978	-	115,981
At 31 December 2015	2,719,265	1,711,343	2,552,962	589,088	7,572,658
Accumulated Amortisation					
At 1 January 2014	645,190	308,490	1,734,062	314,179	3,001,921
Amortisation charge for the year	142,794	-	288,683	39,273	470,750
Impairment charge	-	625	126,596	-	127,221
Retirement of asset	-	(625)	(589,012)	-	(589,637)
Exchange differences	16,454	-	971	-	17,425
At 31 December 2014	804,438	308,490	1,561,300	353,452	3,027,680
Amortisation charge for the year	183,141	-	391,071	39,272	613,484
Retirement of asset	(117)	-	(262,317)	-	(262,434)
Exchange differences	15,873	-	1,411	-	17,284
At 31 December 2015	1,003,335	308,490	1,691,465	392,724	3,396,014
Net Book Amount					
31 December 2015	1,715,930	1,402,853	861,497	196,364	4,176,644
31 December 2014	1,839,799	1,353,775	702,464	235,636	4,131,674

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

Impairment tests for goodwill

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

11. Intangible Assets (Continued)

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

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

For the year ended 31 December 2015, management tested for impairment the goodwill allocated to all the CGUs.

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

Key assumptions used for value in use calculations:

	Revenue Growth Rate	EBITDA to Revenue	Capital Expenditure to Revenue	Discount Rate
Food Trading				
- Jamaica operations	9.72%	4.64%	0.16%	15.15%
- United Kingdom operations	9.25%	6.00%	0.88%	11.10%
- United States operations	9.77%	4.23%	1.38%	8.41%

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

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12. Fixed Assets

	Freehold Land and Buildings $'000	Leasehold Buildings and Improvements $'000	Plant, Equipment, Fixtures & Vehicles $'000	Capital Work in Progress $'000	Total $'000
			Group		
Cost					
At 1 January 2014	4,516,666	1,377,583	6,306,547	195,164	12,395,960
Additions	99,497	62,080	680,285	295,886	1,137,748
Acquisition through business combination	743,209	24,650	145,964	-	913,823
Revaluation adjustment	557,697	-	-	-	557,697
Transfers	26,597	36,141	140,511	(203,249)	-
Transfer to investment properties (Note 41)	(94,000)	-	-	-	(94,000)
Disposals	(128,500)	(67,153)	(330,862)	(874)	(527,389)
Exchange differences	12,124	9,786	36,033	-	57,943
At 31 December 2014	5,733,290	1,443,087	6,978,478	286,927	14,441,782
Additions	150,063	168,050	578,700	532,071	1,428,884
Revaluation adjustment	(4,135)	-	-	-	(4,135)
Transfers	-	83,790	157,229	(241,019)	-
Disposals	(530,975)	(333,469)	(1,119,604)	(1,860)	(1,985,908)
Exchange differences	37,470	3,301	15,588	859	57,218
At 31 December 2015	5,385,713	1,364,759	6,610,391	576,978	13,937,841
Accumulated Amortisation					
At 1 January 2014	85,803	839,900	4,523,321	-	5,449,024
Charge for the year	85,130	98,046	579,042	-	762,218
Revaluation adjustment	(170,014)	-	-	-	(170,014)
On disposals	(919)	(50,776)	(287,749)	-	(339,444)
Exchange differences	-	6,441	26,465	-	32,906
At 31 December 2014	-	893,611	4,841,079	-	5,734,690
Charge for the year	119,833	127,759	607,357	-	854,949
On disposals	(5,617)	(212,298)	(987,768)	-	(1,205,683)
Exchange differences	564	2,837	6,091	-	9,492
At 31 December 2015	114,780	811,909	4,466,759	-	5,393,448
Net Book Amount					
31 December 2015	5,270,933	552,850	2,143,632	576,978	8,544,393
31 December 2014	5,733,290	549,476	2,137,399	286,927	8,707,092

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12. Fixed Assets (Continued)

