GRACEKENNEDY LIMITED

Financial Statements
31 December 2007

GraceKennedy Limited

Index

31 December 2007

PRICEWATERHOUSECOOPERS

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Independent Auditors' Report

To the Members of
GraceKennedy Limited

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of GraceKennedy Limited and its subsidiaries ("the group"), set out on pages 1 to 108, which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and the accompanying balance sheet of GraceKennedy Limited standing alone as of 31 December 2007 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 financial statements.

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

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as of 31 December 2007, and of financial performance, changes in equity and cash flows of the Group and the company for the year then ended, so far as concerns the members of the company, 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 Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants

26 March 2008

Kingston, Jamaica

GraceKennedy Limited

Consolidated Balance Sheet
31 December 2007
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 $'000	2006 $'000
Assets			
Cash and deposits	5	8,109,924	10,071,877
Investment securities	6	39,448,435	32,973,151
Receivables	7	7,919,134	5,807,709
Inventories	8	5,017,771	3,545,919
Loans receivable	9	5,747,738	4,645,883
Taxation recoverable		703,959	584,161
Investments in associates	10	763,442	657,699
Intangible assets	11	2,512,117	984,824
Fixed assets	12	2,993,412	2,347,625
Deferred tax assets	13	241,177	157,963
Pension plan asset	14	6,548,653	5,810,890
Total Assets		**80,005,762**	**67,587,701**
Liabilities			
Deposits		11,846,600	9,789,234
Securities sold under agreements to repurchase		22,607,385	22,777,553
Bank and other loans	15	10,026,439	5,750,308
Payables	16	9,737,925	7,745,203
Taxation		690,872	389,219
Provisions	17	6,810	9,285
Deferred tax liabilities	13	2,100,629	2,018,965
Other post-employment obligations	14	1,376,132	1,175,577
Total Liabilities		**58,392,792**	**49,655,344**

GraceKennedy Limited

Consolidated Balance Sheet (Continued)
31 December 2007
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 $'000	2006 $'000
Equity			
Capital and reserves attributable to the company's equity holders			
Share capital	18	419,739	405,686
Capital and fair value reserves	19	3,564,283	3,835,045
Retained earnings		13,564,901	10,513,278
Reserve funds	20	776,884	776,884
Other reserves		1,712,710	1,628,082
		20,038,517	17,158,975
Minority interest	21	1,574,453	773,382
Total equity		**21,612,970**	**17,932,357**
Total Equity and Liabilities		**80,005,762**	**67,587,701**

Approved for issue by the Board of Directors on 26 March 2008 and signed on its behalf by:

Douglas Orane Chairman

Fay McIntosh Chief Financial Officer

GraceKennedy Limited

Consolidated Profit and Loss Account
Year ended 31 December 2007
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 $'000	2006 $'000
Revenues	23	48,749,434	36,088,247
Expenses	24	45,723,471	34,349,153
		3,025,963	1,739,094
Other income	25	2,112,004	808,820
Profit from Operations		5,137,967	2,547,914
Interest income – non-financial services		363,823	401,714
Interest expense – non-financial services		(744,703)	(457,871)
Share of results of associated companies	10	45,087	32,795
Profit before Taxation		4,802,174	2,524,552
Taxation	27	(1,266,958)	(653,741)
NET PROFIT		3,535,216	1,870,811
Attributable to:			
Equity holders of GraceKennedy Limited	28	3,435,532	1,845,004
Minority interest	21	99,684	25,807
		3,535,216	1,870,811
Earnings per Stock Unit for profit attributable to the equity holders of the company during the year -	30		
Basic		$10.55	$5.67
Diluted		$10.45	$5.61

GraceKennedy Limited

Consolidated Statement of Changes in Equity
Year ended 31 December 2007
(expressed in Jamaican dollars unless otherwise indicated)

		Attributable to equity holders of the company						Minority Interest	Total Equity
	Note	Number of Stock Units '000	Share Capital $'000	Capital and Fair Value Reserves $'000	Retained Earnings $'000	Reserve Fund $'000	Other Reserves $'000	$'000	$'000
Balance at 1 January 2006		325,744	325,744	3,150,866	9,536,534	736,651	1,490,795	744,234	15,984,824
Foreign currency translation adjustments		-	-	-	-	-	101,443	3,341	104,784
Revaluation surplus		-	-	184,220	-	-	-	-	184,220
Fair value gains		-	-	124,017	-	-	-	-	124,017
Other		-	-	2,187	-	-	-	-	2,187
Net income recognised directly in equity		-	-	310,424	-	-	101,443	3,341	415,208
Net profit		-	-	-	1,845,004	-	-	25,807	1,870,811
Total recognised income for 2006		-	-	310,424	1,845,004	-	101,443	29,148	2,286,019
Issue of shares at a premium	18 (a)	413	19,661	-	-	-	-	-	19,661
Purchase of treasury shares	18 (b)	(909)	(53,015)	(298)	-	-	-	-	(53,313)
Employee share option scheme:	18 (g)								
Value of services received		-	-	-	-	-	35,844	-	35,844
Transfers between reserves:									
To reserve funds		-	-	-	(40,233)	40,233	-	-	-
From capital reserves		-	113,296	(137,647)	24,351	-	-	-	-
To capital reserves		-	-	511,700	(511,700)	-	-		-
Dividends paid	29	-	-	-	(340,678)	-	-	-	(340,678)
Balance at 31 December 2006		325,248	405,686	3,835,045	10,513,278	776,884	1,628,082	773,382	17,932,357

GraceKennedy Limited

Consolidated Statement of Changes in Equity (Continued)
Year ended 31 December 2007
(expressed in Jamaican dollars unless otherwise indicated)

		Attributable to equity holders of the company						Minority Interest	Total Equity
	Note	Number of Stock Units '000	Share Capital $'000	Capital and Fair Value Reserves $'000	Retained Earnings $'000	Reserve Fund $'000	Other Reserves $'000	$'000	$'000
Balance at 1 January 2007		325,248	405,686	3,835,045	10,513,278	776,884	1,628,082	773,382	17,932,357
Foreign currency translation adjustments		-	-	-	-	-	73,517	25,249	98,766
Revaluation loss		-	-	(4,309)	-	-	-	-	(4,309)
Fair value losses		-	-	(274,870)	-	-	-	-	(274,870)
Other		-	-	(138)	-	-	-	-	(138)
Net (expense)/income recognised directly in equity		-	-	(279,317)	-	-	73,517	25,249	(180,551)
Net profit		-	-	-	3,435,532	-	-	99,684	3,535,216
Total recognised (expense)/income for 2007		-	-	(279,317)	3,435,532	-	73,517	124,933	3,354,665
Issue of shares	18 (a)	1,472	48,964	-	-	-	-	-	48,964
Purchase of treasury shares	18 (b)	(585)	(34,911)	(180)	-	-	-	-	(35,091)
Employee share option scheme:	18 (g)								
Value of services received		-	-	-	-	-	11,111	-	11,111
Transfers between reserves:									
To capital reserves		-	-	8,735	(8,735)	-	-	-	-
Increase in minority interest arising from dilution of interest in subsidiary		-	-	-	-	-	-	686,941	686,941
Dividends paid	29	-	-	-	(375,174)	-	-	-	(375,174)
Dividends paid by subsidiary to minority interest		-	-	-	-	-	-	(10,803)	(10,803)
Balance at 31 December 2007		326,135	419,739	3,564,283	13,564,901	776,884	1,712,710	1,574,453	21,612,970

GraceKennedy Limited

Consolidated Statement of Cash Flows
Year ended 31 December 2007
(expressed in Jamaican dollars unless otherwise indicated)

	2007 $'000	2006 $'000
SOURCES/(USES) OF CASH:		
Operating Activities (Note 31)	2,251,986	5,201,766
Financing Activities		
Loans received	7,880,049	2,892,380
Loans repaid	(4,413,698)	(2,226,228)
Dividends paid by subsidiary to minority interest (Note 21)	(10,803)	-
Purchase of treasury shares	(34,911)	(53,015)
Issue of shares	48,964	19,661
Interest paid – non financial services	(701,705)	(474,665)
Dividends (Note 29)	(375,174)	(340,678)
	2,392,722	(182,545)
Investing Activities		
Additions to fixed assets (Note 12)	(526,514)	(288,792)
Proceeds from disposal of fixed assets	86,810	37,511
Additions to investments	(5,566,781)	(1,511,232)
Cash outflow on acquisition of subsidiaries (Note 36)	(3,527,848)	-
Proceeds from sale of investments	2,056,854	837,942
Additions to intangibles	(125,832)	(85,984)
Interest received – non financial services	413,092	421,321
	(7,190,219)	(589,234)
(Decrease)/increase in cash and cash equivalents	(2,545,511)	4,429,987
Cash and cash equivalents at beginning of year	8,646,625	4,130,704
Exchange and translation gains on net foreign cash balances	150,673	85,934
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	6,251,787	8,646,625

The principal non-cash transaction was the acquisition of fixed assets under finance lease of $47,417,000 (2006 - $30,012,000), (Note 12).

GraceKennedy Limited

Company Balance Sheet
31 December 2007
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 $'000	2006 $'000
Assets			
Cash and deposits	5	4,289,023	1,707,930
Investment securities	6	9,692,303	6,192,384
Receivables	7	821,680	890,984
Inventories	8	902,741	615,362
Loans receivable	9	30,138	186,120
Subsidiaries		108,358	-
Taxation recoverable		96,504	64,110
Investments in associates	10	219,950	219,950
Intangible assets	11	40,591	40,424
Fixed assets	12	115,598	123,986
Pension plan asset	14	5,383,289	4,698,132
Total Assets		**21,700,175**	**14,739,382**
Liabilities			
Bank and other loans	15	5,842,078	4,079,169
Payables	16	1,277,942	1,120,230
Subsidiaries		-	795,928
Provisions	17	6,221	6,221
Deferred tax liabilities	13	1,670,410	1,436,786
Other post-employment obligations	14	552,726	510,835
Total Liabilities		**9,349,377**	**7,949,169**

GraceKennedy Limited

Company Balance Sheet (Continued)
31 December 2007
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 $'000	2006 $'000
Equity			
Share capital	18	419,739	405,686
Capital and fair value reserves	19	251,025	225,242
Translation gains and other reserves		195,984	184,873
Retained earnings		11,484,050	5,974,412
Total equity		**12,350,798**	**6,790,213**
Total Equity and Liabilities		**21,700,175**	**14,739,382**

Approved for issue by the Board of Directors on 26 March 2008 and signed on its behalf by:

Douglas Orane Chairman

Fay McIntosh Chief Financial Officer

GraceKennedy Limited

Company Profit and Loss Account
Year ended 31 December 2007
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 $'000	2006 $'000
Turnover	23	8,629,224	7,231,738
Cost of goods sold	24	(6,630,110)	(5,822,805)
Gross Profit		1,999,114	1,408,933
Other income	25	6,483,226	3,251,224
Administration expenses	24	(2,149,798)	(1,713,092)
Profit from Operations		6,332,542	2,947,065
Interest income		369,786	373,912
Interest expense		(599,155)	(353,538)
Profit before Taxation		6,103,173	2,967,439
Taxation	27	(218,361)	(159,389)
NET PROFIT	28	**5,884,812**	**2,808,050**

GraceKennedy Limited

Company Statement of Changes in Equity
Year ended 31 December 2007
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Stock Units '000	Share Capital $'000	Capital and Fair Value Reserves $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2006		325,744	325,744	316,166	149,029	3,507,040	4,297,979
Revaluation loss		-	-	(42)	-	-	(42)
Fair value gains		-	-	22,713	-	-	22,713
Other		-	-	(1)	-	-	(1)
Net income recognised directly in equity		-	-	22,670	-	-	22,670
Net profit		-	-	-	-	2,808,050	2,808,050
Total recognised income for 2006		-	-	22,670	-	2,808,050	2,830,720
Transfer between reserves		-	113,296	(113,296)	-	-	-
Issue of shares at a premium	18 (a)	413	19,661	-	-	-	19,661
Purchase of treasury shares	18 (b)	(909)	(53,015)	(298)	-	-	(53,313)
Employee share option scheme:	18 (g)						
Value of services received		-	-	-	35,844	-	35,844
Dividends paid	29	-	-	-	-	(340,678)	(340,678)
Balance at 31 December 2006		325,248	405,686	225,242	184,873	5,974,412	6,790,213
Balance at 1 January 2007		325,248	405,686	225,242	184,873	5,974,412	6,790,213
Revaluation loss		-	-	(1,543)	-	-	(1,543)
Fair value gains		-	-	27,506	-	-	27,506
Net income recognised directly in equity		-	-	25,963	-	-	25,963
Net profit		-	-	-	-	5,884,812	5,884,812
Total recognised income for 2007		-	-	25,963	-	5,884,812	5,910,775
Issue of shares	18 (a)	1,472	48,964	-	-	-	48,964
Purchase of treasury shares	18 (b)	(585)	(34,911)	(180)	-	-	(35,091)
Employee share option scheme:	18 (g)						
Value of services received		-	-	-	11,111	-	11,111
Dividends paid	29	-	-	-	-	(375,174)	(375,174)
Balance at 31 December 2007		326,135	419,739	251,025	195,984	11,484,050	**12,350,798**

GraceKennedy Limited

Company Statement of Cash Flows
Year ended 31 December 2007
(expressed in Jamaican dollars unless otherwise indicated)

	2007 $'000	2006 $'000
SOURCES/(USES) OF CASH:		
Operating Activities (Note 31)	(376,454)	(36,985)
Financing Activities		
Loans received	3,991,236	822,858
Loans repaid	(3,492,907)	(569,465)
Purchase of treasury shares	(34,911)	(53,015)
Issue of shares	48,964	19,661
Interest paid	(573,484)	(337,404)
Dividends (Note 29)	(375,174)	(340,678)
	(436,276)	(458,043)
Investing Activities		
Additions to fixed assets (Note 12)	(39,154)	(10,026)
Proceeds from disposal of fixed assets	6,749	2,988
Additions to investments	(7,748,414)	(2,495,528)
Loans receivable, net	155,982	(38,777)
Proceeds from sale of investments	9,709,178	3,024,304
Additions to intangibles	(4,106)	(13,495)
Interest received	348,564	385,229
	2,428,799	854,695
Increase in cash and cash equivalents	1,616,069	359,667
Cash and cash equivalents at beginning of year	717,688	379,071
Exchange and translation gains/(losses) on net foreign cash balances	15,562	(21,050)
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	2,349,319	717,688

The principal non-cash transaction was the acquisition of fixed assets under finance lease of $47,417,000 (2006 -$38,151,000), (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 73 Harbour Street, Kingston, Jamaica.

