ANNUAL REPORT 2017

SIX MONTH FINANCIAL STATEMENTS

GraceKennedy FOUNDATION

FINANCIALS

Independent auditor's report

To the Members of Grace and Staff Community Development Foundation Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Grace and Staff Community Development Foundation Limited (the Foundation) as at 30 June 2017, and of its financial performance and its cash flows for the six months period then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

What we have audited

The Foundation's financial statements comprise:

- the statement of financial position as at 30 June 2017;
- the statement of comprehensive income for the six months period then ended;
- the statement of changes in equity for the six months period then ended;
- the statement of cash flows for the six months period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants
Kingston, Jamaica
6 December 2017

GraceKennedy Foundation Limited

Financial Statements
30 June 2017

GraceKennedy Foundation Limited

Statement of Comprehensive Income

Six months ended 30 June 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Grace, Kennedy Scholarship Fund	S. Carlton Alexander Memorial Fund	J. Moss-Solomon Snr. Chair Fund	Bruce Rickards Fund	Luis Fred Kennedy Fund	General Income & Expenditure Account	Total Fund	Total Fund
	2017 $'000	2017 $'000	2017 $'000	2017 $'000	2017 $'000	2017 $'000	Six months ended 30 June 2017 $'000	Twelve months ended 31 December 2016 $'000
Income								
Interest and dividends	4,606	5,337	3,543	1,596	1,035	3,387	19,504	45,777
Other	969	646	646	323	323	19,315	22,222	46,933
	5,575	5,983	4,189	1,919	1,358	22,702	41,726	92,510
Expenditure								
Annual lecture series	-	-	-	-	-	3,085	3,085	2,920
Grants	-	-	-	-	-	2,815	2,815	4,525
Printing and stationery	-	-	-	-	-	99	99	140
Directors' emoluments								
Fees	-	-	-	-	-	624	624	624
Expenses	-	-	-	-	-	168	168	252
Bank charges	-	-	-	-	-	13	13	41
Staff costs	-	-	-	-	-	17,093	17,093	31,988
Other operating expenses	750	500	375	75	150	165	2,015	5,195
Scholarships and bursaries	524	-	-	-	-	108	632	19,143
University chair	-	-	-	-	-	-	-	5,500
Environmental projects	-	-	-	-	232	-	232	1,168
Motor vehicle and travel expenses	-	-	-	-	-	253	253	66
Public relations	-	-	-	-	-	322	322	485
Meetings and conferences	-	-	-	-	-	275	275	264
Fees - Registrar General	-	-	-	-	-	-	-	5
	1,274	500	375	75	382	25,020	27,626	72,316
Net Surplus/(Deficit)	4,301	5,483	3,814	1,844	976	(2,318)	14,100	20,194

GraceKennedy Foundation Limited
Statement of Financial Position
30 June 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
ASSETS			
Non-Current Assets			
Fixed assets	6	2	2
Investments	7	963,250	937,832
Current Assets		963,252	937,834
Accounts receivable		3,268	603
Taxation recoverable		7,306	4,606
Cash and cash equivalents	8	53,466	57,237
		64,040	62,446
Current Liabilities			
Accounts payable and accrued liabilities	9	254	70
Net Current Assets		63,786	62,376
		1,027,038	1,000,210
FINANCED BY			
Share Capital	4	-	-
Contribution Fund	10	32,988	32,988
GraceKennedy Scholarship Fund	11	465,715	455,087
S. Carlton Alexander Memorial Fund	12	352,111	342,581
James Moss-Solomon, Snr. Chair Fund	13	74,860	72,375
Bruce Rickards Fund	14	50,855	48,880
Luis Fred Kennedy Fund	15	25,670	24,694
General Fund		22,763	25,081
Fair Value Reserve	16	2,076	(1,476)
		1,027,038	1,000,210

Approved for issues by the Board of Directors on 6 December 2017 and signed on its behalf by:

James Moss-Solomon Director

Fay McIntosh Director

GraceKennedy Foundation Limited

Statement of Changes in Equity

Six months ended 30 June 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Contribution Fund $'000	Grace, Kennedy Scholarship Fund $'000	S. Carlton Alexander Memorial Fund $'000	J. Moss-Solomon Snr. Chair Fund $'000	Bruce Rickards Fund $'000	Luis Fred Kennedy Fund $'000	General Income & Expenditure Account $'000	Fair Value Reserve $'000	Total Fund $'000
Balance at 31 December 2015	32,988	335,923	270,998	62,381	45,737	24,145	23,168	581	795,921
Net surplus for the year	-	5,128	3,158	7,607	1,991	397	1,913	-	20,194
Fair value movement	-	114,036	68,425	2,387	1,152	152	-	(2,057)	184,095
Balance at 31 December 2016	32,988	455,087	342,581	72,375	48,880	24,694	25,081	(1,476)	1,000,210
Net surplus/(deficit) for the period	-	4,301	5,483	3,814	1,844	976	(2,318)	-	14,100
Fair value movement	-	6,327	4,047	(1,329)	131	-	-	3,552	12,728
Balance at 30 June 2017	32,988	465,715	352,111	74,860	50,855	25,670	22,763	2,076	1,027,038

GraceKennedy Foundation Limited

Statement of Cash Flows

Six months ended 30 June 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Six months ended 30 June 2017 $'000	Twelve months ended 31 December 2016 $'000
Cash Resources were Provided By/(Used In):		
Operating Activities		
Net surplus	14,100	20,194
Items not affecting cash:		
Depreciation	`-	10
Exchange gain on foreign balances	(3,267)	(7,481)
Interest and dividend income	(19,504)	(31,557)
	(8,671)	(18,834)
Changes in operating assets and liabilities:		
Accounts receivable	(2,665)	1,394
Accounts payable and accrued liabilities	184	(6,687)
	(11,152)	(24,127)
Withholding tax	(2,700)	8,633
Cash used in operating activities	(13,852)	(15,494)
Investing Activities		
Proceeds from disposal of investments	11,456	-
Disposal of structured product	-	20,712
Acquisition to investments	(20,586)	(48,823)
Interest and dividends received	19,211	33,009
Cash (used in)/provided by investing activities	(10,081)	4,898
Decrease in cash and cash equivalents	(3,771)	(10,596)
Effect of changes in foreign exchange rates on cash and cash equivalents	-	1,196
Cash and cash equivalents at beginning of period/year	57,237	66,637
Cash and Cash Equivalents at End of The Period/Year (Note 8)	53,466	57,237

GraceKennedy Foundation Limited

Notes to the Financial Statements

30 June 2017

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

GraceKennedy Foundation Limited (The Foundation) was incorporated in Jamaica on 22 October 1982 and its main objects are to develop and promote the arts, health, culture, sports, education, skills and religious programmes. The Foundation is registered as an approved charitable organisation under the Charities Act 2013, for a two year period ending 26 May 2018.

During the period, the Foundation changed its accounting year end from 31 December to 30 June. As a consequence, these financial statements cover a period of six months whereas the comparative amounts cover a period of twelve months.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates.

At the period end, in the opinion of directors and management, there are no 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.

Standards, interpretations and amendments to published standards effective during the current period

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial period. None of these are expected to have a significant impact on the accounting policies or disclosure of the Foundation.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are mandatory for the Foundation's accounting periods beginning after 1 July 2017, and which the Foundation has not early adopted. The Foundation has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018). This standard specifies how an entity should classify and measure financial instruments, including some hybrid contracts. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and subsequently measured at amortised cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the two impairment methods in IAS 39 that arise from the different classification categories. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. There has been no significant change in the recognition and measurement of financial liabilities carried at amortised cost from what obtained under IAS 39.

While adoption of IFRS 9 is mandatory from 1 January 2018, earlier adoption is permitted. The Foundation is considering the implications of the standard, and its impact on the Foundation.