	Freehold Land and Buildings $'000	Leasehold Buildings and Improvements $'000	Plant, Equipment, Fixtures & Vehicles $'000	Capital Work in Progress $'000	Total $'000
			Company		
Cost					
At 1 January 2014	60,000	89,192	716,468	-	865,660
Additions	-	7,160	65,199	587	72,946
Revaluation adjustment	7,000	-	-	-	7,000
Disposals	-	-	(3,505)	-	(3,505)
At 31 December 2014	67,000	96,352	778,162	587	942,101
Additions	-	4,941	72,464	7,333	84,738
Disposals	-	-	(1,184)	-	(1,184)
At 31 December 2015	67,000	101,293	849,442	7,920	1,025,655
Accumulated Amortisation					
At 1 January 2014	1,188	67,438	577,337	-	645,963
Charge for the year	1,088	3,428	66,432	-	70,948
Revaluation adjustment	(2,276)	-	-	-	(2,276)
On disposals	-	-	(3,195)	-	(3,195)
At 31 December 2014	-	70,866	640,574	-	711,440
Charge for the year	1,305	3,864	62,309	-	67,478
On disposals	-	-	(1,000)	-	(1,000)
At 31 December 2015	1,305	74,730	701,883	-	777,918
Net Book Amount					
31 December 2015	65,695	26,563	147,559	7,920	247,737
31 December 2014	67,000	25,486	137,588	587	230,661

(a) The tables above include carrying values of $13,408,000 (2014: $12,753,000) and $4,714,000 (2014: $13,283,000) for the Group and the company, respectively, representing assets being acquired under finance leases. All amounts related to finance leases are shown in the 'Plant, Equipment, Fixtures & Vehicles' category of fixed assets.

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

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

(c) The Group's land and buildings were revalued during 2014 by independent valuers. The valuations were done on the basis of open market value, with the exception of the Distribution Centre, for which recent market transactions are not available due to the specialised nature of the assets. The revaluation surpluses, net of applicable deferred income taxes, were credited to the capital and fair value reserves in equity (Note 19).

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

13. Deferred Income Taxes

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

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

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

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

Deferred income tax liabilities of $334,384,000 (2014: $295,852,000) have not been established for the withholding taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are permanently reinvested; such unremitted earnings totalled $1,337,537,000 (2014: $1,183,409,000).

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

	Group					
Deferred tax liabilities	**Fixed Assets $'000**	**Fair Value Gains $'000**	**Unrealised Foreign Exchange Gains $'000**	**Pension Plan Assets $'000**	**Other $'000**	**Total $'000**
At 1 January 2014	349,474	36,487	59,999	1,376,617	370,411	2,192,988
(Credited)/charged to the income statement	(164,272)	124,119	(18,598)	2,278	(56,543)	(113,016)
Charged/(credited) to other comprehensive income	123,595	4,837	-	(19,616)	-	108,816
Exchange differences	-	-	-	-	14	14
At 31 December 2014	308,797	165,443	41,401	1,359,279	313,882	2,188,802
Charged/(credited) to the income statement	11,220	12,686	(17,649)	(32,593)	84,241	57,905
Charged to other comprehensive income	19,770	58,956	-	14,460	-	93,186
Disposal of subsidiary	(37,214)	-	-	-	-	(37,214)
Exchange differences	-	-	-	-	299	299
At 31 December 2015	302,573	237,085	23,752	1,341,146	398,422	2,302,978

Deferred tax assets	**Fixed Assets $'000**	**Fair Value Losses $'000**	**Unutilised Tax Losses and Credits $'000**	**Employee Benefit Obligations $'000**	**Other $'000**	**Total $'000**
At 1 January 2014	44,556	157,022	738,078	869,883	68,798	1,878,337
Credited/(charged) to the income statement	21,532	-	241,597	(34,635)	(11,961)	216,533
(Charged)/credited to other comprehensive income	-	(152,329)	-	31,951	-	(120,378)
Exchange differences	(294)	-	19,151	-	71	18,928
At 31 December 2014	65,794	4,693	998,826	867,199	56,908	1,993,420
Credited/(charged) to the income statement	66,692	-	(87,280)	68,120	(24,690)	22,842
Credited to other comprehensive income	-	70,554	-	232,192	-	302,746
Disposal of subsidiary	-	-	-	(119,567)	-	(119,567)
Exchange differences	(22)	-	16,394	-	(505)	15,867
At 31 December 2015	132,464	75,247	927,940	1,047,944	31,713	2,215,308

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13. Deferred Income Taxes (Continued)