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

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

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

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

Retail and Trading -
Merchandising of agricultural supplies, hardware and lumber and institutional and airline catering; automotive dealership.

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.

GraceKennedy Limited

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated 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 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 fixed and financial assets.

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 consolidated financial statements are disclosed in Note 4.

Amendments to published standards and interpretations effective 1 January 2007 that are relevant to the Group's operations

- IFRS 7, Financial instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments. IFRS 7 supersedes IAS 30 and the disclosure requirements of IAS 32.

- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2.

- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date.

Interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The Group has chosen not to early adopt the following standards and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2007:

- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation will not have an impact on the Group's financial statements.

GraceKennedy Limited

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

Interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- IFRIC 12, Services Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operations because none of the Group's companies provides public sector services.

- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group will apply IFRIC 13 from 1 July 2008; however, this is not expected to have a material impact on the Group's accounts.

- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). Earlier application is permitted). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008; however, this is not expected to have a material impact on the Group's accounts.

- IAS 23 (Amendment), Borrowing costs (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 January 2009; however, this is currently not applicable to the Group as there are no qualifying assets.

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8, from 1 January 2009; however, this is not expected to have a material impact on the Group.

- IFRS 3 (Revised), Business Combination/IAS 27(Revised) - Consolidated and Separate Financial Statements (Applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009) The revised standards bring amendments to the acquisition accounting model and compulsory adoption of the economic entity approach. IFRS3 will apply to a broader scope of transactions, and includes changes to the determination of consideration, goodwill and non-controlling interests.

GraceKennedy Limited

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

Subsidiaries and special purpose entities, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost over the fair value of net assets acquired is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the profit and loss account. Purchases from minority interests' results in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

All subsidiaries are wholly-owned unless otherwise indicated. The subsidiaries consolidated are as follows:

Incorporated and Resident in Jamaica:

Allied Insurance Brokers Limited
First Global Insurance Consultants Limited
First Global Leasing Limited
GraceKennedy Financial Group Limited and its subsidiary -
- First Global Holdings Limited and its subsidiaries -
  - First Global Bank Limited
  - First Global Financial Services Limited

Grace Foods International Limited
Grace Food Processors Limited
GK Foods & Services Limited
GraceKennedy Logistics Services Limited
GraceKennedy Remittance Services Limited and its subsidiaries –
- Grace Kennedy Currency Trading Services Limited
- GraceKennedy Payment Services Limited

Horizon Shipping Limited
Hardware and Lumber Limited (58.1%)
International Communications Limited
Jamaica International Insurance Company Limited
Port Services Limited (97.2%)
Versair In-Flite Services (2006) Limited (51.0%)

Incorporated and Resident outside of Jamaica:

First Global Insurance Agency Limited, Turks and Caicos Islands
Grace Foods Limited, St. Lucia
GraceKennedy (Belize) Limited, Belize (66.6%)

GraceKennedy Limited

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2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Incorporated and Resident outside of Jamaica (continued):
GraceKennedy (Ontario) Inc., Canada and its subsidiary –
Grace, Kennedy (Caribbean) Limited, Turks and Caicos Islands
Grace, Kennedy (Guyana) Inc., Guyana
GraceKennedy (St. Lucia) Limited, St. Lucia and its subsidiary –
GK Foods (UK) Limited, United Kingdom and its subsidiary –
WT (Holdings) Limited, United Kingdom and its subsidiaries –
WT Tiger 2 Limited
WT Tiger 3 Limited
WT Foods Limited
Enco Products Limited
Funnybones Foodservice Limited
Chadha Oriental Foods Limited
WTF Services Limited
La Mexicana Quality Foods Ltd (formerly Matahari 154 Limited)
The Marketing and Advertising Partnership Limited
Marlin House Trading Company Limited
Rio Pacific Food Services (Holdings) Limited
Rio Pacific Food Services Limited
Enco Foods Ltd (formerly Veeraswamy Limited)
Drenning Limited
GraceKennedy Money Services Caribbean SRL, Barbados (75.0%)
GraceKennedy Money Services (Anguilla) Ltd., Anguilla
GraceKennedy Money Services (Antigua & Barbuda) Ltd., Antigua & Barbuda
GraceKennedy Money Services (Montserrat) Ltd., Montserrat
GraceKennedy Money Services (St. Kitts) Ltd., St. Kitts
GraceKennedy Money Services (St. Vincent and the Grenadines) Ltd., St Vincent and the Grenadines
Grace, Kennedy Remittance Services (Guyana) Limited, Guyana
GraceKennedy Remittance Services (Turks and Caicos) Limited, Turks and Caicos Islands
GraceKennedy Remittance Services (USA) Inc., U.S.A.
Grace Kennedy Remittance Services (UK) Limited, United Kingdom
GraceKennedy Financial Services (USA) Inc., U.S.A.
GraceKennedy (Trinidad & Tobago) Limited, Trinidad and Tobago
Grace, Kennedy Remittance Services (Trinidad & Tobago) Limited, Trinidad and Tobago
GraceKennedy (U.K.) Limited), United Kingdom and its subsidiary –
Grace Foods (U.K.) Limited, United Kingdom
Grace, Kennedy (U.S.A.) Inc., U.S.A. and its subsidiary –
Grace Foods (USA) Inc., U.S.A.
GraceKennedy Securities (USA) Inc., U.S.A.
GraceKennedy Trade Finance Limited, Belize
Graken Holdings Limited, Turks and Caicos Islands and its subsidiaries –
First Global (Cayman) Limited, Cayman Islands
FG Funds Management (Cayman) Limited, Cayman Islands
Knutsford Re, Turks and Caicos Islands
One1 Financial Limited, Trinidad and Tobago (90.0%)

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

GraceKennedy Limited

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2. Significant Accounting Policies (Continued)

(c) Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the Group's share of the post-acquisition profits or losses of associates is recognised in the profit and loss account and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate. In the company's balance sheet, investment in associates is shown at cost.

The Group's associated companies are as follows:

	Financial Reporting Year-end	Country of Incorporation	Group's percentage interest	
			2007	2006
Acra Financial Services Inc.	31 December	Republic of Haiti	30.0	30.0
CSGK Finance Holdings Limited	30 September	Barbados	40.0	40.0
Dairy Industries (Jamaica) Limited	31 December	Jamaica	50.0	50.0
EC Global Insurance Company Limited	31 December	St. Lucia	30.0	30.0
Fidelity Motors Limited	30 September	Jamaica	30.0	30.0
Fish Importers Limited	31 December	Jamaica	-	32.7
Trident Insurance Company Limited	30 June	Barbados	30.0	-
Telecommunications Alliance Limited	31 December	Jamaica	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 are accounted for where applicable.

Effective 24 April 2007, the Group acquired a 30% shareholding in Trident Insurance Company Limited, a general insurance company. Fish Importers Limited was liquidated on 8 October 2007.

GraceKennedy Limited

Notes to the Financial Statements
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2. Significant Accounting Policies (Continued)

(d) 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 profit and loss account.

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 profit or loss, and other changes in the carrying amount are recognised in equity.

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 profit and loss account 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 included in the available-for-sale reserve in equity.

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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each profit and loss account 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 as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit and loss account 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.

2. Significant Accounting Policies (Continued)

(e) 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. All other fixed assets are carried at cost less accumulated depreciation.

Increases in carrying amounts arising on revaluation are credited to the capital reserve in equity. Decreases that offset previous increases of the same asset are charged against the capital reserve; all other decreases are charged to the profit and loss account.

Depreciation is calculated on the straight line basis to allocate their 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 balance sheet date.

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 profit and loss account 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.

2. Significant Accounting Policies (Continued)

(f) Intangible assets

Goodwill
Goodwill is recorded at cost and represents the excess of the value of consideration paid over the fair value of the net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

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 lives of the software, which is 3 years.

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

Policy contracts
Policy contracts are amortised over their estimated useful life which is 15 years and are carried at cost less accumulated amortisation. The cost of policy contracts comprises its purchase price, any directly attributable cost of preparing the asset for its intended use 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. These costs are amortised over the estimated useful life of the relationships, which is 10 years.

Exclusive agency agreements
Exclusive agency agreements are recorded at cost and represent the value of the consideration paid to acquire the exclusive rights to distribute products under several agency agreements. These costs are amortised over the estimated useful life of the agreements, which is 3 years.

(g) 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 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.

Loans receivable

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans receivable are classified as such in the balance sheet.

2. Significant Accounting Policies (Continued)

(g) Financial assets (continued)

Loans receivable (continued)

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 all 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 balance sheet 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 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 profit and loss account.

Statutory and other regulatory loan loss reserve requirements that exceed these amounts 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 balance sheet.

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 profit and loss account. 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 receivable are carried at amortised cost using the effective interest method.

2. Significant Accounting Policies (Continued)

(g) 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 equity.

Changes in the fair value of monetary and non-monetary securities classified as available for sale 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 profit and loss account as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account as part of other income. Dividends on available-for-sale equity instruments are recognised in the profit and loss account 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 balance sheet 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 equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade receivables is described in Note 3.

(h) Investments in subsidiaries

Investments in subsidiaries are stated at cost.

(i) Impairment of long-lived assets

Fixed assets and other assets, including 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.

2. Significant Accounting Policies (Continued)

(j) Income taxes

Taxation expense in the profit and loss account 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 at balance sheet date.

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 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 profit and loss account, except where it relates to items charged or credited to equity, in which case, deferred tax is also dealt with in equity.

(k) Employee benefits

Pension plan assets

The Group 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 balance sheet date and the fair value of plan assets, together with adjustments for actuarial gains/losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of Government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the average remaining service lives of the related employees.

2. Significant Accounting Policies (Continued)

(k) Employee benefits (continued)

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. 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 balance sheet date are discounted to present value.

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

(l) 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.

2. Significant Accounting Policies (Continued)

(m) 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 profit and loss account. 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 profit and loss account.

(n) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet 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 balance sheet.

(o) Payables

Payables are initially recognised at fair value and subsequently stated at amortised cost.

(p) 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 balance sheet 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 balance sheet 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 balance sheet 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)

(q) 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.

(r) 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.

(s) 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.

(t) Borrowings

Bank loans and overdrafts are recorded at proceeds received. Finance charges, including direct issue costs are accounted for on an accrual basis in the profit and loss account using the effective yield method and are added to the carrying amount of the loan to the extent that they are not settled in the period in which they arise.

(u) 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 profit and loss account 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 profit and loss account 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 deferred profit. Lease income is recognised over the term of the lease so as to reflect a constant periodic rate of return.

2. Significant Accounting Policies (Continued)

(v) 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 equity holders 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 equity holders.

(w) 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, returns, rebates and discounts and after eliminating transactions 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 specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. 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.

Sales are recognised upon delivery of products and customer acceptance or performance of services. Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

In the case of the general insurance subsidiary, Jamaica International Insurance Company Limited, revenues represent gross premiums billed. That portion of premiums written in the current year, which relates to coverage in subsequent years, is deferred. Premium income is recognised over the life of policies written.

For those subsidiaries whose activity is the provision of financial services, revenues represent commissions earned and charges for services rendered.

Interest income and expense are recorded on the accrual basis. Where collection of interest income is considered doubtful or payment is outstanding for more than 90 days, the banking regulations stipulate that interest should be taken into account on the cash basis. IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. However such amounts under IFRS are considered to be immaterial.

Fees and commissions are recognised on an accrual basis, on completion of the underlying service or transaction.

Gains and losses arising from dealing in foreign currencies are recognised when realised and are shown net in the profit and loss account.

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

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2. Significant Accounting Policies (Continued)

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

(y) Segment reporting
Business segments provide products or services that are subject to risks and returns that are different from those of other business segments, and comprise the Group's five operating divisions. Geographical segments provide products or services within a particular economic environment that are subject to risks and returns that are different from those of components operating in other economic environments.

(z) Comparative information
Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to reflect the requirements of new IFRS, as well as, amendments to and interpretations of existing IFRS.

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 investment of excess liquidity, as follows:

(i) Central Treasury Department

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

(ii) Audit Committee

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Group Risk Management and Internal Audit. The Group Risk Management Department 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 result of which are reported to the Audit Committee.

3. Insurance and Financial Risk Management (Continued)

(iii) 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 Committee to become directors. It also leads the Board of Directors in its annual review of the Board's performance.

(iv) Asset and Liability Committee/Investment Committee

The Asset and Liability Committee (ALCO) is responsible for monitoring and formulating investment portfolios and investment strategies within the Insurance, Banking and Investment divisions. 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, 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 balance sheet targets. Overall, the Committee ensures compliance with the policies related to the management of liquidity risk, interest rate risk, and foreign exchange risk.

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

The Group issues contracts that transfer insurance risk. This section summarises the risk and the way the Group manages the risk.

(a) Insurance risk

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.

