GraceKennedy
GROUP

WE ARE STRONGER TOGETHER.
WE CARE.

Annual Report 2020

GraceKennedy 2020 Annual Report

We are Stronger Together. We Care.

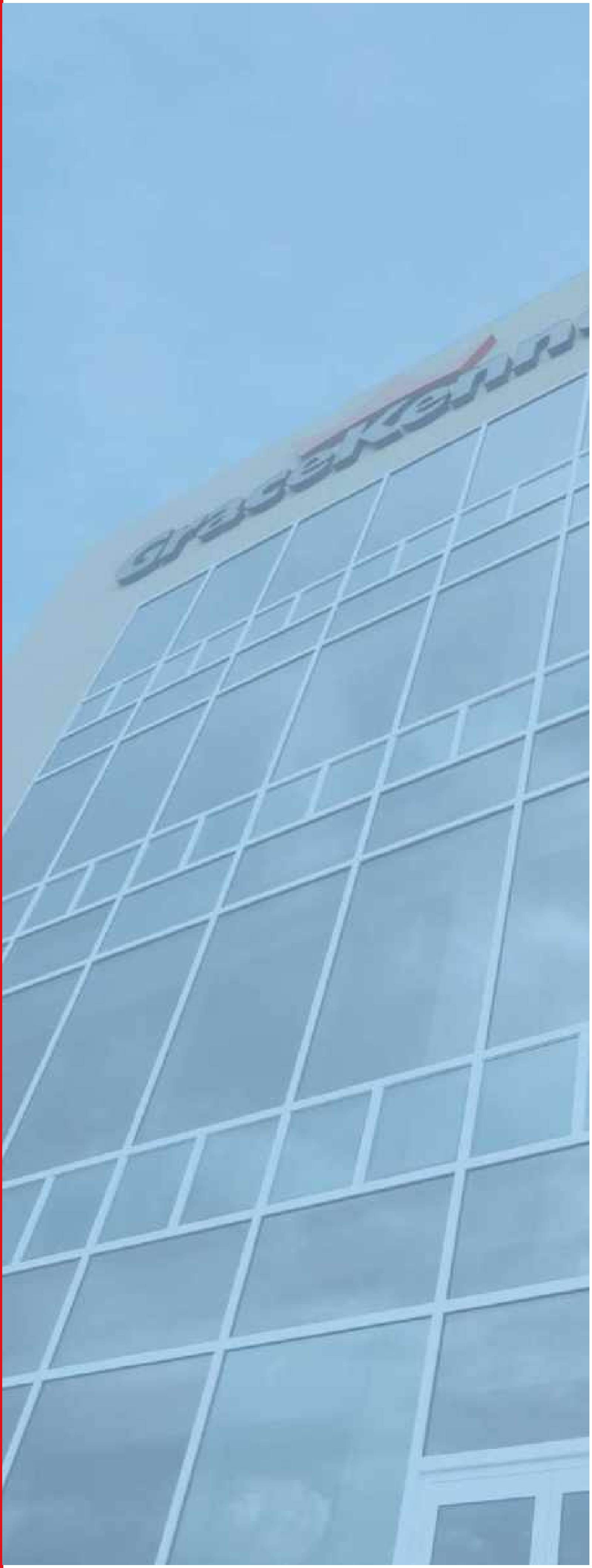
At GraceKennedy, we pride ourselves on our values of *Honesty, Integrity* and *Trust*, and our *We Care* mantra. Our Company's vision is grounded in our commitment to our GK family – our team, our customers, suppliers, partners, shareholders, and the communities we serve around the world. After ninety-nine years, our market spans many different countries, and our stakeholders are broad and diverse. Our Company has taken the best of brand Jamaica to the world.

In 2020, GraceKennedy had to live our values and our vision like never before; turning a year of unprecedented challenges into a year of collaboration and caring.

Our customers relied on us for consistent and efficient service, and we stepped up to ensure that we gave them just that. We proved beyond a doubt, that GraceKennedy is there for our communities, delivering the highest standard of products and services and helping those in need whenever and wherever possible. Amid a pandemic, GraceKennedy exceeded performance targets, powered by an amazing team of *GK Heroes*, who went above and beyond to deliver historic results for our Company.

Thank you to the entire GK Family for your unwavering support. We could not have done it without you.

We are Stronger Together. We Care.



OUR MISSION

"To deliver the taste and experience of Jamaican and other multicultural foods to the world, and leading financial services to our region.