	Company					
Deferred tax liabilities	**Fixed Assets $'000**	**Fair Value Gains $'000**	**Unrealised Foreign Exchange Gains $'000**	**Pension Plan Assets $'000**	**Other $'000**	**Total $'000**
At 1 January 2014	22,247	35,937	3,708	1,376,617	10,088	1,448,597
(Credited)/charged to the income statement	(14,987)	-	(3,380)	(75,167)	4,855	(88,679)
Charged to other comprehensive income	2,319	1,606	-	57,829	-	61,754
At 31 December 2014	9,579	37,543	328	1,359,279	14,943	1,421,672
(Credited)/charged to the income statement	(693)	-	3,537	(32,593)	(5,518)	(35,267)
(Credited)/charged to other comprehensive income	(659)	668	-	14,460	-	14,469
At 31 December 2015	8,227	38,211	3,865	1,341,146	9,425	1,400,874

Deferred tax assets	**Fixed Assets $'000**	**Employee Benefit Obligations $'000**	**Other $'000**	**Total $'000**
At 1 January 2014	11,135	327,755	13,217	352,107
Credited/(charged) to the income statement	4,499	(5,561)	1,821	759
Credited to other comprehensive income	-	30,308	-	30,308
At 31 December 2014	15,634	352,502	15,038	383,174
Credited/(charged) to the income statement	7,785	21,722	(767)	39,672
Credited to other comprehensive income	-	97,192	-	97,192
At 31 December 2015	23,419	471,416	14,271	520,038

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

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

14. Pensions and Other Post-Employment Obligations

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

Defined contribution schemes
The defined contribution pension scheme is open to Jamaican based employees hired on or after 1 April 2010. Employees contribute 5% of pensionable earnings with the option to contribute an additional voluntary contribution of 5%. The employer contributions are currently set at 10%. The Group also has other defined contribution schemes open to employees of its foreign subsidiaries which are operated in those countries. The Group's and company's contributions for the year were $253,135,000 (2014: $168,317,000) and $37,990,000 (2014: $26,397,000) respectively.

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

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

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

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

Pension benefits

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

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

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

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

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

Pension benefits (continued)

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

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

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

In the prior year the company assumed the defined benefit pension obligations of all companies within the Group participating in this scheme. As a result the parent company recognises the total pension assets and obligations in respect of this plan. The obligation of other participating companies is limited to the regular monthly pension contributions. Adjustments to plan assets and plan liabilities for the company reflect the impact of this change.

The amounts recognised in the income statement are as follows:

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

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

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

Pension benefits (continued)

The plan assets are comprised of:

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

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

The benefit that the company derives from the surplus of the pension plan is limited to the extent of the reduction in future contributions that it will make to the pension scheme.

Expected contributions by the Group to the post-employment scheme for the year ending 31 December 2016 are $572,000. The actual return on plan assets was $3,922,637,000 (2014: $2,567,652,000).

The principal actuarial assumptions used were as follows:

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

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

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

	2015	2014
Male	27.18	23.26
Female	28.13	26.02

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

Pension benefits (continued)

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

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

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

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

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

Other post-employment obligations

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

In addition to the assumptions used for the pension schemes, the main actuarial assumption is a long term increase in health costs of 6.5% per year (2014: 7.0% per year).

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

Movement in the defined benefit obligation is as follows:

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

The amounts recognised in the income statement were as follows:

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

The total charge was included in administration expenses.

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

Other post-employment obligations (continued)

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

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

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

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

		Company					
		Impact on post-employment obligations					
	Change in Assumption	**Increase in Assumption**			**Decrease in Assumption**		
			2015	**2014**		**2015**	**2014**
Discount rate	1%	Decrease by	13.1%	12.0%	Increase by	16.5%	15.0%
Medical inflation rate	1%	Increase by	16.7%	15.2%	Decrease by	13.4%	12.4%

Risks associated with pension plans and post-employment plans

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

Asset volatility

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

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

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

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

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

Changes in bond yields

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

Inflation risk

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

Life expectancy

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

The Board of Trustees is ultimately responsible for the establishment and oversight of the plan's risk management framework, including monitoring the overall risk management process, as well as approving policies covering specific areas, such as limits for specific asset classes, foreign exchange risk, credit risk and investment of excess liquidity. The Board is responsible for monitoring the investment portfolio and investment strategies for the plan. A large portion of assets in 2015 consists of money market instruments, bonds and equities.