3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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. The policy limit and maximum net retention of any one risk for each class of insurance per customer for the year are as follows:

	Policy Limit $'000	Maximum Net Retention $'000
Commercial property –		
Fire and consequential loss	290,812	3,525
Boiler and machinery and engineering	141,000	2,543
Engineering	211,500	3,965
Burglary, money and goods in transit	8,812	3,525
Glass and other	3,525	1,410
Liability	211,500	10,575
Marine, aviation and transport	13,200	600
Motor	211,500	10,575
Pecuniary loss –		
Fidelity	8,812	3,525
Surety/Bonds	150,000	30,000
Personal accident	10,575	4,230

Sensitivity Analysis of Actuarial Liabilities

Actuarial liabilities comprise 6% of total insurance 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.

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3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Sensitivity Analysis of Actuarial Liabilities (continued)

Actuarial Assumptions

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

- With respect to the analysis of the incurred claims development history, the level of outstanding claims reserve adequacy is relatively consistent (in inflation adjusted terms) over the experiences period.
- For accident years 1996 and prior, the level of gross outstanding claims reserve adequacy is the same as the level of net outstanding claims reserve adequacy.
- With respect to the analysis of the paid claims development history, the rate of payment of ultimate incurred losses for the recent history is indicative of future settlement patterns. The pattern of net development factors is very stable and there is no evident trend in the factors.
- The claims inflation rate implicit in the valuation is equivalent to the rate which is part of the historical data.
- Claims are expressed at their estimated ultimate undiscounted value, in accordance with the requirement of the Insurance Act, 2001.

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

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

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3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Development Claim Liabilities

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

		2003 $'000	**2003 $'000 and prior**	**2004 $'000**	**2004 $'000 and prior**	**2005 $'000**	**2005 $'000 and prior**	**2006 $'000**	**2006 $'000 and prior**	**2007 $'000**	**2007 $'000 and prior**
2003	Paid during year	159,189	225,919								
	UCAE, end of year	116,633	375,758								
	IBNR, end of year	22,051	49,785								
	Ratio: excess (deficiency)										
2004	Paid during year	48,888	64,214	230,713	294,927						
	UCAE, end of year	64,026	264,184	170,505	434,689						
	IBNR, end of year	22,051	41,757	11,108	52,865						
	Ratio: excess (deficiency)		13.02%								
2005	Paid during year	9,125	28,191	71,488	99,679	411,620	511,299				
	UCAE, end of year	49,542	224,947	78,000	302,947	325,355	628,302				
	IBNR, end of year	3,510	17,166	9,105	26,271	34,829	61,100				
	Ratio: excess (deficiency)		21.39%		12.03%						
2006	Paid during year	(469)	6,111	9,705	15,816	134,449	150,625	566,226	716,491		
	UCAE, end of year	38,520	94,412	59,435	153,847	153,011	306,858	479,298	786,156		
	IBNR, end of year	2,557	7,830	4,406	12,236	8,508	20,744	41,046	61,790		
	Ratio: excess (deficiency)		52.82%		42.25%		30.68%				
2007	Paid during year	891	5,315	4,909	10,224	19,682	29,906	197,103	227,009	583,531	810,540
	UCAE, end of year	40,000	85,017	50,112	135,129	133,817	268,946	286,341	555,287	438,716	994,003
	IBNR, end of year	1,835	6,058	3,195	9,253	4,610	13,863	15,726	29,589	37,746	67,335
	Ratio: excess (deficiency)	27.70%	54.20%	23.24%	44.60%	18.78%	32.84%	4.07%	4.25%		

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3. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk

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

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

a) The retention limit or maximum exposure on insurance policies under the reinsurance treaties range between $720,000 and $10,000,000.

b) The Group insures with several reinsurers. Of significance is Munich Reinsurance Company which underwrites the largest share or the various treaties.

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:

	The Group	
	2007	**2006**
	$'000	**$'000**
Property	295,264	209,493
Motor	8,543	1,822
Marine	4,327	-
Liability	6,568	5,817
Accident	14,644	-
	329,346	217,132

3. Insurance and Financial Risk Management (Continued)

(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 interest rate risk, market risk, cash flow risk, currency 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 market 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 risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Group's receivables from customers, 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-balance sheet 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 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.

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

(a) Trade and other receivables (continued)

Customer credit risks are monitored according to credit characteristics such as whether it is an individual or company, geographic location, industry, aging profile, and previous financial difficulties. Special negotiated arrangements may extend the credit period to a maximum of 90 days. 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 and investments. 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 30 days. The Group has provided fully for all receivables over 180 days based on historical experience which dictates that amounts past due beyond 180 days are generally not recoverable. Trade receivables between 90 and 180 days 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
2	Standard risk
3	Sub-Standard

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 committee 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 committee examines 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 ongoing 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 Group Risk Department.

(e) Investments

The Group 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, management does not expect any counterparty to fail to meet its obligations.

Collateral and other credit enhancements

The amount and type of collateral required depends 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, 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 shareholders for loans to their companies.

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

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 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract.

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

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 balance-sheet 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 balance sheet 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 are 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 (eg 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 balance sheet 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

	2007		2006	
	Loans, Leases, Premium and Trade Receivables $'000	Impairment Provision $'000	Loans, Leases, Premium and Trade Receivables $'000	Impairment Provision $'000
Low risk	1,488,213	-	1,592,633	-
Standard risk	12,095,420	-	8,580,835	-
Sub-Standard	533,516	450,277	1,047,865	767,741
	14,117,149	450,277	11,221,333	767,741

Company's rating

	2007		2006	
	Loans and Trade Receivables $'000	Impairment Provision $'000	Loans and Trade Receivables $'000	Impairment Provision $'000
Low risk	-	-	-	-
Standard risk	830,316	-	886,173	-
Sub-Standard	103,243	81,741	261,088	70,157
	933,559	81,741	1,147,261	70,157

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

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

	Maximum Exposure			
	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Credit risk exposures relating to on-balance sheet assets are as follows:				
Cash at bank	5,493,422	4,364,426	742,251	200,654
Deposits	2,616,502	5,707,451	3,546,772	1,507,276
Investment securities	39,448,435	32,973,151	9,692,303	6,192,384
Trade and other receivables	7,919,134	5,807,709	821,680	890,984
Loans, net of provision for credit losses	5,325,029	4,248,853	30,138	186,120
Lease receivables	422,709	397,030	-	-
	61,225,231	53,498,620	14,833,144	8,977,418

The above table represents a worst case scenario of credit risk exposure to the Group and company at 31 December 2007 and 2006, without taking account of any collateral held or other credit enhancements. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and leases

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

	The Group		The Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Neither past due nor impaired -				
Low risk	1,488,213	1,592,633	-	-
Standard risk	9,755,865	6,648,154	544,557	699,251
	11,244,078	8,240,787	544,557	699,251
Past due but not impaired	2,339,555	1,932,681	285,759	186,922
Impaired	533,516	1,047,865	103,243	261,088
Gross	14,117,149	11,221,333	933,559	1,147,261
Less: provision for credit losses	(450,277)	(767,741)	(81,741)	(70,157)
Net	13,666,872	10,453,592	851,818	1,077,104

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Aging 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 three months past due are not considered impaired. As of 31 December 2007, loans and leases, premium and trade receivables of $2,339,555,000 (2006 - $1,932,681,000) and $285,759,000 (2006 - $186,922,000) 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	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Less than 30 days	1,040,006	1,046,640	187,418	186,922
31 to 90 days	901,773	545,407	98,341	-
More than 90 days	397,776	340,634	-	-
	2,339,555	1,932,681	285,759	186,922

As of 31 December 2007, loans and leases, premium and trade receivables of $533,516,000 (2006 - $1,047,865,000) and $103,243,000 (2006 - $261,088,000) for the Group and company respectively were impaired. The amount of the provision was $450,277,000 (2006 - $767,741,000) and $81,741,000 (2006 - $70,157,000) for the Group and company respectively. There are no financial assets other than loans, leases, premium and trade receivables that are past due.

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 aging of the impaired loans and lease receivables is as follows:

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
3 to 6 months	135,543	101,008	-	-
	135,543	101,088	-	-

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

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

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
At 1 January	60,422	55,820	-	-
Provision for receivables impairment	35,752	36,227	-	-
Receivables written off during the year as uncollectible	(1,218)	(19,925)	-	-
Unused amounts reversed	(8,734)	(11,700)	-	-
At 31 December	86,222	60,422	-	-

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

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
3 to 6 months	30,116	250,110	5,915	199,202
Over 6 months	367,857	696,747	97,328	61,886
	397,973	946,857	103,243	261,088

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

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
At 1 January	707,319	162,474	70,157	63,049
Provision for receivables impairment	197,895	578,558	15,462	22,039
Receivables written off during the year as uncollectible	(522,655)	(15,700)	(1,836)	(10,690)
Unused amounts reversed	(18,504)	(18,013)	(2,042)	(4,241)
At 31 December	364,055	707,319	81,741	70,157

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

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

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
3 to 6 months	165,659	351,118	5,915	199,202
Over 6 months	367,857	696,747	97,328	61,886
	533,516	1,047,865	103,243	261,088

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

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
At 1 January	767,741	218,294	70,157	63,049
Provision for receivables impairment	233,647	614,785	15,462	22,039
Receivables written off during the year as uncollectible	(523,873)	(35,625)	(1,836)	(10,690)
Unused amounts reversed	(27,238)	(29,713)	(2,042)	(4,241)
At 31 December	450,277	767,741	81,741	70,157

The creation and release of provision for impaired receivables have been included in expenses in the profit and loss account. 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:

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Public sector	1,326,496	1,546,779	-	-
Professional and other services	1,757,694	1,085,677	-	-
Personal	2,058,483	1,025,799	-	-
Agriculture, fishing and mining	106,334	159,007	-	-
Construction and real estate	615,801	624,929	-	-
Distribution	324,201	361,152	-	-
Manufacturing	153,805	124,435	29,761	25,643
Transportation	293,344	286,104	-	-
Tourism and entertainment	440,742	417,082	132,657	113,238
Financial and other money services	493,055	640,553	-	-
Brokers and agents	1,214,511	1,600,010	-	-
Supermarket chains	707,123	461,812	266,981	264,310
Wholesalers	582,909	183,455	83,024	79,498
Retail and direct customers	3,205,529	1,914,546	251,594	241,178
Other	755,229	696,243	169,542	423,394
	14,035,256	11,127,583	933,559	1,147,261
Less: Provision for credit losses	(450,277)	(767,741)	(81,741)	(70,157)
	13,584,979	10,359,842	851,818	1,077,104
Interest receivable	81,893	93,750	-	-
	13,666,872	10,453,592	851,818	1,077,104

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Financial assets – individually impaired

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

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Loans and leases	135,543	101,008	-	-
Trade and other receivables	397,973	946,857	103,243	261,088

The fair value of collateral that the company held as security for individually impaired loans was $76,100,000 (2006 - $94,000,000).

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

Renegotiated loans and leases

The Group and the company did not have any renegotiated loans or leases.

Repossessed collateral

The Group and the company had no repossessed assets at the end of each of the last two financial years.

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:

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Government of Jamaica	38,220,458	32,846,243	2,380,765	2,226,432
Corporate	934,130	-	-	-
	39,154,588	32,846,243	2,380,765	2,226,432

GraceKennedy Limited

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk

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

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the Central Treasury Department, 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 balance sheet 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 is 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.

GraceKennedy Limited

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial liabilities cash flows

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

	The Group					
	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No specific Maturity $'000	Total $'000
As at 31 December 2007:						
Securities sold under agreements to repurchase	19,026,473	3,580,912	-	-	-	22,607,385
Deposits	7,635,931	4,210,669	-	-	-	11,846,600
Bank and other loans	3,526,861	2,849,662	3,633,976	15,940	-	10,026,439
Trade and other payables	9,737,925	-	-	-	-	9,737,925
Other liabilities	691,461	-	-	-	3,482,982	4,174,443
Total financial liabilities (expected contractual dates)	40,618,651	10,641,243	3,633,976	15,940	3,482,982	58,392,792

GraceKennedy Limited

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial liabilities cash flows (continued)

The Group

	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No specific Maturity $'000	Total $'000
As at 31 December 2006:						
Securities sold under agreements to repurchase	19,643,326	3,134,227	-	-	-	22,777,553
Deposits	2,301,990	7,487,244	-	-	-	9,789,234
Bank and other loans	2,419,065	1,482,936	1,818,403	29,904	-	5,750,308
Trade and other payables	7,745,203	-	-	-	-	7,745,203
Other liabilities	935,117	-	-	-	2,657,929	3,593,046
Total financial liabilities (expected contractual dates)	33,044,701	12,104,407	1,818,403	29,904	2,657,929	49,655,344

The Company

	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No specific Maturity $'000	Total $'000
As at 31 December 2007:						
Bank and other loans	1,939,705	2,112,913	1,789,460	-	-	5,842,078
Trade and other payables	1,277,942	-	-	-	-	1,277,942
Other liabilities	-	-	-	-	2,229,357	2,229,357
Total financial liabilities (expected contractual dates)	3,217,647	2,112,913	1,789,460	-	2,229,357	9,349,377

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial liabilities cash flows (continued)

	The Company					
	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No specific Maturity $'000	Total $'000
As at 31 December 2006:						
Bank and other loans	1,681,717	749,892	1,617,656	29,904	-	4,079,169
Trade and other payables	1,120,230	-	-	-	-	1,120,230
Other liabilities	795,928	-	-	-	1,953,842	2,749,770
Total financial liabilities (expected contractual dates)	3,597,875	749,892	1,617,656	29,904	1,953,842	7,949,169

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	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Floating rate –				
Expiring within one year	2,593,472	2,436,356	706,822	1,126,574
Expiring beyond one year	824,026	520,682	694,110	453,533
Fixed rate –				
Expiring within one year	85,618	65,750	-	-
Expiring beyond one year	85,385	30,217	-	-

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Off-balance sheet items

The tables below show the contractual expiry periods of the Group's contingent liabilities and commitments.