OUR VISION

"To be a Global Consumer Group, delivering long-term consumer and shareholder value through brand building and innovative solutions in food and financial services, provided by highly skilled and motivated people.

HONESTY.

INTEGRITY.

TRUST.

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GK AT A GLANCE

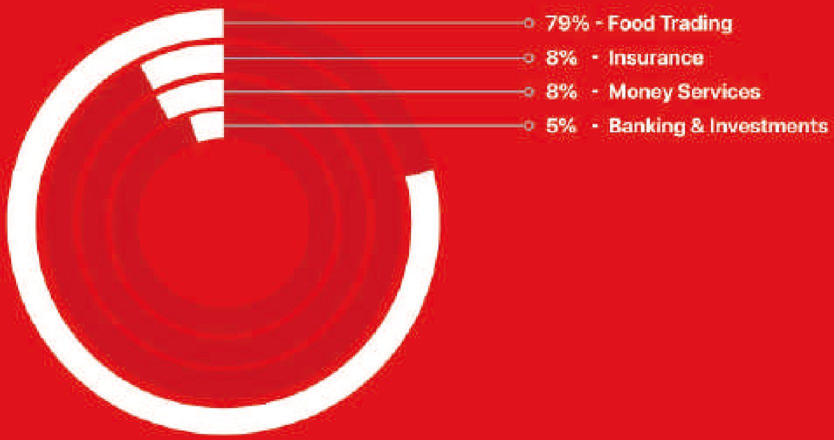
TOTAL REVENUE

J$115.44 B

WHERE WE EARN

1. Jamaica — 53.4%
2. North America — 27.3%
3. Europe including U.K. — 12.5%
4. Other Caribbean countries — 6.6%
5. Other Countries — 0.2%

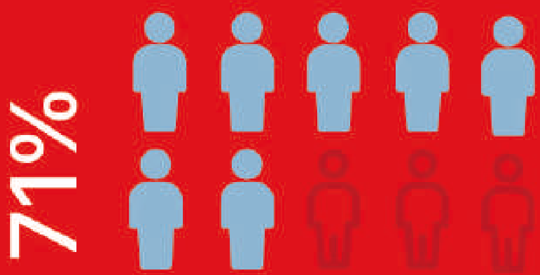
HOW WE EARNED - SEGMENT PERFORMANCE (TOTAL REVENUE)



CORPORATE SOCIAL RESPONSIBILITY

- 210 tablets and laptops valued at over J$5m donated to Jamaican teachers and students through the GK Cares Tools for Schools programme
- Thousands of care packages of food, drinks and other essential items donated to Jamaican communities, frontline workers, and students
- Over 100 GraceKennedy Money Services locations served as pay-out stations for the Government of Jamaica (GOJ) COVID-19 Allocation of Resources for Employees (CARE) Programme
- 1,900 cases of Coconut Water donated by Grace Foods Canada to frontline workers throughout the Greater Toronto Area
- Grace Foods UK supported feeding programmes, hospitals, and other charitable organizations throughout the pandemic
- Grace Foods (LLC) USA With Love from Grace Food Truck tour delivered hot lunches to over 2,000 essential workers in New York and Florida