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

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

Plans	Years
Gratuity Plan	10.2
Group Life Plan	15.8
Insured Group Health	20.4
Pension Plan	18.0
Self Insured Health Plan	13.7
Superannuation plan	7.9

15. Bank and Other Loans

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

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

(b) Bank and other loans comprise:

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

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Certain bank borrowings are secured on the assets of subsidiaries that have the loans. All other borrowings are unsecured. Included in bank borrowings and other loans is interest payable of $99,481,000 (2014: $117,399,000) and $38,228,000 (2014: $43,895,000) for the Group and the company, respectively.

Included in bank borrowings and other loans is $7,937,404,000 (2014: $7,238,800,000) and $3,176,052,000 (2014: $4,069,397,000) for the Group and the company respectively, which matures in the next 12 months.

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.81% (2014: 7.01%) and are within level 2 of the fair value hierarchy.

(c) Finance lease liabilities – minimum lease payments:

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

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

16. Payables

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

All payables balances are due within the next 12 months.

17. Provisions

Provisions comprise warranties as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of year	6,221	6,839	6,221	6,221
Unused amounts reversed	(6,221)	(618)	(6,221)	-
At end of year	-	6,221	-	6,221

This relates to warranties given on roofing, which was undertaken by one of the subsidiary companies. The Group is no longer in this line of business and the warranties expire fully in 2036. The subsidiary was disposed of during the year (Note 43) and the probability of the Group being required to honour any future claims is remote.

18. Share Capital

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

(a) During the year, the company issued 18,000 (2014: 18,000) shares to its employees for cash of $879,000 (2014: $907,000). The shares were issued under the Directors and Senior Managers Stock Option Plans. The company, under its share buy-back programme which commenced in 2013, repurchased 295,000 (2014: 2,454,000) units at a fair value of $18,799,000 (2014: $145,878,000).

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

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

On 6 January 2011, under the rules of the Stock Option Plan, the following allocation was made:

	No. of Shares
Senior managers	2,932,008

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

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

18. Share Capital (Continued)

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

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

	No. of Shares
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:	2015 '000	2014 '000
At 1 January and 31 December	226	226

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

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

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

Movement on this option:	2015 '000	2014 '000
At 1 January	1,071	1,103
Forfeited	-	(32)
At 31 December	1,071	1,071

18. Share Capital (Continued)

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

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

Shares totalling 3,509,000 (2014: 3,625,000) are exercisable at the statement of financial position date.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

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

(f) The fair value of options granted determined using the Black-Scholes valuation model was $130,945,000. The significant inputs into the model were the weighted average share prices of $51.00, $55.65 and $61.20 at the grant dates, exercise prices of $50.83, $41.67 and $61.20, standard deviation of expected share price returns of 33.2%, option life of six years and three months and risk-free interest rates of 7.48%, 6.51% and 6.28% The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the term of the options. No new options were issued in 2015 or 2014 and no expense was recognised in the income statement for stock options granted to directors and employees.

(g) During 2015, Nil shares (2014: 2,989,000) were sold to key management personnel through the employee investment trust at a discount of 25% from the average of the last 3 trading days' closing prices of the stock as at 25 September 2014. The cost of the discount expensed in the income statement was $Nil (2014: $43,525,000).

19. Capital and Fair Value Reserves

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

	Company					
	Capital Reserve	Fair Value Reserves	Total	Capital Reserve	Fair Value Reserves	Total
	2015			2014		
	$'000	$'000	$'000	$'000	$'000	$'000
Capital distributions received	24,507	-	24,507	24,507	-	24,507
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	29,695	29,695	-	29,036	29,036
Fair value gains, net of deferred taxes	-	199,027	199,027	-	197,021	197,021
	24,507	228,722	253,229	24,507	226,057	250,564

20. Banking Reserves

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

21. Other Reserves

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

22. Non-Controlling Interests

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

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

The total non-controlling interest for the period is $1,325,621,000 of which $1,293,408,000 is for GraceKennedy Money Services Caribbean SRL. The Group's shareholding in Hardware and Lumber Limited was disposed of in 2015. The non-controlling interest in respect of other subsidiaries is not material.