	The Group			
At 31 December 2007	**No later than 1 year $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Guarantees, acceptances and other financial facilities	326,877	-	-	326,877
Operating lease commitments	410,130	1,015,975	555,915	1,982,020
Capital commitments	14,760	-	-	14,760
	751,767	1,015,975	555,915	2,323,657
At 31 December 2006				
Guarantees, acceptances and other financial facilities	670,249	-	-	670,249
Operating lease commitments	219,264	657,566	43,199	920,029
Capital commitments	7,935	-	-	7,935
	897,448	657,566	43,199	1,598,213

(iii) Market risk

The Group takes on exposure to market risks, 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 Group Treasury Department which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

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.

Concentrations of currency risk

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

	The Group						
	Jamaican$	**US$**	**GBP**	**CAN$**	**EURO**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
At 31 December 2007:							
Financial Assets							
Cash and deposits	2,991,047	4,278,907	258,171	60,000	148,052	373,747	8,109,924
Investment securities	18,949,761	18,563,393	-	-	1,183,990	751,291	39,448,435
Trade and other receivables	5,032,797	894,815	1,559,845	191,927	-	239,750	7,919,134
Loans receivable	2,899,303	2,848,435	-	-	-	-	5,747,738
Total financial assets	29,872,908	26,585,550	1,818,016	251,927	1,332,042	1,364,788	61,225,231
Financial Liabilities							
Deposit payable	2,640,308	8,841,604	191,384	38,976	134,328	-	11,846,600
Securities sold under agreements to repurchase	12,696,491	8,279,611	26,813	-	1,154,970	449,500	22,607,385
Bank and other loans	2,882,547	5,067,720	1,878,570	180,090	-	17,512	10,026,439
Trade and other payables	6,319,588	1,977,493	1,138,764	125,769	130	176,181	9,737,925
Total financial liabilities	24,538,934	24,166,428	3,235,531	344,835	1,289,428	643,193	54,218,349
Net financial position	5,333,974	2,419,122	(1,417,515)	(92,908)	42,614	721,595	7,006,882

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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)

	The Group						
	Jamaican$	**US$**	**GBP**	**CAN$**	**EURO**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
At 31 December 2006:							
Financial Assets							
Cash and deposits	5,735,270	3,257,715	107,737	90,228	379,924	501,003	10,071,877
Investment securities	17,687,505	15,031,532	172,904	-	81,210	-	32,973,151
Trade and other receivables	4,293,373	1,091,093	35,776	127,959	663	258,845	5,807,709
Loans receivable	4,453,419	191,389	-	-	-	1,075	4,645,883
Total financial assets	32,169,567	19,571,729	316,417	218,187	461,797	760,923	53,498,620
Financial Liabilities							
Deposit payable	2,386,186	7,202,257	147,981	42,024	10,786	-	9,789,234
Securities sold under agreements to repurchase	12,387,577	9,617,702	44,733	-	727,541	-	22,777,553
Bank and other loans	2,306,731	3,214,344	-	195,340	13,493	20,400	5,750,308
Trade and other payables	5,854,494	1,426,910	13,406	146,833	5,723	297,837	7,745,203
Total financial liabilities	22,934,988	21,461,213	206,120	384,197	757,543	318,237	46,062,298
Net financial position	9,234,579	(1,889,484)	110,297	(166,010)	(295,746)	442,686	7,436,322

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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)

	The Company						
	Jamaican$	**US$**	**GBP**	**CAN$**	**EURO**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
At 31 December 2007:							
Financial Assets							
Cash and deposits	960,956	3,328,067	-	-	-	-	4,289,023
Investment securities	8,699,944	992,359	-	-	-	-	9,692,303
Trade and other receivables	821,680	-	-	-	-	-	821,680
Loans receivable	399	481	-	9,398	-	19,860	30,138
Total financial assets	10,482,979	4,320,907	-	9,398	-	19,860	14,833,144
Financial Liabilities							
Bank and other loans	2,132,914	3,709,164	-	-	-	-	5,842,078
Trade and other payables	849,774	428,168	-	-	-	-	1,277,942
Total financial liabilities	2,982,688	4,137,332	-	-	-	-	7,120,020
Net financial position	7,500,291	183,575	-	9,398	-	19,860	7,713,124

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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)

	The Company						
	Jamaican$	**US$**	**GBP**	**CAN$**	**EURO**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
At 31 December 2006:							
Financial Assets							
Cash and deposits	1,669,267	38,663	-	-	-	-	1,707,930
Investment securities	4,109,808	2,082,576	-	-	-	-	6,192,384
Trade and other receivables	890,984	-	-	-	-	-	890,984
Loans receivable	156,381	481	-	9,398	-	19,860	186,120
Total financial assets	6,826,440	2,121,720	-	9,398	-	19,860	8,977,418
Financial Liabilities							
Bank and other loans	1,525,412	2,553,757	-	-	-	-	4,079,169
Trade and other payables	653,901	466,329	-	-	-	-	1,120,230
Total financial liabilities	2,179,313	3,020,086	-	-	-	-	5,199,399
Net financial position	4,647,127	(898,366)	-	9,398	-	19,860	3,778,019

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 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 year end for a 5% change in foreign currency rates. The sensitivity of the profit was as a result of foreign exchange gains/losses on translation of foreign currency denominated loans and leases receivables, cash and deposits, debt securities classified as available for sale and foreign exchange losses/gains on translation of foreign currency denominated borrowings. Profit is more sensitive to movement in currency/US dollar exchange rates in 2006 than 2007 because of the increased amount of foreign currency denominated investment securities. The sensitivity of the equity arose mainly from foreign exchange losses/gains on translation of foreign currency denominated subsidiaries. Equity is more sensitive to movement in foreign currency exchange rate in 2007 than 2006 because of the increase in the net assets of USD denominated foreign subsidiaries and the increase in liabilities of GBP denominated foreign subsidiaries. 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 variable, variables had to be on an individual basis. It should be noted that movements in

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)
these variables are non-linear.

The Group

	% Change in Currency Rate 2007	Effect on Net Profit 2007 $'000	Effect on Equity 2007 $'000	% Change in Currency Rate 2006	Effect on Net Profit 2006 $'000	Effect on Equity 2006 $'000
Currency:						
USD	5%	(30,740)	92,213	5%	(44,355)	44,847
GBP	5%	1,516	(80,348)	5%	3,279	3,692
CAN	5%	180	8,476	5%	(151)	20,436
EURO	5%	1,797	1,797	5%	(9,338)	(9,338)

The Company

	% Change in Currency Rate 2007	Effect on Net Profit 2007 $'000	Effect on Equity 2007 $'000	% Change in Currency Rate 2006	Effect on Net Profit 2006 $'000	Effect on Equity 2006 $'000
Currency:						
USD	5%	31,184	31,184	5%	(56,606)	(56,606)
GBP	5%	-	-	5%	-	-
CAN	5%	-	-	5%	-	-
EURO	5%	-	-	5%	-	-

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's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and liabilities. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by the Treasury Department.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

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.

	The Group						
	Within 1 Month	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 31 December 2007:							
Assets							
Cash and deposits	3,910,642	3,457,222	-	-	-	742,060	8,109,924
Investment securities	-	7,594,519	10,173,299	9,073,111	12,287,376	320,130	39,448,435
Loans receivable	452,758	961,026	300,586	2,713,441	1,262,568	57,359	5,747,738
Trade and other receivables	-	-	-	-	-	7,919,134	7,919,134
Other assets	-	-	-	-	-	18,780,531	18,780,531
Total financial assets	4,363,400	12,012,767	10,473,885	11,786,552	13,549,944	27,819,214	80,005,762
Liabilities							
Deposits	2,412,584	5,235,570	4,198,446	-	-	-	11,846,600
Securities sold under agreements to repurchase	-	19,026,474	3,580,911	-	-	-	22,607,385
Bank loans	2,189,836	3,415,432	3,990,190	430,981	-	-	10,026,439
Trade payables	-	-	-	-	-	9,737,925	9,737,925
Other	-	-	-	-	-	4,174,443	4,174,443
Total financial liabilities	4,602,420	27,677,476	11,769,547	430,981	-	13,912,368	58,392,792
Total interest repricing gap	(239,020)	(15,664,709)	(1,295,662)	11,355,571	13,549,944	13,906,846	21,612,970

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	The Group						
	Within 1 Month	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 31 December 2006:							
Assets							
Cash and deposits	2,640,824	5,855,142	-	-	-	1,575,911	10,071,877
Investment securities	-	4,458,945	26,600,377	1,465,996	320,925	126,908	32,973,151
Loans receivable	394,903	787,956	458,261	2,259,774	573,357	171,632	4,645,883
Trade and other receivables	-	-	-	-	-	5,807,709	5,807,709
Other assets	-	-	-	-	-	14,089,081	14,089,081
Total financial assets	3,035,727	11,102,043	27,058,638	3,725,770	894,282	21,771,241	67,587,701
Liabilities							
Deposits	3,080,311	2,301,991	4,406,932	-	-	-	9,789,234
Securities sold under agreements to repurchase	-	19,643,326	3,131,420	2,807	-	-	22,777,553
Bank loans	1,069,361	2,047,319	2,341,817	291,811	-	-	5,750,308
Trade payables	-	-	-	-	-	7,745,203	7,745,203
Other	-	-	-	-	-	3,593,046	3,593,046
Total financial liabilities	4,149,672	23,992,636	9,880,169	294,618	-	11,338,249	49,655,344
Total interest repricing gap	(1,113,945)	(12,890,593)	17,178,469	3,431,152	894,282	10,432,992	17,932,357

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	The Company						
	Within 1 Month	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 31 December 2007:							
Assets							
Cash and deposits	487,759	3,801,264	-	-	-	-	4,289,023
Investment securities	-	-	2,380,765	-	-	7,311,538	9,692,303
Loans receivable	-	-	12,500	-	-	17,638	30,138
Trade and other receivables	-	-	-	-	-	821,680	821,680
Other assets	-	-	-	-	-	6,867,031	6,867,031
Total financial assets	487,759	3,801,264	2,393,265	-	-	15,017,887	21,700,175
Liabilities							
Bank loans	1,939,704	2,039,712	1,605,613	257,049	-	-	5,842,078
Trade payables	-	-	-	-	-	1,277,942	1,277,942
Other	-	-	-	-	-	2,229,357	2,229,357
Total financial liabilities	1,939,704	2,039,712	1,605,613	257,049	-	3,507,299	9,349,377
Total interest repricing gap	(1,451,945)	1,761,552	787,652	(257,049)	-	11,510,587	12,350,798

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	The Company						
	Within 1 Month	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 31 December 2006:							
Assets							
Cash and deposits	-	1,698,339	-	-	-	9,591	1,707,930
Investment securities	-	-	2,226,434	-	-	3,965,950	6,192,384
Loans receivable	-	-	12,500	-	-	173,620	186,120
Trade and other receivables	-	-	-	-	-	890,984	890,984
Other assets	-	-	-	-	-	5,761,964	5,761,964
Total financial assets	-	1,698,339	2,238,934	-	-	10,802,109	14,739,382
Liabilities							
Bank loans	946,090	699,736	2,433,343	-	-	-	4,079,169
Trade payables	-	-	-	-	-	1,120,230	1,120,230
Other	-	-	-	-	-	2,749,860	2,749,860
Total financial liabilities	946,090	699,736	2,433,343	-	-	3,870,090	7,949,169
Total interest repricing gap	(946,090)	998,603	(194,409)	-	-	6,932,109	6,790,213

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 profit and loss account and equity.

The Group's interest rate risk arises from investment securities, loans receivable, customers' deposits, repo liabilities 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 due to changes in variable, variables had to be on an individual basis.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	The Group			
	Effect on Net Profit 2007 $'000	**Effect on Equity 2007 $'000**	**Effect on Net Profit 2006 $'000**	**Effect on Equity 2006 $'000**
Change in basis points:				
- 100	139,333	872,697	131,631	332,414
+ 100	(139,333)	(793,769)	(131,631)	(505,227)

	The Company			
	Effect on Net Profit 2007 $'000	**Effect on Equity 2007 $'000**	**Effect on Net Profit 2006 $'000**	**Effect on Equity 2006 $'000**
Change in basis points:				
- 100	12,327	15,702	9,193	10,455
+ 100	(12,327)	(15,594)	(9,193)	(10,425)

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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 balance sheet, 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 businesses.

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 Asset Test. This information is required to be filed with the FSC on an annual basis. The minimum standard recommended by the regulators for companies is an MAT of 120%. The MAT for the company as of December 31, 2007 and 2006 is set out below.

	Insurance			
	Actual 2007 $'000	**Required 2007 $'000**	**Actual 2006 $'000**	**Required 2006 $'000**
MAT	**136.38%**	**120%**	**136.30%**	**120%**

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 balance sheet, 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 the Group's ability to continue as a going concern so that it 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 its business.