EMPLOYEE ENGAGEMENT SCORE



COVID-19 RESPONSE

> 60%

of GK's office staff working from home

PERFORMANCE OVERVIEW

J$9.7 B | ↑ 58%

Profit Before Tax

J$6.8 B | ↑ 82%

Profit Before Other Income

J$6.2 B | ↑ 39%

Net Profit Attributable to Shareholders

J$171.7 B | ↑ 11%

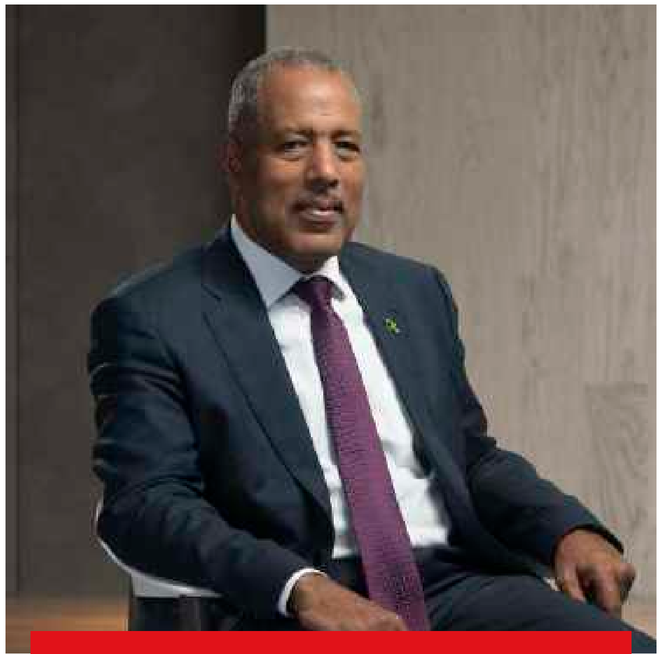
Total Assets

J$59.9 B | ↑ 14%

Shareholders' Equity

CHAIRMAN'S MESSAGE

Dear Shareholders,



The past year has been one of extraordinary challenges, the likes of which many of us have not witnessed in our lifetime. The COVID-19 pandemic has uprooted modern life, devastating families and communities, and disrupting businesses and the global economy. On behalf of GraceKennedy, our thoughts go out to those who have fallen ill or lost loved ones to this virus. The profound impact of COVID-19 will undoubtedly be felt by all of us for many years to come.

Faced with the unprecedented challenge of operating in a perpetually uncertain environment, in 2020 GraceKennedy channeled the spirit of resilience for which Jamaicans are well known, delivering its best financial performance in its 99-year history. These outstanding financial results reflect years of hard work and planning from a dedicated and resilient GK team, guided by the Company's core values of *Honesty, Integrity* and *Trust*, and powered by its sound business strategy. With agility and resourcefulness, GraceKennedy was able to quickly pivot, finding innovative ways of doing business in the 'new normal' created by the pandemic. Our Company's COVID-19 response was on par with any conglomerate in the world, and I am immensely proud of what we have been able to achieve together.

I take this opportunity to thank and congratulate Group CEO Don Wehby, for his leadership, and GraceKennedy's Executive and Senior Management team and Board of Directors for their unwavering commitment during a challenging year. To our valued customers, partners, shareholders, and the communities we serve around the world, thank you for choosing GraceKennedy. We could not have done it without your continued support. Last, but by no means least, a special thank you to the hundreds of GraceKennedy team members across the world, who often made considerable personal sacrifices for our customers and our Company in 2020. You are, indeed, *GK Heroes*.

Looking forward, although we continue to experience uncertainty associated with COVID-19, GraceKennedy remains focused on our goals for 2021, and our long-term vision. We are confident in the strategy which has been laid out for our businesses, built with growth and sustainability, consumer centricity and innovation, continued improvement of our internal processes, and a performance-driven culture at its centre. We are well on our way to becoming a Global Consumer Group.

With our 100th anniversary on the horizon, the future of GraceKennedy is bright, as we continue to take the best of brand Jamaica to the world.

Wishing you all a safe, happy and healthy 2021.

Professor Gordon V. Shirley, OJ
Chairman

INTERVIEW WITH

DON

"2020 proved to me, without a doubt, that there is an undisputable correlation between employee engagement and profit. I am honoured to have led the GK team through these unprecedented times, and I am inspired by how our Company stood tall and strong in the face of such uncertainty."

What was the key to GraceKennedy's success in 2020?

I have always said that at GraceKennedy, our people are our greatest asset. 2020 has reaffirmed for me that our team truly is the key to our Company's success. Last year the GK team did not disappoint. We rose to the occasion, tackled challenges head on, found solutions, and achieved remarkable results. I am so grateful to all our *GK Heroes*, who, amid the COVID-19 pandemic, went above and beyond, working ***Stronger Together*** to continue delivering our products and services at the highest standard.

Last year GK also showed how much ***We Care*** about our staff and the communities we serve around the world. This motivated our team to give their best to their colleagues, our customers, and our Company.

As a result, not only did GraceKennedy achieve the best financial performance in our history, we also recorded our highest level of employee engagement - a score of 71%, which is 6% above the global benchmark. 2020 proved to me, without a doubt, that there is an undisputable correlation between employee engagement and profit. I always tell our GK family that tough times don't last, tough people do, and it is now clearer than ever to me, that tough people build tough companies.

How did GraceKennedy respond to COVID-19?

The strength of the GraceKennedy team lies in how proactive and well-prepared we are. When COVID-19 struck, we were ready with business continuity plans for dealing with such shocks. Although we could never have imagined that we would have to use these plans to tackle a pandemic, when the time came to implement the necessary protocols, we were up to the challenge.