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

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

Summarised statement of financial position

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

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22. Non-Controlling Interests (Continued)

Summarised income statement

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

Summarised cash flows

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

The information above represents amounts before intercompany eliminations.

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23. Segment Information

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

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

Operating segments

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

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23. Segment Information (Continued)

Operating segments (continued)

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

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23. Segment Information (Continued)

Operating segments (continued)

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

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

Geographical information

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

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

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

24. Revenues

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

25. Expense by Nature

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

26. Other Income

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

27. Staff Costs

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

28. Taxation

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

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

The tax on the Group's and company's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the company as follows:

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

28. Taxation (Continued)

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

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

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

29. Net Profit Attributable to the owners of GraceKennedy Limited

Dealt with as follows in the financial statements of:

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

30. Dividends

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

31. Earnings Per Stock Unit

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

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

31. Earnings Per Stock Unit (Continued)

The diluted earnings per stock unit is calculated by adjusting the weighted average number of ordinary stock units outstanding to assume conversion of all dilutive potential ordinary stock units.

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

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

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

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32. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

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

32. Cash Flows from Operating Activities (Continued)

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

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

33. Commitments

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

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

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

34. Contingent Liabilities

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

In the judgment handed down by the Supreme Court on 30 April 2010, the Court ruled in favour of GKRS and the software developer on all claims. Accordingly, the Court ordered costs to be paid by Paymaster to GKRS and the software developer and an enquiry into any damages suffered by GKRS and the software developer as a result of an injunction obtained by Paymaster in the suit. On 10 June 2010, Paymaster filed an appeal against the decision of the Supreme Court in the Court of Appeal and applied for a stay of execution, pending the appeal. Further to an application made by Paymaster to the Court of Appeal the enquiry into damages resulting from the injunction by the Supreme Court was on 6 May 2011 stayed pending appeal.

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

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

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

35. Related Party Transactions and Balances

The following transactions were carried out with related parties:

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

Dividends received by the company from subsidiaries and associated companies were $1,979,759,000 (2014: $2,585,994,000) and $150,000,000 (2014: $102,500,000) respectively.

(d) Transactions with key management

Key management includes directors (executive and non-executive) and members of the Executive Committee

The compensation of key management for services is shown below:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Salaries and other short-term employee benefits	306,948	304,055	196,192	200,772
Fees paid to directors	39,678	28,930	35,740	24,796
Post-employment benefits	(2,220)	(55,944)	(3,051)	(48,950)
Share-based payments	-	18,034	-	13,810
	344,406	295,075	228,881	190,428

The following amounts are in respect of directors' emoluments:

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

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35. Related Party Transactions and Balances (Continued)

(d) Transactions with key management (continued)

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

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

Transactions with companies controlled by directors and other key management personnel

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

(e) Year-end balances with related parties

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

(f) Loans to related parties

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

35. Related Party Transactions and Balances (Continued)

(f) Loans to related parties (continued)

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

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

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

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

(h) Loans to directors and other key management

The loans receivable attract interest at rates ranging between 0% - 10.5% (2014: 0% - 10.5%) and are repayable in the years 2017 - 2022. These loans are secured and are made on terms similar to those offered to other employees. No provision was required in 2015 and 2014 for the loans made to directors and senior managers.

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

(i) Share options granted to directors

The outstanding number of share options granted to the directors of the company at the end of the year was 1,297,000 (2014: 1,297,000).

36. Fair Values Estimation

Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following tables provide an analysis of the Group's and company's financial instruments held as at 31 December that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair values are observable, as follows:

- Level 1 includes those instruments which are measured based on quoted prices in active markets for identical assets or liabilities.
- Level 2 includes those instruments which are measured using inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 includes those instruments which are measured using valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

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

36. Fair Values Estimation (Continued)

Financial Instruments (continued)

	Group			
	2014			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Available-for-sale securities:				
Quoted equities	212,450	-	-	212,450
Bank of Jamaica	-	5,895,674	-	5,895,674
Government of Jamaica securities	-	14,481,743	-	14,481,743
Foreign governments	-	389,118	-	389,118
Corporate bonds	-	6,169,192	310,010	6,479,202
Other debt securities	-	2,572,896	-	2,572,896
Other	-	5,779	646	6,425
Financial assets at fair value through profit or loss:				
Derivative financial instruments	-	8,731	-	8,731
Total Assets	212,450	29,523,133	310,656	30,046,239
Liabilities				
Financial assets at fair value through profit or loss:				
Derivative financial instruments	-	404	-	404
Total Liabilities	-	404	-	404