3. Insurance and Financial Risk Management (Continued)

(d) Capital management (continued)

The banking and investment subsidiaries (continued)

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' Risk and Compliance Unit is divided into two tiers:

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

(ii) Tier 2 capital: collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

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-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The tables below summarise the composition of regulatory capital and the ratios of the Group and the company for the years ended 31 December. During those two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

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3. Insurance and Financial Risk Management (Continued)

(d) Capital management (continued)

The banking and investment subsidiaries (continued)

	Banking			
	Actual 2007 $'000	**Required 2007 $'000**	**Actual 2006 $'000**	**Required 2006 $'000**
Tier 1 capital	2,526,567	594,464	2,526,568	515,828
Tier 2 capital	49,320		40,586	
Total regulatory capital	2,575,887	594,464	2,567,154	515,828
Risk-weighted assets:				
On-balance sheet	5,617,770	-	4,488,031	-
Off-balance sheet	326,877	-	670,249	-
Total risk-weighted assets	5,944,647	-	5,158,280	-
Tier one capital ratio	43%	-	49%	-
Total capital ratio	43%	10%	50%	10%

	Investment			
	Actual 2007 $'000	**Required 2007 $'000**	**Actual 2006 $'000**	**Required 2006 $'000**
Tier 1 capital	1,397,063	106,207	1,192,970	69,982
Tier 2 capital	-	106,207	-	69,982
Total regulatory capital	1,397,063	212,414	1,192,970	139,964
Risk-weighted assets:				
On-balance sheet	1,517,424	1,517,424	999,745	999,745
Off-balance sheet	-	-	-	-
Total risk-weighted assets	1,517,424	1,517,424	999,745	999,745
Tier one capital ratio	100.00%	50.00%	100.00%	50.00%
Total capital ratio	90.20%	14.00%	119.33%	14.00%

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 shareholders 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 equity holders of the company divided by total shareholders' equity, excluding minority interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as debt divided by shareholders equity. Debt is calculated as total borrowings as shown in the consolidated balance sheet. Shareholders equity is calculated as capital and reserves attributable to the company's equity holders as shown in the consolidated balance sheet.

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain a debt to equity ratio not exceeding 100%. The debt to equity ratios at 31 December 2007 and 2006 were as follows:

	The Group	
	2007	**2006**
	$000	**$000**
Total borrowings (note 15)	10,026,439	5,750,308
Shareholders equity	20,038,517	17,158,975
Gearing ratio	50.0%	33.5%

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

The Company and its subsidiaries complied with all externally imposed capital requirements to which they were 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 11.

(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 assumption 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-retirement 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 Group determines the appropriate discount rate 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-retirement benefit obligations. In determining the appropriate discount rate, the Group considered interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, 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. Past experience has shown that actual medical costs have increased on average by one time the rate of inflation. Other key assumptions for the pension and post retirement benefits cost and credits are based in part on current market conditions.

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

(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 company based on contracts for the insurance business in force at the balance sheet 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 company'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 company'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 allow the company to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of claims arising from consequential losses makes the estimation process more uncertain for these claims.

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5. Cash and Deposits

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Cash at bank and in hand	5,493,422	4,364,426	742,251	200,654
Deposits	2,616,502	5,707,451	3,546,772	1,507,276
	8,109,924	10,071,877	4,289,023	1,707,930

Included in deposits is interest receivable of $73,109,000 (2006 - $69,955,000) and $13,078,000 (2006 - $2,219,000) for the Group and company, respectively. The weighted average effective interest rate on deposits was 6.9% (2006 – 8.50%) and these deposits have an average maturity of under 90 days.

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

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Cash at bank and in hand	5,493,422	4,364,426	742,251	200,654
Deposits	2,616,502	5,707,451	3,546,772	1,507,276
	8,109,924	10,071,877	4,289,023	1,707,930
Bank overdrafts (Note 15)	(1,858,137)	(1,425,252)	(1,939,704)	(990,242)
	6,251,787	8,646,625	2,349,319	717,688

6. Investment Securities

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Available-for-sale –				
Quoted equities	186,471	92,769	128	128
Government of Jamaica securities	38,220,458	32,846,243	2,380,765	2,226,434
Corporate bonds	934,130	-	-	-
Other	107,376	34,139	1,100	1,100
	39,448,435	32,973,151	2,381,993	2,227,662
Subsidiaries	-	-	7,310,310	3,964,722
Total	39,448,435	32,973,151	9,692,303	6,192,384

Included in the Government of Jamaica securities is interest receivable of $865,727,000 (2006 - $690,250,000) and $82,554,000 (2006 - $61,332,000) for the Group and the company respectively. Included in Government of Jamaica securities are instruments which mature between 90 days and 360 days or which the Group intends to realise within 12 months and have an effective interest rate of 12.5% (2006 –13.54 %).

Included in Government of Jamaica securities is $1,431,070,000 (2006 - $956,004,000) held at the Bank of Jamaica under Section 14(1) of the Banking Act, 1992, representing the required ratio of 9% (2006 - 9%) of the banking subsidiary prescribed liabilities. It is not available for investment, lending or other use by the Group or the banking subsidiary.

7. Receivables

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Trade receivables, less provision for impairment	3,892,580	2,517,288	691,579	627,487
Insurance receivables, less provision for impairment	2,127,434	1,617,048	-	-
Receivable from associates (Note 34(d))	34,509	29,918	23,634	14,059
Prepayments	476,567	242,273	58,967	202,471
Other receivables	1,388,044	1,401,182	47,500	46,967
	7,919,134	5,807,709	821,680	890,984

The fair values of trade and other receivables approximate carrying values.

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8. Inventories

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Raw materials and spares	323,645	263,548	-	-
Work in process	1,485	878	-	-
Finished goods	1,357,375	361,177	-	-
Merchandise	2,713,075	2,580,490	508,502	446,090
Goods in transit	622,191	339,826	394,239	169,272
	5,017,771	3,545,919	902,741	615,362

9. Loans Receivable

(a) Loans receivable comprise:

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Finance leases, less deferred profit	422,709	397,030	-	-
Loans and receivables –				
Loans to subsidiaries	-	-	29,739	185,721
Loans to associated companies	13,606	9,220	-	-
Loans to others	5,227,392	4,160,424	-	-
Other receivables	84,031	79,209	399	399
	5,747,738	4,645,883	30,138	186,120

Loans receivable are due within 5 years from the balance sheet date.

Included in loans receivable is interest receivable of $81,893,000 (2006 - $93,750,000) for the Group.

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9. Loans Receivable (Continued)

(b) Finance lease receivables

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Gross receivables from finance leases:				
Not later than 1 year	254,267	222,964	-	-
Later than 1 year and not later than 5 years	245,117	253,600	-	-
	499,384	476,564	-	-
Unearned future finance income on finance leases	(76,675)	(79,534)	-	-
Net investment in finance leases	422,709	397,030	-	-

	Group		Company	
The net investment in finance leases is analysed as follows:				
Not later than 1 year	206,783	173,990	-	-
Later than 1 year and not later than 5 years	215,926	223,040	-	-
Total	422,709	397,030	-	-

10. Investments in Associates

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
At beginning of year	657,699	475,205	219,950	154,168
Share of results before tax	99,941	69,683	-	-
Share of tax	(54,854)	(36,888)	-	-
Share of results after tax	45,087	32,795	-	-
Additions	67,682	68,282	-	68,282
Disposals	-	(2,500)	-	(2,500)
Movement in other reserves	(7,026)	83,917	-	-
At end of year	763,442	657,699	219,950	219,950

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10. Investments in Associates (Continued)

The assets, liabilities, revenue and net profit of associates are as follows:

	2007 $'000	2006 $'000
Assets	5,256,487	4,354,292
Liabilities	3,596,182	2,793,558
Revenue	3,688,620	3,149,741
Net Profit	42,845	91,435

11. Intangible Assets

	Brands and Customer Relationships $'000	Distribution Channel and Exclusive Agency Agreements $'000	Goodwill $'000	Computer Software $'000	Policy Contracts $'000	Total $'000
			Group			
Cost						
At 1 January 2006	-	119,433	305,873	562,386	589,088	1,576,780
Additions	-	-	-	85,984	-	85,984
At 31 December 2006	-	119,433	305,873	648,370	589,088	1,662,764
Additions	-	-	-	125,832	-	125,832
Acquisition of subsidiaries (Note 36)	924,127	36,692	707,837	-	-	1,668,656
At 31 December 2007	924,127	156,125	1,013,710	774,202	589,088	3,457,252
Accumulated Amortisation						
At 1 January 2006	-	23,277	87,725	429,864	-	540,866
Amortisation charge for the year	-	14,551	-	71,858	39,273	125,682
Impairment charge	-	-	11,392	-	-	11,392
At 31 December 2006	-	37,828	99,117	501,722	39,273	677,940
Amortisation charge for the year	68,887	23,334	-	64,390	39,273	195,884
Impairment charge	-	71,311	-	-	-	71,311
At 31 December 2007	68,887	132,473	99,117	566,112	78,546	945,135
Net Book Amount						
31 December 2007	855,240	23,652	914,593	208,090	510,542	2,512,117
31 December 2006	-	81,605	206,756	146,648	549,815	984,824

11. Intangible Assets (Continued)

During the year one of the Group's subsidiaries operating in the Food Trading Division recognised an impairment charge of $71,311,000 for distribution channel agreements as the management of the subsidiary determined that this aspect of the business was not viable and as a result curtailed its operation in this area.

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.

The allocation of goodwill to the Group's CGUs identified according to segment is as follows:

	2007 $000
Retail & Trading	153,174
Food Trading	716,327
Banking & Investments	45,092
	914,593

For the year ended 31 December 2007, 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 six-year period. Cash flows beyond the six-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value in use calculations:

	Revenue Growth Rate	**EBITDA to Revenue**	**Capital Expenditure to Revenue**	**Discount Rate**
Retail & Trading	10%	6.4%	2.5%	15.84%
Food Trading	5%	6.52%	0.67%	11.10%
Banking & Investment	10%	12.08%	1.52%	10.50%

11. Intangible Assets (Continued)

	Computer Software $'000
	Company
Cost	
At 1 January 2006	148,181
Additions	13,495
At 31 December 2006	161,676
Additions	4,106
At 31 December 2007	165,782
Accumulated Amortisation	
At 1 January 2006	93,118
Amortisation charge for the year	28,134
At 31 December 2006	121,252
Amortisation charge for the year	3,939
At 31 December 2007	125,191
Net Book Amount	
31 December 2007	40,591
31 December 2006	40,424

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12. Fixed Assets

	Freehold Land and Buildings $'000	Leasehold Buildings and Improvements $'000	Plant, Equipment, Fixtures & Vehicles $'000	Capital Work in Progress $'000	Total $'000
			Group		
Cost or Valuation					
At 1 January 2006	787,048	613,094	2,651,260	194,154	4,245,556
Additions	5,190	39,410	195,931	78,273	318,804
Revaluation surplus	147,599	-	-	-	147,599
Transfer from CWIP	-	61,312	46,450	(107,762)	-
Disposals	-	(17,908)	(78,941)	(1,194)	(98,043)
At 31 December 2006	939,837	695,908	2,814,700	163,471	4,613,916
Additions	14,870	107	558,954	-	573,931
Acquisition of subsidiaries (Note 36)	-	289,001	649,647	-	938,648
Transfers	-	-	917	(917)	-
Disposals	-	(107,098)	(74,977)	(12,953)	(195,028)
At 31 December 2007	954,707	877,918	3,949,241	149,601	5,931,467
Accumulated Depreciation					
At 1 January 2006	13,353	355,641	1,568,380	-	1,937,374
Charge for the year	6,425	72,638	327,582	-	406,645
On disposals	-	(7,147)	(62,817)	-	(69,964)
Revaluation adjustment	(7,764)	-	-	-	(7,764)
At 31 December 2006	12,014	421,132	1,833,145	-	2,266,291
Charge for the year	9,440	9,341	377,359	-	396,140
Acquisition of subsidiaries (Note 36)	-	57,436	328,806	-	386,242
On disposals	-	(46,837)	(63,781)	-	(110,618)
At 31 December 2007	21,454	441,072	2,475,529	-	2,938,055
Net Book Value					
31 December 2007	933,253	436,846	1,473,712	149,601	2,993,412
31 December 2006	927,823	274,776	981,555	163,471	2,347,625

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12. Fixed Assets (Continued)

	Freehold Land and Buildings $'000	Leasehold Buildings and Improvements $'000	Plant, Equipment, Fixtures & Vehicles $'000	Capital Work in Progress $'000	Total $'000
			Company		
Cost or Valuation					
At 1 January 2006	15,000	93,481	349,880	-	458,361
Additions	-	1,376	46,801	-	48,177
Disposals	-	-	(7,276)	-	(7,276)
At 31 December 2006	15,000	94,857	389,405	-	499,262
Additions	-	3,661	54,880	27,757	86,298
Disposals	-	(21,896)	(12,344)	-	(34,240)
Transfers	-	(5,893)	5,893	-	-
At 31 December 2007	15,000	70,729	437,834	27,757	551,320
Accumulated Depreciation					
At 1 January 2006	275	55,530	270,600	-	326,405
Charge for the year	275	7,835	48,133	-	56,243
Revaluation adjustment	(550)	-	-	-	(550)
On disposals	-	-	(6,822)	-	(6,822)
At 31 December 2006	-	63,365	311,911	-	375,276
Charge for the year	262	5,662	71,032	-	76,956
On disposals	-	(8,128)	(8,382)	-	(16,510)
Transfers	-	(4,163)	4,163	-	-
At 31 December 2007	262	56,736	378,724	-	435,722
Net Book Value					
31 December 2007	14,738	13,993	59,110	27,757	115,598
31 December 2006	15,000	31,492	77,494	-	123,986

(a) The tables above include carrying values of $56,324,000 (2006 - $60,708,000) and $48,873,000 (2006 - $25,161,000) for the Group and the company, respectively, representing assets being acquired under finance leases.

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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	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Cost	423,718	408,397	8,879	8,879
Accumulated depreciation	66,924	60,294	3,267	3,045
Net Book Value	356,794	348,103	5,612	5,834

(c) The Group's land and buildings were last revalued during 2006 by independent valuers. The valuations were done on the basis of open market value. The revaluation surpluses, net of applicable deferred income taxes, were credited to the capital and fair value reserves in equity (Note 19).

13. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33 ⅓ %.

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

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
At beginning of year	(1,861,002)	(1,783,648)	(1,436,786)	(1,297,342)
Profit and loss account charge (Note 27)	(156,192)	(4,894)	(218,361)	(127,495)
Tax credited/(charged) to equity	152,309	(72,460)	(15,263)	(11,949)
Exchange differences	5,433	-	-	-
At end of year	(1,859,452)	(1,861,002)	(1,670,410)	(1,436,786)

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. Subject to agreement with the Taxpayer Audit and Assessment Department, the Group has recognised tax losses of $782,571,000 (2006 - $663,432,000) to carry forward indefinitely against future taxable income. The Group also has unrecognised tax losses of nil (2006 - $105,965,000) in respect of a subsidiary.

Deferred income tax assets of $459,913,000 (2006 - $395,989,000) have not been established for the withholding and other taxes that would be payable on the unremitted earnings of certain subsidiaries, as such amounts are permanently reinvested; such unremitted earnings totalled $1,379,738,000 (2006 - $1,187,967,000).

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13. Deferred Income Taxes (Continued)

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 2006	204,332	204,730	28,803	1,688,249	256,693	2,382,807
Charged /(credited) to net profit	29,237	(7,751)	619	248,715	(41,958)	228,862
Charged to equity	17,812	54,648	-	-	-	72,460
At 31 December 2006	251,381	251,627	29,422	1,936,964	214,735	2,684,129
Charged /(credited) to net profit	(9,824)	885	(487)	245,921	(14,619)	221,876
Charged/(credited) to equity	4,309	(152,168)	-	-	-	(147,859)
Exchange differences	1	-	-	-	83	84
At 31 December 2007	245,867	100,344	28,935	2,182,885	200,199	2,758,230

Deferred tax assets	**Fixed Assets $'000**	**Unutilised Tax Losses $'000**	**Provisions $'000**	**Employee Benefit Obligations $'000**	**Other $'000**	**Total $'000**
At 1 January 2006	48,053	69,458	939	336,477	144,232	599,159
Credited /(charged) to net profit	15,522	151,686	(94)	55,380	1,474	223,968
At 31 December 2006	63,575	221,144	845	391,857	145,706	823,127
Credited /(charged) to net profit	(1,546)	34,365	(34)	66,854	(33,955)	65,684
Credited to equity	-	-	-	-	4,450	4,450
Exchange differences	19	5,348	-	-	150	5,517
At 31 December 2007	62,048	260,857	811	458,711	116,351	898,778

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13. Deferred Income Taxes (Continued)

	Company				
Deferred tax liabilities	**Fixed Assets $'000**	**Fair Value Gains $'000**	**Pension Plan Asset $'000**	**Other $'000**	**Total $'000**
At 1 January 2006	2,453	41,216	1,374,668	43,681	1,462,018
Charged /(credited) to net profit	16,117	-	191,376	(22,997)	184,496
Charged to equity	592	11,357	-	-	11,949
At 31 December 2006	19,162	52,573	1,566,044	20,684	1,658,463
Charged /(credited) to net profit	(83)	-	228,386	(1,591)	226,712
Charged to equity	1,544	13,719	-	-	15,263
At 31 December 2007	20,623	66,292	1,794,430	19,093	1,900,438

Deferred tax assets	**Fixed Assets $'000**	**Employee Benefit Obligations $'000**	**Tax Losses $'000**	**Other $'000**	**Total $'000**
At 1 January 2006	-	156,369	-	8,307	164,676
Credited to net profit	9,724	13,909	22,483	10,885	57,001
At 31 December 2006	9,724	170,278	22,483	19,192	221,677
Credited/(charged) to net profit	2,167	13,964	(12,301)	4,521	8,351
At 31 December 2007	11,891	184,242	10,182	23,713	230,028

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 balance sheet:

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Deferred tax assets	241,177	157,963	-	-
Deferred tax liabilities	(2,100,629)	(2,018,965)	(1,670,410)	(1,436,786)
	(1,859,452)	(1,861,002)	(1,670,410)	(1,436,786)
The gross amounts shown in the above tables include the following:				
Deferred tax assets to be recovered after more than 12 months	719,568	613,001	184,242	170,278
Deferred tax liabilities to be settled after more than 12 months	(2,428,751)	(2,188,345)	(1,794,430)	(1,566,044)

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14. Pensions and Other Post-Employment Obligations

The Group's 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 0.5%, as recommended by independent actuaries. Pension at normal retirement age is based on 2% of final 3-year average salary per year of pensionable service, plus any declared bonus pensions.

Pension benefits

The amounts recognised in the balance sheet are determined as follows:

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Present value of funded obligations	3,275,165	3,160,584	1,144,593	1,254,726
Fair value of plan assets	(13,227,574)	(11,246,524)	(9,253,431)	(7,679,844)
	(9,952,409)	(8,085,940)	(8,108,838)	(6,425,118)
Unrecognised actuarial gains	2,350,203	1,266,646	2,221,815	1,201,187
Limitation on asset due to uncertainty of obtaining economic benefit	1,053,553	1,008,404	503,734	525,799
Asset in the balance sheet	(6,548,653)	(5,810,890)	(5,383,289)	(4,698,132)

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

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Beginning of year	3.160.584	2.512.668	1.254.726	1.033.342
Current service cost	267.270	249.116	75.884	80.719
Interest cost	398.211	339.091	154.991	135.873
Actuarial (gains)/losses	(332,044)	157,823	(262,968)	58,947
Benefits paid	(218,856)	(98,114)	(78,040)	(54,155)
End of year	3,275,165	3,160,584	1,144,593	1,254,726

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

Pension benefits (continued)

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

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Beginning of year	11,246,524	10,771,720	7,679,844	4,392,071
Expected return on plan assets	1,224,944	1,247,984	842,720	543,593
Actuarial gains/(losses)	791,320	(584,036)	768,377	2,613,147
Contributions	183,641	157,808	40,530	40,480
Benefits paid	(218,855)	(98,114)	(78,040)	(54,155)
Adjustment to plan assets	-	(248,838)	-	144,708
End of year	13,227,574	11,246,524	9,253,431	7,679,844

The amounts recognised in the profit and loss account are as follows:

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Current service cost	95,961	109,246	38,009	42,924
Interest cost	398,211	339,091	154,991	135,873
Expected return on plan assets	(1,224,944)	(1,247,984)	(842,720)	(543,593)
Net actuarial gains recognised in year	(39,807)	(52,700)	(10,717)	132,241
	(770,579)	(852,347)	(660,437)	(232,555)
Increase/(reduction) in income due to limitation on asset	45,149	124,143	(22,065)	(338,887)
Total, included in staff costs (Note 26)	(725,430)	(728,204)	(682,502)	(571,442)

The total credit of $725,430,000 (2006 - $728,204,000) and $682,502,000 (20006 - $571,442,000) for the Group and company respectively was included in administration expenses for both years.

The expected contributions to the plan by the Group for the year ended 31 December 2008 amount to $156,428,000.

The actual return on plan assets was $2,030,821,000 (2006 - $192,219,000) for the Group.

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

Pension benefits (continued)

The plan assets are comprised of :

	2007 $'000	2006 $'000
Equity	3,476,647	2,963,631
Debt	296,164	337,775
Government securities	7,413,764	7,078,341
Other	2,040,999	866,777
	13,227,574	11,246,524

The pension plan assets include the company's ordinary stock units with a fair value of $1,077,087,000 (2006 - $956,574,000), buildings occupied by Group companies with fair values of $379,900,000 (2006 - $695,500,000), repurchase agreements investments of $1,343,509,000 (2006 - $1,623,694,000), finance lease receivables from Group companies of $3,687,000 (2006 - $15,848,000) and loan receivables from Group companies of $220,195,000 (2006 - $220,195,000).

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

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.

The five-year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan, and experience adjustments for plan assets and liabilities is as follows:

	Group				
	2007 $'000	2006 $'000	2005 $'000	2004 $'000	2003 $'000
Fair value of plan assets	(13,227,574)	(11,246,524)	(10,771,720)	(10,198,658)	(7,542,501)
Defined benefit obligation	3,275,165	3,160,584	2,512,668	1,949,894	1,581,617
Surplus	(9,952,409)	(8,085,940)	(8,259,052)	(8,248,764)	(5,960,884)
Experience adjustments –					
Fair value of plan assets	791,320	(584,036)	(648,147)	1,752,673	573,211
Defined benefit obligation	166,624	(24,542)	282,615	(108,819)	248,711

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

Pension benefits (continued)

	Company				
	2007 $'000	**2006 $'000**	**2005 $'000**	**2004 $'000**	**2003 $'000**
Fair value of plan assets	(9,253,431)	(7,679,844)	(4,392,071)	(7,720,934)	(5,196,682)
Defined benefit obligation	1,144,593	1,254,726	1,033,342	764,439	575,482
Surplus	(8,108,838)	(6,425,118)	(3,358,729)	(6,956,495)	(4,621,200)
Experience adjustments –					
Fair value of plan assets	768,377	2,613,147	(4,250,865)	1,823,542	350,034
Defined benefit obligation	(117,236)	(12,083)	169,563	(2,010)	137,565

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 10% per year (2006 - 10% per year).

The amounts recognised in the balance sheet were determined as follows:

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Present value of unfunded obligations	1,368,518	1,539,270	629,833	697,210
Unrecognised actuarial losses/(gains)	7,614	(363,693)	(77,107)	(186,375)
Liability in the balance sheet	1,376,132	1,175,577	552,726	510,835

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

Movement in the defined benefit obligation is as follows:

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Beginning of year	1,539,270	1,211,070	697,210	573,828
Current service cost	103,088	83,214	31,136	26,872
Interest cost	191,185	156,478	82,062	71,233
Actuarial (gains)/losses	(350,979)	173,424	(91,591)	86,933
Benefits paid	(114,046)	(84,916)	(88,984)	(61,656)
End of year	1,368,518	1,539,270	629,833	697,210

The amounts recognised in the profit and loss account were as follows:

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Current service cost	103,088	83,214	31,136	26,872
Interest cost	191,185	156,478	82,062	71,233
Net actuarial losses recognised in year	20,328	11,368	17,677	5,279
Total, included in staff costs (Note 26)	314,601	251,060	130,875	103,384

The total charge was included in administration expenses.

The effects of a 1% movement in the assumed medical cost trend rate were as follows:

	Group		Company	
	Increase $'000	**Decrease $'000**	**Increase $'000**	**Decrease $'000**
Effect on the aggregate of the current service cost and interest cost	149,426	102,574	49,888	36,546
Effect on the defined benefit obligation	668,323	502,956	257,299	204,498

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

Other post-employment obligations (continued)

The five-year trend for the defined benefit obligation and experience adjustments is as follows:

	Group				
	2007 $'000	**2006 $'000**	**2005 $'000**	**2004 $'000**	**2003 $'000**
Defined benefit obligation	1,368,518	1,539,270	1,211,070	1,074,656	757,225
Experience adjustments	(180,399)	82,022	75,032	88,350	(93,088)

	Company				
	2007 $'000	**2006 $'000**	**2005 $'000**	**2004 $'000**	**2003 $'000**
Defined benefit obligation	629,833	697,210	573,828	468,244	339,555
Experience adjustments	(33,270)	53,583	61,907	52,064	(2,219)

Principal actuarial assumptions used in valuing post-employment benefits

The principal actuarial assumptions used were as follows:

	2007	**2006**
Discount rate	13%	12%
Long term inflation rate	8.75%	8.50%
Expected return on plan assets	12%	12%
Future salary increases	9.50%	9.50%
Future pension increases	3.50%	3.50%

Mortality rate

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 balance sheet date is as follows:

	2007	**2006**
Male	20.14	21.14
Female	25.17	26.17

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

Other post-employment obligations (continued)

The average expected remaining service life of the employees in the post retirement plans are as follows:

Plans	**2007**	**2006**
	Years	**Years**
Gratuity Plan	18.0	18.4
Group Life Plan	21.9	22.5
Insured Group Health	19.2	18.0
Pension Plan	18.2	18.5
Self Insured Health Plan	13.8	14.3
Superannuation Plan	5.7	5.3

15. Bank and Other Loans

	Group		**Company**	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Secured on assets	3,131,923	771,313	-	-
Unsecured	6,894,516	4,978,995	5,842,078	4,079,169
	10,026,439	5,750,308	5,842,078	4,079,169

(a) Unsecured loans of subsidiaries are supported by promissory notes or letters of comfort from the parent company. Interest rates on these loans range between 6.93% - 19.75% (2006 – 5.84% - 19.75%).

(b) Bank and other loans comprise:

	Group		**Company**	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Bank overdrafts (Note 5)	1,858,137	1,425,252	1,939,704	990,242
Bank borrowings	7,391,304	3,722,181	3,135,562	2,366,469
Finance leases	5,695	18,096	59,330	-
Customer deposits	220,836	241,211	-	-
Other loans	550,467	343,568	707,482	722,458
Total borrowings	10,026,439	5,750,308	5,842,078	4,079,169

15. Bank and Other Loans (Continued)

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. All other borrowings are unsecured.

Included in bank borrowings is interest payable of $77,057,000 (2006 - $33,201,000) and $45,397,000 (2006 - $19,726,000) for the Group and the company, respectively.

Included in customer deposits is interest payable of $219,000 (2006 - $1,077,000) for the Group.

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant.