IFRIC 22,' Foreign currency transactions and advance consideration' (effective annual periods beginning on or after 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Foundation does not expect this to have a significant impact on its operations.

(b) Revenue recognition

Interest and dividends are accounted for on the accrual basis.

(c) Fixed assets

Fixed assets are recorded at cost.

Depreciation is calculated on furniture and fixtures on the straight-line basis at a rate of 10% and computer and equipment at 33 1/3%, which will write-off their cost over the period of estimated useful life. Art work is not depreciated.

GraceKennedy Foundation Limited

Notes to the Financial Statements

30 June 2017

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018). This standard specifies how an entity should classify and measure financial instruments, including some hybrid contracts. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and subsequently measured at amortised cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the two impairment methods in IAS 39 that arise from the different classification categories. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. There has been no significant change in the recognition and measurement of financial liabilities carried at amortised cost from what obtained under IAS 39.

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Fixed assets are recorded at cost.

Depreciation is calculated on furniture and fixtures on the straight-line basis at a rate of 10% and computer and equipment at 33 1/3%, which will write-off their cost over the period of estimated useful life. Art work is not depreciated.

2. Summary of Significant Accounting Policies (Continued)

(d) Financial instruments

The Foundation classifies its financial assets in the category of available-for-sale financial assets. Management determines the appropriate classification of investments at the time of purchase.

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Financial assets are derecognised when the right to receive cash flows from the financial assets expires or where the Foundation has transferred substantially all risks and rewards of ownership.

Changes in the fair value of available-for-sale securities denominated in a foreign currency 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 are recognised in the income statement, and other changes in carrying amount are recognised in equity. Changes in the fair value of available-for-sale securities are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

The Foundation assesses at each statement of financial position date whether there is objective evidence that a financial asset or 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 the security below its cost is considered an indicator that the securities are 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 the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Financial instruments carried on the statement of financial position include cash, investments and accounts receivable. Cash and cash equivalents are carried at cost and, for the purposes of the statement of cash flows, comprise cash at bank and short term deposits. The particular recognition methods for other financial instruments are disclosed in the individual policy statements associated with those items.

The fair value of the Foundation's financial instruments is discussed in Note 18.

(e) Cash and cash equivalents

Cash and cash equivalents are carried on the statement of financial position at cost and comprise balances which mature within 90 days of the date of acquisition, including cash and bank balances.

GraceKennedy Foundation Limited

Notes to the Financial Statements
30 June 2017
(expressed in Jamaican dollars unless otherwise indicated)

3. Funding

The Foundation is funded through endowment funds and a subvention from GraceKennedy Limited.

4. Share Capital

The Foundation is limited by guarantee and has no share capital.

5. Taxation

No tax is payable as the Foundation has been granted tax-exempt status by the Commissioner of Income Tax.

6. Fixed Assets

	Art Work $'000	Furniture and Fixtures $'000	Computer Equipment $'000	Total $'000
At Cost -				
At 1 January 2017 and 30 June 2017	2	7	100	109
Accumulated Depreciation -				
At 1 January 2016	-	7	89	96
Charge for year	-	-	11	11
At 31 December 2016 and 30 June 2017	-	7	100	107
Net Book Value -				
30 June 2017	2	-	-	2
31 December 2016	2	-	-	2

7. Investments

	30 June 2017 $'000	31 December 2016 $'000
Available-for-Sale Securities		
Government of Jamaica –		
J$ and US$ local bonds	264,411	274,004
Interest receivable	5,776	5,773
	270,187	279,777
Corporate Bonds-		
US$ bonds	102,770	86,311
Interest receivable	1,513	1,538
	104,283	87,849
	374,470	367,626
Quoted, ordinary stocks	588,780	570,206
	963,250	937,832