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

36. Fair Values Estimation (Continued)

Financial Instruments (continued)

	Company			
	2014			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available-for-sale securities:				
Quoted equities	53,433	-	-	53,433
Government of Jamaica securities	-	3,341,135	-	3,341,135
Corporate bonds	-	971,985	-	971,985
Other debt securities	-	1,063,311	-	1,063,311
Other	-	335	-	335
Total Assets	53,433	5,376,766	-	5,430,199

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

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

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

Specific valuation techniques used to value financial instruments include:

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

36. Fair Values Estimation (Continued)

Financial Instruments (continued)

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

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

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

There were no transfers between the levels during the year.

Fair Value of Land and Buildings and Investment Properties

An independent valuation of the Group's land and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2014. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'capital and fair value reserves' in shareholders' equity (Note 19). The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

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

Land and buildings and investment properties are classified as level 3. The valuations have been performed using the sales comparison and income approaches for all properties except the Distribution Centre, which is valued using the cost approach.

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

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

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

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

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

36. Fair Values Estimation (Continued)

Fair Value of Land and Buildings and Investment Properties (continued)

A reconciliation of the opening and closing balances for the company's land and buildings and the Group's investment properties are disclosed in Notes 12 and 41 respectively.

Valuation processes of the Group

On a biennial basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings. The most recent valuations were performed as at 31 December 2014. The Group engages external, independent and qualified valuers to determine the fair value of its investment properties on an annual basis.

Sales Comparison Approach

There have been a limited number of similar sales in the local market, and consequently the sales comparison approach incorporates unobservable inputs which in the valuator's judgement reflects suitable adjustments regarding size, age, condition, time of sale, quality of land and buildings and improvements. The most significant input into this valuation is the price per square foot. The higher the price per square foot the higher the fair value.

Income Approach

The projected net income of the subject properties are discounted using an appropriate capitalisation rate. The most significant inputs to this valuation is the rental rate per square foot and the capitalisation rate. Rental rates of the subject properties are adjusted to reflect the market rent for properties of similar size, location and condition. The higher the rental rate per square foot the higher the fair value. The higher the capitalisation rate the lower the fair value. The average rent per square foot ranges between $500 to $550 and the capitalisation rate ranges between 9% - 10%.

Cost Approach

The fair value of the Distribution Centre has been determined using the cost approach due to specialised nature of the asset. The key inputs into this valuation are shown in the table below.

			Distribution Centre			
Description	**Fair value at 31 December 2015 $'000**	**Fair value at 31 December 2014 $'000**	**Valuation technique(s)**	**Unobservable inputs**	**Range of unobservable inputs**	**Relationship of unobservable inputs**
Distribution centre	2,978,398	3,050,400	Cost approach	Certified costs of construction as at date of completion of property	US$21,500,000 - US$22,000,000	The higher the costs of construction the higher the fair value
				Rate of increase in construction costs from date of completion of property to date of valuation	22% up to the finalisation of construction and 16% thereafter	The higher the rate of increase in construction costs the higher the fair value
				Professional fees - architects, quantity surveyors, engineers	8%	The higher the professional fees the higher the fair value
				Interest cost	2015: 12% - 15% 2014: 12% - 15%	The higher the interest cost the higher the fair value
				Estimated profit margin required by developer	5%	The higher the developer's profit the higher the fair value
				Rate of obsolescence	5%	The higher the rate of obsolescence the lower the fair value
	2,978,398	3,050,400				

37. Financial Instruments by Category

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

	Group			
	Loans and receivables $'000	**Assets at fair value through profit or loss $'000**	**Available for for sale $'000**	**Total $'000**
As at 31 December 2014:				
Cash and deposits	9,508,980	-	-	9,508,980
Investment securities and pledged assets	-	8,731	30,037,508	30,046,239
Loans receivable	18,364,429	-	-	18,364,429
Trade and other receivables	10,692,302	-	-	10,692,302
Total financial assets	38,565,711	8,731	30,037,508	68,611,950

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

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37. Financial Instruments by Category (Continued)