(c) Finance lease liabilities – minimum lease payments:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Not later than 1 year	5,008	7,011	27,800	-
Later than 1 year and not later than 5 years	1,117	11,085	51,262	-
	6,125	18,096	79,062	-
Future finance charges on finance leases	(430)	-	(19,732)	-
Present value of finance lease liabilities	5,695	18,096	59,330	-

The present value of finance lease liabilities is as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Between 1 and 2 years	5,549	17,023	35,622	-
Between 2 and 5 years	146	1,073	23,708	-
	5,695	18,096	59,330	-

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16. Payables

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Trade payables	3,817,353	2,774,809	320,008	216,332
Payable to associates (Note 34(d))	239,566	67,392	211,488	158,833
Accruals	1,283,676	802,754	262,508	410,866
Claims outstanding	1,505,525	1,085,661	-	-
Insurance reserves	1,479,065	1,312,312	-	-
Other payables	1,412,740	1,702,275	483,938	334,199
	9,737,925	7,745,203	1,277,942	1,120,230

17. Provisions

Provisions comprise warranties as follows:

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
At beginning of year	9,285	9,285	6,221	6,221
Utilised during year	(2,475)	-	-	-
At end of year	6,810	9,285	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.

18. Share Capital

	2007	**2006**	**2007**	**2006**
Authorised -	**'000**	**'000**	**$'000**	**$'000**
Ordinary shares (units)	400,000	400,000		
Issued and fully paid -				
Ordinary stock units	329,280	327,808	654,919	605,955
Treasury shares	(3,145)	(2,560)	(235,180)	(200,269)
Issued and outstanding	326,135	325,248	419,739	405,686

(a) During the year, the company issued 1,472,000 (2006 – 413,000) shares to its employees for cash of $48,964,000 (2006 - $19,661,000). The shares were issued under the Directors and Senior Managers Stock Option Plans.

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18. Share Capital (Continued)

(b) During the year, the company through its employee investment trust purchased 585,000 (2006 – 909,000) of its own shares at a fair value of $34,911,000 (2006 - $53,015,000). The total number of treasury shares held by the company at the end of the year is 3,145,000 at a cost of $235,180,000, (2006 – 2,560,000 shares at a cost of $200,269,000).

(c) At the Annual General Meeting held on 25 June 2002, the stockholders passed a resolution for 7,000,000 of the authorised but unissued shares of $1.00 each to be set aside for allocation and sale to the directors of the company. The allocation and sale of these shares are governed by the provisions of the 2002 Stock Option Plan for the Directors of GraceKennedy Limited.

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

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

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

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

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

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

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

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18. Share Capital (Continued)

(c) (continued)

Movement on directors' stock options:

	2007		2006	
	Executive	Non – Executive	Executive	Non – Executive
At 1 January	4,735,630	480,000	5,040,980	480,000
Exercised	(876,249)	-	-	-
Cancelled/Expired	-	-	(305,350)	-
At 31 December	3,859,381	480,000	4,735,630	480,000

(d) At the Annual General Meeting held on 29 May 2003, the stockholders passed a resolution for 10,000,000 of the authorised but unissued shares of $1.00 each 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 28 August 2003, under the rules of the Stock Option Plan, the following allocation was made:

	No. of Shares
Senior managers	5,999,931

The options were granted at a subscription price of $41.92, 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:

	2007	2006
At 1 January	3,310,792	3,848,957
Exercised	(957,847)	(337,918)
Cancelled/Expired	-	(200,247)
At 31 December	2,352,945	3,310,792

18. Share Capital (Continued)

(e) A second grant from the Senior Managers 2003 Stock Option Plan was allocated. 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 25 November 2004, under the rules of the Stock Option Plan, the following allocation was made:

	No. of Shares
Senior managers	1,967,291

The options were granted at a subscription price of $115.97, 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.

Movement on this option:

	2007	2006
At 1 January	1,621,195	1,869,767
Cancelled/Expired	(459,386)	(248,572)
At 31 December	1,161,809	1,621,195

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

	2007		2006	
	Average exercise price in $ per share	**Options (thousands)**	**Average exercise price in $ per share**	**Options (thousands)**
At 1 January	46.72	10,268	47.08	11,240
Granted	-	-	85.59	120
Forfeited	83.37	(821)	60.42	(754)
Exercised	33.25	(1,473)	41.92	(338)
At 31 December	45.43	7,974	46.72	10,268

Shares totalling 7,878,000 (2006 – 8,497,000) are exercisable at the balance sheet date.

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18. Share Capital (Continued)

(f) (continued)

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

		2007	**2006**
	Exercise price in $ per share	**Options (thousands)**	**Options (thousands)**
2008	-		-
2009	41.92	2,353	3,311
2010	115.97	1,162	1,621
2011	-	-	-
2012	28.91	4,459	5,336
		7,974	10,268

(g) The fair value of options granted determined using the Binomial valuation model was $213,468,000. The significant inputs into the model were the share price of $42 and $118 at the grant dates, exercise price of $41.92 and $115.97, standard deviation of expected share price returns of 33.85% and 27.39%, dividend yield of 1.28% and 0.85%, option life of six years and annual risk-free interest rate of 14%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of weekly share prices over the term of the options.

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

	$'000
Fair value of options granted	213,468
Expensed in 2003	(19,906)
Expensed in 2004	(53,899)
Expensed in 2005	(75,224)
Expensed in 2006	(35,844)
Expensed in 2007	(11,111)
Amount to be expensed in future periods	17,484

GraceKennedy Limited

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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**
	2007				**2006**			
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Realised gains on disposal of assets	93,262	-	-	93,262	93,262	-	-	93,262
Capital distributions received	46,750	-	-	46,750	46,750	-	-	46,750
Realised gain on sale of shares	129,304	-	-	129,304	129,484	-	-	129,484
Profits capitalised by Group companies	2,457,309	-	-	2,457,309	2,457,309	-	-	2,457,309
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	-	469,692	469,692	-	-	474,001	474,001
Fair value gains, net of deferred taxes	-	-	274,841	274,841	-	-	549,711	549,711
Loan loss reserve	-	49,321	-	49,321	-	40,586	-	40,586
Other	43,804	-	-	43,804	43,942	-	-	43,942
	2,770,429	49,321	744,533	3,564,283	2,770,747	40,586	1,023,712	3,835,045

	Company					
	Capital Reserve	**Fair Value Reserves**	**Total**	**Capital Reserve**	**Fair Value Reserves**	**Total**
	2007			**2006**		
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Capital distributions received	24,507	-	24,507	24,507	-	24,507
Bonus shares issued	(41,803)	-	(41,803)	(41,803)	-	(41,803)
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	6,367	6,367	-	7,911	7,911
Fair value gains, net of deferred taxes	-	261,954	261,954	-	234,627	234,627
	(17,296)	268,321	251,025	(17,296)	242,538	225,242

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20. Reserve Funds

Reserve funds represent those statutory reserves required to be maintained by the banking subsidiary, First Global Bank Limited, in compliance with the Banking Act of Jamaica.

21. Minority Interest

	2007 $'000	2006 $'000
Beginning of year	773,382	744,234
Share of net profit of subsidiaries	99,684	25,807
Dividends paid	(10,803)	-
Arising from dilution of Group's interest in subsidiary and business combination	686,941	-
Other	25,249	3,341
End of year	1,574,453	773,382

The increase in the minority interest arising from the dilution of Group's interest in subsidiary and business combination resulted from two transactions during the year. These were the sale of 25% shareholding in GraceKennedy Money Services Caribbean SRL to Western Union Financial Services Inc, (Note 25), and the 10% minority interest in One1 Financial Limited, a subsidiary acquired during the year by the Group, (Note 36).

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22. Segment Information

Primary reporting format – business segments

	2007						
	Food Trading	**Retail & Trading**	**Banking & Investments**	**Insurance**	**Money Services**	**Elimination**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE							
External sales	28,129,781	7,715,442	5,442,127	4,002,690	3,459,394	-	48,749,434
Inter-segment sales	44,471	16,339	77,211	318,822	-	(456,843)	-
Total Revenue	28,174,252	7,731,781	5,519,338	4,321,512	3,459,394	(456,843)	48,749,434
Segment result	768,992	374,187	1,031,960	291,008	954,563	127,283	3,547,993
Unallocated income						1,589,974	1,589,974
Profit from operations							5,137,967
Finance income	31,910	20,924	77,645	80,426	55,898	97,020	363,823
Finance expense	(265,251)	(91,684)	(28,507)	(945)	(23,672)	(334,644)	(744,703)
Share of results of associates	63,729	12,714	29,114	13,453	(73,923)	-	45,087
Profit before tax	599,380	316,141	1,110,212	383,942	912,866	1,479,633	4,802,174
Income tax expense							(1,266,958)
Net Profit							3,535,216
Segment assets	14,000,517	3,287,626	46,570,870	6,741,178	3,685,070	(6,545,795)	67,739,466
Investment in associates	416,324	59,886	177,133	95,988	14,111	-	763,442
Unallocated assets							11,502,854
Total Assets							80,005,762
Segment liabilities	5,969,644	933,103	40,711,534	3,824,249	1,388,993	(6,552,526)	46,274,997
Unallocated liabilities							12,117,795
							58,392,792
Other segment items							
Capital expenditure	210,777	209,517	167,966	41,847	69,656	-	699,763
Depreciation	(184,844)	(78,116)	(62,650)	(28,871)	(41,661)	-	(396,142)
Amortisation	(121,573)	(22,705)	-	(41,769)	(9,837)	-	(195,884)
Impairment	(71,311)	-	-	-	-	-	(71,311)

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22. Segment Information (Continued)

Primary reporting format – business segments (continued)

	2006						
	Food Trading	**Retail & Trading**	**Banking & Investments**	**Insurance**	**Money Services**	**Elimination**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE							
External sales	17,837,498	7,010,099	4,772,007	3,473,567	2,995,076	-	36,088,247
Inter-segment sales	151,456	265,681	70,016	312,222	-	(799,375)	-
Total Revenue	17,988,954	7,275,780	4,842,023	3,785,789	2,995,076	(799,375)	36,088,247
Segment result	474,191	207,637	898,623	338,330	129,349	116,828	2,164,958
Unallocated income						382,956	382,956
Profit from operations							2,547,914
Finance income	73,754	24,953	65,321	83,799	31,414	122,473	401,714
Finance expense	(90,196)	(108,388)	(22,254)	(1,004)	(8,872)	(227,157)	(457,871)
Share of results of associates	29,978	25,795	14,354	(37,418)	86	-	32,795
Profit before tax	487,727	149,997	956,044	383,707	151,977	395,100	2,524,552
Income tax expense							(653,741)
Net Profit							1,870,811
Segment assets	4,199,044	2,901,071	40,893,108	6,113,026	3,008,689	(2,217,498)	54,897,440
Investment in associates	352,595	47,172	148,020	21,879	88,033	-	657,699
Unallocated assets							12,032,562
Total Assets							67,587,701
Segment liabilities	2,095,533	850,580	35,217,185	3,344,143	1,871,884	(2,226,734)	41,152,591
Unallocated liabilities							8,502,753
							49,655,344
Other segment items							
Capital expenditure	178,774	61,153	61,289	44,334	59,238	-	404,788
Depreciation	(192,014)	(66,922)	(49,677)	(37,062)	(60,970)	-	(406,645)
Amortisation	(64,938)	(20,425)	-	(40,286)	(33)	-	(125,682)
Impairment	(1,700)	(3,703)	-	-	(5,989)	-	(11,392)

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22. Segment Information (Continued)

Secondary reporting format – geographical segments

The Group is organised on a global basis into three main geographical areas.

(a) Jamaica is the home country of the parent company, which is also the main operating company. All principal activities operate in this area.
(b) The Caribbean – mainly food trading, insurance services and money transfer.
(c) Europe, Central & North America – mainly food trading.

	Sales		Total assets		Capital expenditure	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**	**2007 $'000**	**2006 $'000**
Jamaica	33,931,675	29,690,212	60,584,751	53,400,330	645,639	391,413
The Caribbean	2,266,905	1,897,500	1,956,863	762,433	14,620	12,632
Europe, Central & North America	12,550,854	4,500,535	5,197,852	734,677	39,504	743
	48,749,434	36,088,247	67,739,466	54,897,440	699,763	404,788
Associates			763,442	657,699		
Unallocated assets			11,502,854	12,032,562		
Total assets			80,005,762	67,587,701		

23. Revenues

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Sales of products and services	39,304,617	27,842,673	8,629,224	7,231,738
Financial services income	5,091,045	4,153,695	-	-
Interest income –				
Available-for-sale securities	3,599,708	3,494,903	-	-
Loans and receivables	754,064	596,976	-	-
	48,749,434	36,088,247	8,629,224	7,231,738

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24. Expense by Nature

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Auditors' remuneration	79,156	50,377	11,500	8,991
Advertising and marketing	957,230	745,809	323,550	271,315
Amortisation of intangibles	195,884	125,682	3,939	28,134
Cost of inventory recognised as expense	27,604,097	16,620,975	6,630,110	5,822,805
Depreciation	396,142	406,645	76,956	55,540
Insurance	339,058	260,288	63,091	62,342
Interest expense and other financial services expenses	6,452,474	5,720,077	-	-
Legal, professional and other fees	331,907	295,633	249,461	237,181
Occupancy costs - Lease rental charges	485,808	224,300	86,943	99,016
Repairs and maintenance expenditure	313,342	271,015	11,487	11,257
Staff costs (Note 26)	4,922,138	3,650,485	573,620	444,115
Transportation	619,021	304,599	115,074	47,727
Other expenses	3,027,214	5,673,268	634,177	447,474
	45,723,471	34,349,153	8,779,908	7,535,897

25. Other Income

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Dividends	7,815	5,807	130,750	4,098
Net foreign exchange gains/(losses)	20,145	76,828	(16,589)	5,182
Change in value of investments	(33)	(41)	-	-
Gain on disposal of investments	1,384,083	199,381	5,402,362	2,616,816
Gain/(loss) on disposal of fixed assets	2,400	9,432	(10,983)	2,534
Fees and commissions	191,539	136,385	886,145	576,104
Interest income – available-for-sale securities	267,173	237,362	-	-
Rebates, reimbursements and recoveries	171,623	106,059	83,597	46,490
Miscellaneous	67,259	37,607	7,944	-
	2,112,004	808,820	6,483,226	3,251,224

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25. Other Income (Continued)

The gain on disposal of investments of $1,384,083,000 relates to the disposal of a 25% interest in GraceKennedy Money Services Caribbean SRL to Western Union Financial Services Inc. for US$29 million or J$2,056,854,000.