Months before the outbreak of the virus in Jamaica, GraceKennedy had established a COVID-19 committee, which immediately began guiding our businesses overseas who were already starting to feel the pandemic's impact. By the time the first case of COVID-19 was detected in Jamaica in March 2020, we had taken critical steps to secure the safety of our team and our businesses, to ensure reliable and consistent service for our customers. Throughout the year the committee remained well-informed on developments related to the pandemic, and I kept in touch with our GK team around the world with regular updates on our Company's response.

Time and time again, GraceKennedy has proven the agility, responsiveness and nimbleness of our Company and our strategy. I truly believe that we have been world-class in our response to COVID-19. During the pandemic, this Jamaican-owned and headquartered Company, which operates in several markets around the world, not only survived, we met and surpassed our targets.

I am honoured to have led GraceKennedy through these unprecedented times, and I am inspired by how our Company stood tall and strong in the face of such uncertainty.

What's in store for GraceKennedy in 2021?

The GK team has begun 2021 with a renewed sense of passion and purpose for our Company's vision and mission. We are motivated by the lessons of 2020 and have proven to ourselves that we are capable of greatness in the face of adversity. We know that the threat of COVID-19 remains, and there are still challenges and much uncertainty; but we are inspired to face these challenges head on to achieve our goals.

We have identified major focus areas that we believe will take our Company to the next level, among them the execution of our digital transformation strategy, the aggressive pursuit of M&A opportunities, and of course building on our Company's 2020 success in Jamaica and overseas. These focus areas will be pursued within the context of our strategic drivers – growth and sustainability, improved internal processes, consumer centricity and innovation and a performance-driven organization.

As we look towards GraceKennedy's 100th anniversary in 2022, this year will also be dedicated to planning those celebrations. All in all, 2021 is going to be another exciting year for GK.

And what about GraceKennedy's long-term vision for the future?

One of my primary roles as the Group CEO, has been looking ahead. This is not only about maintaining our Company's momentum, it's also about growing our business and maximizing shareholder value even further. In the late 1990s the leadership of GraceKennedy laid out what we wanted our Company to look like in the future – a Global Consumer Group with its roots in Jamaica. Over a decade later, we have made considerable progress towards achieving that. Last year we built on that vision for our Company for the decade ahead. Our 2030 vision sees GraceKennedy becoming the number one Caribbean brand in the world – a Global Consumer Group with 60% of our revenue earned outside of Jamaica. We also see our Company being listed on an international stock exchange, and becoming industry leaders for the digital era. With a highly skilled and motivated team, we are already well on our way to achieving our vision, and I am excited about what lies ahead for GK. The best is yet to come.

Tell us about this year's theme:

We are Stronger Together. We Care.

These words have been GraceKennedy's mantra throughout the pandemic. We have lived by them and they have guided us through one of the most difficult periods of our history. Although much of our team is spread across the globe and has been working from home over the past year, we banded together in a time of crisis, and our Company performed well as a result. We also stayed true to our *we care* ethos, which is in our DNA at GraceKennedy. In response to the growing need we witnessed around the world, GraceKennedy increased our support of the communities we serve to the tune of millions of dollars' worth of care packages, devices for online learning, and contributions to frontline workers and the healthcare sector.

With the pandemic still very much a part of life in 2021, we continue to live by this mantra – demonstrating that GraceKennedy is ***#StrongerTogether*** and showing the world how much ***#WeCare***