	Group		
	Liabilities at fair value through profit or loss	**Other financial liabilities at amortised cost**	**Total**
	$'000	**$'000**	**$'000**
As at 31 December 2014:			
Deposits	-	21,197,427	21,197,427
Securities sold under agreements to repurchase	-	7,528,474	7,528,474
Bank and other loans	404	11,063,756	11,064,160
Trade and other payables	-	19,052,694	19,052,694
Total financial assets	404	58,842,351	58,842,755

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

	Company		
	Loans and receivables	**Available for for sale**	**Total**
	$'000	**$'000**	**$'000**
As at 31 December 2014:			
Cash and deposits	2,233,056	-	2,233,056
Investment securities and pledged assets	-	5,430,199	5,430,199
Loans receivable	3,305,387	-	3,305,387
Trade and other receivables	1,173,145	-	1,173,145
Subsidiaries	445,334	-	445,334
Total financial assets	7,156,922	5,430,199	12,587,121

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37. Financial Instruments by Category (Continued)

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

	Company
	Other financial liabilities at amortised cost
	$'000
As at 31 December 2014:	
Bank and other loans	4,128,016
Trade and other payables	1,781,118
Subsidiaries	2,420,347
Total financial assets	8,329,481

38. Derivative Financial Instruments

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

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

Forward foreign exchange contracts represent commitments to buy and sell foreign currencies on a net basis at future dates at specified prices. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2015 were $Nil (2014: $417,749,000).

39. Custodial Services

One of the Group's investment subsidiaries provided custody and brokerage services to certain third parties. This activity ended on 30 May 2014. Assets that are held in a custodial capacity are not included in these financial statements. At the statement of financial position date and prior year-end, there were no investment custody accounts. Fees earned in relation to custodial services were $Nil (2014: $4,427,000).

40. Fiduciary Activities

One of the Group's investment subsidiaries provided pension administration and management services. This activity ended on 30 May 2014. At the statement of financial position date and prior year-end, there were no pension assets held under management. Fees earned in relation to fiduciary activities were $Nil (2014: $78,320,000).

41. Investment Properties

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

The following amounts have been recognised in the income statement:

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

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

42. Business Combinations

In the prior year, the Group acquired the operating assets and business of a United States of America food company, La Fe Foods Inc., which is a full service distributor of a range of products in the categories of grocery, frozen, dairy and beverages, representing some of the top brands of food products from the Caribbean, Central America, South America and Europe. The Group also acquired an additional 50% of the share capital of a St. Lucian company, EC Global Insurance Company Limited, a general insurance company which underwrites non-life insurance risks. The share purchase brought the Group's total shareholdings in the company to 80%, having previously held 30% of the share capital since 2004.

The following table summarises the consideration paid, net assets acquired, goodwill and the non-controlling interest at the acquisition dates:

	Operating assets and business of La Fe Foods Inc. $'000	EC Global Insurance Company Limited $'000	Total $'000
Purchase consideration:			
Cash paid	2,849,080	95,523	2,944,603
Fair value of equity interest held previously	-	40,927	40,927
Total consideration	2,849,080	136,450	2,985,530
Fair value of net assets acquired	(2,014,887)	(170,562)	(2,185,449)
Non-controlling interest (Note 22)	-	34,112	34,112
Goodwill (Note 11)	834,193	-	834,193
Purchase consideration settled in cash	2,849,080	95,523	2,944,603
Cash and cash equivalents in business acquired	(167,222)	(107,747)	(274,969)
Cash outflow on acquisitions	2,681,858	(12,224)	2,669,634

43. Disposal of Subsidiary

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

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

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

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

Cash flows from discontinued operations are as follows:

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

43. Disposal of Subsidiary (Continued)

The assets and liabilities on disposal are as follows:

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

In the prior year, the Group disposed of its 100% interest in First Global Financial Services Limited (FGFS). The principal activities of FGFS comprised investment and fund management, pension management, stock broking and rental of properties.

The following table summarises the disposal of the subsidiary:

	$'000
Net assets disposed	1,776,731
Fair value gains recycled from other comprehensive income	(33,611)
Gain on disposal of subsidiary	156,330
Sales proceeds net of transaction costs	1,899,450
Cash and cash equivalents of disposed subsidiary	(35,762)
Net cash inflow on disposal of subsidiary	1,863,688

44. Subsequent Event

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