8. Cash and Cash Equivalents

	30 June 2017 $'000	31 December 2016 $'000
Cash	15,158	9,808
Deposits	38,308	47,429
	53,466	57,237

9. Accounts Payable and Accrued Liabilities

	30 June 2017 $'000	31 December 2016 $'000
Accrued liabilities	254	70

GraceKennedy Foundation Limited
Notes to the Financial Statements
30 June 2017
(expressed in Jamaican dollars unless otherwise indicated)

10. Contribution Fund

	30 June 2017 $'000	31 December 2016 $'000
Contribution Fund – GraceKennedy Limited	28,988	28,988
Contribution Fund - Luis Fred Kennedy	4,000	4,000
Fund balance at start and end of period	32,988	32,988

11. Grace, Kennedy Scholarship Fund

The scholarship programme was originally funded by a grant of $350,000 received in 1985 which was invested in GraceKennedy Limited ordinary stocks.

	30 June 2017 $'000	31 December 2016 $'000
Original grant received	350	350
Accumulated surplus	106,586	102,285
Fair value reserve –		
Brought forward	352,452	238,416
Movement	6,327	114,036
	358,779	352,452
Total fund	465,715	455,087

12. S. Carlton Alexander Memorial Fund

This fund was established on 20 December 1989 and is funded primarily by grants from GraceKennedy Limited. Additional contributions to the fund are received from GraceKennedy Limited from time to time.

	30 June 2017 $'000	31 December 2016 $'000
Primary grants received	10,557	10,557
Accumulated surplus	126,386	120,903
Fair value reserve –		
Brought forward	211,121	142,696
Movement	4,047	68,425
	215,168	211,121
Total fund	352,111	342,581

The GraceKennedy Limited stock units held by the Foundation are assigned to the Grace, Kennedy Scholarship Fund and the S. Carlton Alexander Memorial Fund. The unrealised gains and losses arising from the changes in the fair value of the stock units are being recognised in the individual fund balances in the proportion of the stock units held.

13. James Moss-Solomon, Snr. Chair Fund

This fund was established in January 1995 with a grant from the Grace, Kennedy Scholarship Fund. Subsequent grants have been received from GraceKennedy Limited.

	30 June 2017 $'000	31 December 2016 $'000
Primary grants received	30,633	30,633
Accumulated surplus	42,675	38,861
Fair value reserve		
Brought forward	2,881	494
Movement	(1,329)	2,387
	1,552	2,881
Total fund	74,860	72,375

GraceKennedy Foundation Limited
Notes to the Financial Statements
30 June 2017
(expressed in Jamaican dollars unless otherwise indicated)

14. Bruce Rickards Fund

This fund was established on 1 October 2003 from transfers from the Grace, Kennedy Scholarship Fund and the S. Carlton Alexander Memorial Fund.

	30 June 2017 $'000	31 December 2016 $'000
Primary grant received	18,000	18,000
Accumulated surplus	31,849	30,005
Fair value reserve		
Brought forward	875	(277)
Movement	131	1,152
	1,006	875
Total fund	50,855	48,880

15. Luis Fred Kennedy Fund

The Fund was established in Jamaica on 21 June 1993 and its main objects are to promote the study and research of the environment and to encourage good environmental practices.

	30 June 2017 $'000	31 December 2016 $'000
Accumulated surplus	25,670	24,694
Fair value reserve		
Brought forward	-	(152)
Movement	-	152
	-	-
Total fund	25,670	24,694

16. Fair Value Reserve

This represents the unrealised surplus or deficit on the revaluation of available-for-sale investment securities held by the General Fund.

17. Financial Risk Management

The Foundation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Management seeks to minimise potential adverse effects on the financial performance of the Foundation by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board of Directors.

The Board of Directors is ultimately responsible for the establishment and oversight of the Foundation's risk management framework. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk and interest rate risk.

(a) Credit risk

The Foundation takes on exposure to credit risk, which is the risk that its counterparties will cause a financial loss for the Foundation by failing to discharge their contractual obligations. Credit risk is one of the most important risk for the Foundation's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Foundation's investment activities. The Foundation structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or group of related counterparties.