26. Staff Costs

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Wages and salaries	4,286,211	3,328,220	945,376	854,221
Pension (Note 14)	(725,430)	(728,204)	(682,502)	(571,442)
Other post-employment benefits (Note 14)	314,601	251,060	130,875	103,384
Share options granted to employees	11,111	35,844	11,111	35,844
Other	1,035,645	763,565	168,760	22,108
	4,922,138	3,650,485	573,620	444,115

27. Taxation

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

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Current tax	1,110,766	648,847	-	31,894
Deferred tax (Note 13)	156,192	4,894	218,361	127,495
	1,266,958	653,741	218,361	159,389

27. Taxation (Continued)

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	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Profit before tax	4,802,174	2,524,552	6,103,173	2,967,439
Tax calculated at a tax rate of 33⅓%	1,600,725	841,517	2,034,391	989,146
Adjusted for the effects of:				
Different tax rates in other countries	(76,329)	(115,379)	-	-
Income not subject to tax	(426,585)	(70,632)	(1,821,095)	(876,148)
Expenses not deductible for tax purposes	199,489	21,112	3,939	13,334
Adjustment to prior year provision	4,674	37,340	-	31,894
Share of profits of associates included net of tax	(15,029)	(10,932)	-	-
Recognition/Utilisation of previously unrecognised tax losses	(15,101)	(50,894)	-	-
Other	(4,886)	1,609	1,126	1,163
Tax expense	1,266,958	653,741	218,361	159,389

28. Net Profit Attributable to the Equity holders of GraceKennedy Limited

Dealt with as follows in the financial statements of:

	2007 $'000	2006 $'000
The company	5,884,812	2,808,050
Profit on disposal of subsidiaries within the Group eliminated on consolidation	(3,874,105)	(2,158,001)
Adjusted company profit	2,010,707	650,049
The subsidiaries	1,379,738	1,162,160
The associates	45,087	32,795
	3,435,532	1,845,004

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29. Dividends

	2007 $'000	2006 $'000
Paid,		
Interim – 45 cents per stock unit (2006 – 45 cents)	146,763	147,482
Final – 70 cents per stock unit (2006 – 60 cents)	228,411	193,196
	375,174	340,678

30. Earnings Per Stock Unit

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

	2007	2006
Net profit attributable to equityholders ($'000)	3,435,532	1,845,004
Weighted average number of stock units outstanding ('000)	325,761	325,149
Basic earnings per stock unit ($)	10.55	5.67

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) 4,339,381 (2006 - 5,335,630) ordinary stock units for the full year in respect of the Stock Option Plan for directors (Note 18),
(b) 2,352,945 (2006 - 3,310,792) ordinary stock units for the full year in respect of the Stock Option Plan for managers (Note 18) and
(c) 1,161,809 (2006 - 1,621,195) ordinary stock units for the full year in respect of the Stock Option Plan for managers (Note 18).

	2007	2006
Net profit attributable to equityholders ($'000)	3,435,532	1,845,004
Weighted average number of stock units outstanding ('000)	325,761	325,149
Adjustment for share options ('000)	3,153	4,018
	328,914	329,167
Diluted earnings per stock unit ($)	10.45	5.61

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31. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Net profit	3,535,216	1,870,811	5,884,812	2,808,050
Items not affecting cash:				
Depreciation	396,140	406,645	76,957	56,243
Amortisation	195,884	125,682	3,939	28,134
Impairment charge	71,311	11,392	-	-
(Gain)/loss on disposal of fixed assets	(2,400)	(9,432)	10,983	(2,534)
Share options – value of employee services expensed	11,111	35,844	11,111	35,844
Profit on disposal of investments	(1,384,083)	(199,381)	(5,402,362)	(2,616,816)
Exchange loss/(gain) on foreign balances	420,495	(11,508)	230,864	37,834
Interest income – non financial services	(363,823)	(401,714)	(369,786)	(373,912)
Interest income – financial services	(4,620,945)	(4,329,241)	-	-
Interest expense – non financial services	744,703	457,871	599,155	358,423
Interest expense – financial services	2,945,080	2,783,153	-	-
Taxation expense	1,266,958	653,741	218,362	159,389
Unremitted equity income in associates	(38,061)	(27,395)	-	-
Pension plan surplus	(737,763)	(746,142)	(685,157)	(574,127)
Other post-employment obligations	200,555	166,144	41,891	41,728
	2,640,378	786,470	620,769	(41,744)
Changes in non-cash working capital components:				
Inventories	(766,690)	339,327	(287,379)	361,323
Receivables	(790,703)	616,272	69,304	(139,523)
Loans receivables, net	(1,113,712)	(1,156,759)	-	-
Payables	696,671	(381,616)	157,532	144,270
Deposits	1,618,788	565,753	-	-
Securities sold under repurchase agreements	(709,016)	3,484,386	-	-
Subsidiaries	-	-	(904,286)	(406,869)
Provisions	(2,475)	-	-	-
Total provided by/(used in) operating activities	1,573,241	4,253,833	(344,060)	(82,543)

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31. Cash Flows from Operating Activities (Continued)

Reconciliation of net profit to cash generated from operating activities:

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Total provided by/(used in) operating activities	1,573,241	4,253,833	(344,060)	(82,543)
Interest received – financial services	4,408,056	4,421,822	-	-
Interest paid – financial services	(2,873,917)	(2,812,967)	-	-
Translation gains	73,517	101,443	-	-
Taxation paid	(928,911)	(762,365)	(32,394)	45,558
Cash provided by/(used in) operating activities	2,251,986	5,201,766	(376,454)	(36,985)

32. Commitments

(a) Future lease payments under operating leases at 31 December 2007 were as follows:

		$'000
In financial year	2008	410,130
	2009	326,131
	2010	273,990
	2011 and beyond	971,769

(b) At 31 December 2007, the Group had $14,760,000 (2006 – $7,935,000) in authorised capital expenditure for which it had established contracts.

33. Contingent Liabilities

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

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34. Related Party Transactions and Balances

The following transactions were carried out with related parties:

	Group		Company	
(a) Sales of goods and services	**2007 $'000**	**2006 $'000**	**2007 $'000**	**2006 $'000**
Sales of goods	318	25	293,932	201,350
Sales of services	59,376	37,767	909,515	584,980

	Group		Company	
(b) Purchases of goods and services	**2007 $'000**	**2006 $'000**	**2007 $'000**	**2006 $'000**
Purchases of goods	1,363,889	1,136,104	3,263,171	3,174,577
Purchases of services	1,222	4,817	12,036	19,307

The following transactions were carried out with other related parties:

	The Group and Company	
(c) Key management compensation	**2007 $'000**	**2006 $'000**
Salaries and other short-term employee benefits	133,275	158,171
Statutory contributions	12,043	14,235
Termination benefits	89,240	7,168
Post-employment benefits	54,740	(158,830)
Share-based payments	899	2,870
	290,197	23,614

The following amounts are in respect of Directors' emoluments –

Fees	13,661	10,432
Management remuneration (included in staff costs)	99,296	108,419
Termination benefits	70,000	-
Pensions	5,615	5,765
	188,572	124,616

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34. Related Party Transactions and Balances (Continued)

(d) Year-end balances arising from sales/purchases of goods and services

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Receivable from subsidiaries	-	-	108,358	-
Receivable from associates	34,509	29,918	23,634	14,059
Payable to subsidiaries	-	-	-	795,928
Payable to associates	239,566	67,392	211,488	158,833

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
(e) Loans from related companies				
At beginning of year	-	14,234	502,263	544,496
Additions	-	-	39,385	28,791
Repayment	-	(14,234)	(15,153)	(87,766)
Exchange adjustment	-	-	20,229	16,742
At end of year	-	-	546,724	502,263

	The Group and Company	
Loan from GraceKennedy Limited Pension Scheme:	**2007 $'000**	**2006 $'000**
At beginning and end of year	220,195	220,195

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Leases from GraceKennedy Limited Pension Scheme:				
At beginning of year	15,848	31,404	-	-
Repayment	(12,161)	(15,556)	-	-
At end of year	3,687	15,848	-	-

The loan from GraceKennedy Limited Pension Scheme attracts interest at 13.75% for the first six months and thereafter at the Treasury bill rate plus 1.75%. The loan is repayable in 2008. The leases attract interest at 19.5 – 23% (2006 – 19.5 - 23%) and are repayable in 2008.

34. Related Party Transactions and Balances (Continued)

(f) Loans to related companies

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
At beginning of year	9,220	24,264	186,120	147,343
Loans advanced during year	20,041	20,564	-	67,034
Loan repayments received	(15,655)	(35,608)	(155,982)	(28,257)
At end of year (Note 9)	13,606	9,220	30,138	186,120

The related interest income was $497,000 (2006 - $440,000). The loans are due in 2008 and bear interest at 12.5% (2006 -12.5%). No provision was required in 2007 and 2006 for loans made to associates.

(g) Loans to directors and key management

	Group	
	2007 $'000	**2006 $'000**
Beginning of the year	10,643	20,723
Loan repayments received	(1,042)	(10,080)
Interest charged	1,354	1,714
Interest received	(1,219)	(1,714)
End of the year	9,736	10,643

These loans attract interest at 13% (2006 – 13 -15%) and are repayable in the years 2008 – 2019. These loans are secured and are made on terms similar to those offered to other employees.

No provision has been required in 2006 and 2007 for the loans made to directors and senior managers.

(h) 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 4,339,381 (2006 - 5,335,630).

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35. Fair Values of Financial Instruments

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. The estimated fair values have been determined using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value.

Investments
Fair value of debt instruments is based upon projected cash flows discounted at an estimated current market rate of interest. Fair value of equity instruments is determined based on quoted market prices for these instruments. When quoted market prices are not available, an approximation of fair value is based on the net underlying assets of the investee. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer.

Loans receivable
The carrying value of loans and leases approximates fair value because these loans and leases are contracted at market rates.

Bank and other loans
Bank and other loans reflect the Group's contractual obligations and are carried at amortised cost, which is deemed to approximate the fair value of these liabilities because these liabilities are subject to such terms and conditions as are available in the market for similar transactions.

36. Business Combinations

On 28 February 2007, the Group acquired 100% of the share capital of WT (Holdings) Limited, a leading ethnic and specialty foods supplier operating in the UK. On 19 July 2007, the Group acquired 90% of the share capital of One1 Financial Limited, a financial services company specialising in structured finance, securities trading, capital raising and financial advisory services operating in the Republic of Trinidad & Tobago. The acquired businesses contributed revenues of $7,886,776,000 and net profit of $41,241,000 to the Group since being acquired. If the acquisitions had occurred on 1 January 2007, Group revenue would have been $50,160,613,000, and net profit would have been $3,598,768,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 January 2007, together with the consequential tax effects.

Details of net assets acquired and goodwill for the 28 February 2007 acquisition are as follows:

	$'000
Purchase consideration:	
Cash paid	3,192,065
Direct costs relating to the acquisition	210,018
Total purchase consideration	3,402,083
Fair value of net assets acquired	(2,739,338)
Goodwill (Note 11)	662,745

The goodwill is attributable to company specific synergies including the internalisation of distribution of GraceKennedy products, new customer relationships and the workforce in place.

36. Business Combinations (Continued)

The assets and liabilities as of 28 February 2007 arising from the acquisition are as follows:

	Fair Value $'000	Acquiree's Carrying Amount $'000
Cash and cash equivalents	44,188	44,188
Fixed assets (Note 12)	550,900	550,900
Brands (included in intangibles) (Note 11)	721,469	-
Customer relations (included in intangibles) (Note 11)	202,658	-
Exclusive agency agreements (included in intangibles) (Note 11)	36,692	-
Investment securities	25,908	25,908
Inventories	705,162	705,162
Trade and other receivables	1,292,622	1,292,622
Trade and other payables	(840,261)	(840,261)
Net assets acquired	2,739,338	1,778,519

	$'000
Purchase consideration settled in cash	3,402,083
Cash and cash equivalents in subsidiary acquired	(44,188)
Cash outflow on acquisition	3,357,895

Details of net assets acquired and goodwill for the 19 July 2007 acquisition are as follows:

	$'000
Purchase consideration:	
Cash paid	172,827
Total purchase consideration	172,827
Fair value of net assets acquired	(127,735)
Goodwill (Note 11)	45,092

The goodwill is attributable to the workforce in place.

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36. Business Combinations (Continued)

The assets and liabilities as of 19 July 2007 arising from the acquisition are as follows:

	Fair Value $'000	Acquiree's Carrying Amount $'000
Cash and cash equivalents	2,874	2,874
Fixed assets (Note 12)	1,506	1,506
Investment securities	564,919	564,919
Trade and other receivables	28,100	28,100
Trade and other payables	(455,471)	(455,471)
Net assets	141,928	141,928
Minority interest (10%)	(14,193)	
Net assets acquired	127,735	
Purchase consideration settled in cash		172,827
Cash and cash equivalents in subsidiary acquired		(2,874)
Cash outflow on acquisition		169,953
Total cash outflow on all acquisitions		3,527,848

There were no acquisitions in the year ended 31 December 2006.