Maximum exposure to credit risk

The Foundation limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality and Government of Jamaica securities. Accordingly, the management and directors do not expect any counterparty to fail to meet its obligations.

Payment is made on a purchase once the securities have been received. The trade will fail if either party fails to meet its obligation.

	30 June 2017 $'000	31 December 2016 $'000
Credit risk exposures are as follows:		
Government of Jamaica securities available-for-sale	270,187	279,777
Corporate securities available-for-sale	104,283	87,849
Accounts receivable	3,268	603
Cash and cash equivalents	53,466	57,237
	431,204	425,466

The above table represents the worst case scenario of credit risk exposure to the Foundation at 30 June 2017 and 31 December 2016.

GraceKennedy Foundation Limited

Notes to the Financial Statements
30 June 2017
(expressed in Jamaican dollars unless otherwise indicated)

17. Financial Risk Management (Continued)

(a) Credit risk (continued)

The following table summarises the concentration of the Foundation's credit exposure:

	30 June 2017 $'000	31 December 2016 $'000
Government of Jamaica	270,187	279,777

None of the Foundation's outstanding financial assets are overdue or impaired.

(b) Liquidity risk

Liquidity risk is the risk that the Foundation is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The Foundation's liquidity management process, as carried out within the Foundation and monitored by the Board of Directors, includes:

(i) Monitoring future cash flows and liquidity on a regular basis;

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

(iii) Optimising cash returns on investment.

The contractual maturities of the undiscounted cash flows of the financial liabilities are due within three months of the period end.

(c) Market risk

The Foundation takes on exposure to market risks, which is the risk that the fair value of 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. The Board of Directors monitors the market and its impact on the Foundation's securities on a regular basis, and takes appropriate action to minimise the effect of market fluctuations. .

There has been no change to the Foundation's exposure to market risks or the manner in which it manages and measures the risk.

17. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk

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

The company is exposed to foreign exchange risk primarily with respect to the United States (US) dollar. The statement of financial position at 30 June 2017 includes aggregate foreign assets of $169,100,000 (2016 - $174,100,000).

The company manages its foreign exchange risk by ensuring that the exposure in foreign assets is kept to an acceptable level by monitoring currency positions.

Foreign currency sensitivity

The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the period-end for a possible change in foreign currency rates.

	% Change in Currency Rate 2017	Effect on Net Surplus 2017 $'000	% Change in Currency Rate 2016	Effect on Net Surplus 2016 $'000
Devaluation	6	10,146	6	10,446
Revaluation	1	(1,691)	1	(1,741)

(ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on financial position and cash flows. The average interest rates of financial instruments are as follows:

	2017 %	2016 %
Investments -		
Government of Jamaica Securities	8.10	8.00
Corporate securities	7.00	7.25

GraceKennedy Foundation Limited

Notes to the Financial Statements

30 June 2017

(expressed in Jamaican dollars unless otherwise indicated)

18. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists, as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets held by the Foundation. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimates and valuation techniques based on market conditions existing at balance sheet date.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amount and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(a) The fair value of cash and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to cash and short-term elements of all other financial assets.

(b) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.

(c) The fair value of other financial instruments is based upon projected cash flows discounted at an estimated current market rate of interest.

The following table presents the Foundation assets that are measured at fair value at 30 June 2017. The financial assets are grouped into levels 1 to 3 based on the degree to which the fair value is observable, 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).

	Level 1 $'000	Level 2 $'000	Total balance $'000
		30 June 2017	
Assets			
Available-for-sale financial assets-			
Equity securities	580,003	8,777	588,780
Debt investments	-	374,470	374,470
	580,003	383,247	963,250
		31 December 2016	
Assets			
Available-for-sale financial assets-	564,841	5,365	570,206
Equity securities	-	367,626	367,626
Debt investments	564,841	372,991	937,832

There were no transfers between levels during the period.

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