TEN-YEAR FINANCIAL REVIEW

	'000 2020	'000 2019	'000 2018	'000 2017
Number of Shares *(including treasury shares)*	995,013	995,005	994,887	994,887
Shareholders' Equity	59,910,259	52,326,410	44,614,427	45,222,812
Percentage Change Over Prior Year	14.5%	17.3%	-1.3%	7.5%
Market Capitalisation	62,367,415	69,083,197	63,175,325	43,615,846
Total Borrowings	25,233,708	24,032,254	16,529,313	16,515,615
PROFIT & LOSS ACCOUNT				
Revenues	115,437,341	103,089,893	97,544,731	92,475,652
Percentage change over year prior	12.0%	5.7%	5.5%	4.8%
Profit Before Taxation	9,708,975	6,127,595	6,963,025	5,819,562
Percentage change over year prior	58.4%	-12.0%	19.6%	-4.6%
Profit After Taxation	6,856,926	5,099,916	5,643,577	4,772,100
Percentage change over year prior	34.5%	-9.6%	18.3%	5.2%
Net Profit Attributable to Stockholders	6,218,055	4,487,389	5,005,915	4,116,101
Percentage change over year prior	38.6%	-10.4%	21.6%	2.8%
Dividends Paid to Stockholders	1,585,604	1,539,049	1,339,783	1,121,519
Percentage change over year prior	3.0%	14.9%	19.5%	11.0%
IMPORTANT RATIOS				
Return on Equity %	11.1%	9.3%	11.1%	9.4%
Profit Before Taxation / Sales %	8.4%	5.9%	7.1%	6.3%
Profit After Taxation / Sales %	5.9%	4.9%	5.8%	5.2%
Dividend Payout Ratio %	25.5%	34.3%	26.8%	27.2%
Earnings per Stock Unit - Basic ($)	6.28	4.52	5.05	4.15
Productivity Per Employee (US$'000)	22.63	18.45	21.74	17.01
Number of Employees	1,934	1,828	1,789	1,894
Debt to Equity Ratio	42.1%	45.9%	37.0%	36.5%
Shareholders Equity per Stock Unit *(excluding treasury shares): JA$*	60.54	52.74	44.98	45.56
Closing Stock Price - JSE : JA $	62.68	69.43	63.50	43.84
Closing Stock Price - TTSE : TT$	3.85	3.95	2.90	3.00
Price-Earnings Ratio	9.98	15.36	12.57	10.56

‘000 2016	‘000 2015	‘000 2014	‘000 2013	‘000 2012	‘000 2011
994,887	992,837	993,669	1,000,977	1,005,957	996,990
42,063,925	38,047,441	36,533,101	32,765,684	30,702,837	28,601,255
10.6%	4.1%	11.5%	6.7%	7.3%	7.1%
40,083,997	26,889,363	20,214,540	18,374,601	16,769,303	20,936,790
13,242,037	13,936,107	11,064,160	11,571,790	10,338,328	11,808,923
88,267,589	79,742,230	70,839,886	67,257,502	61,340,268	58,216,732
10.7%	12.6%	5.3%	9.6%	5.4%	5.2%
6,103,330	4,303,813	4,588,432	5,075,199	4,102,404	4,032,443
41.8%	-6.2%	-9.6%	23.7%	1.7%	23.7%
4,534,862	3,254,020	3,799,127	3,794,064	3,786,332	2,992,473
39.4%	-14.3%	0.1%	0.2%	26.5%	24.9%
4,004,539	2,759,498	3,285,174	3,221,634	3,478,888	2,748,813
45.1%	-16.0%	2.0%	-7.4%	26.6%	22.2%
1,010,423	820,030	770,239	727,660	665,937	494,874
23.2%	6.5%	5.9%	9.3%	34.6%	11.2%
10.0%	7.4%	9.5%	10.2%	11.7%	9.9%
6.9%	5.4%	6.5%	7.5%	6.7%	6.9%
5.1%	4.1%	5.4%	5.6%	6.2%	5.1%
25.2%	29.7%	23.4%	22.6%	19.1%	18.0%
4.04	2.78	3.30	3.22	3.47	2.78
16.46	11.80	14.19	17.48	21.13	17.56
1,940	1,996	2,080	1,827	1,850	1,823
31.5%	36.6%	30.3%	35.3%	33.7%	41.3%
42.39	38.36	36.79	32.91	30.57	28.69
40.29	27.08	20.34	18.36	16.67	21.00
2.67	1.35	1.22	1.15	1.18	1.43
9.97	9.73	6.16	5.70	4.80	7.55

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of GraceKennedy Limited will be held at the GraceKennedy Headquarters, 42-56 Harbour Street, Kingston, Jamaica and/or electronically via an online platform which can be accessed via our website at www.gracekennedy.com on Wednesday, **26 May 2021 at 2:00 p.m.** for the following purposes:-

1. **To receive the Audited Group Accounts for the year ended 31 December 2020 and the reports of the Directors and Auditors circulated herewith.**

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

   Resolution No. 1
   "THAT the Audited Group Accounts for the year ended 31 December 2020 and the reports of the Directors and Auditors circulated with the Notice convening the meeting be and are hereby adopted."

2. **To declare the interim dividends paid on 6 April 2020, 15 June 2020, 24 September 2020 and 15 December 2020 as final for the year under review.**

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

   Resolution No. 2
   "THAT as recommended by the Directors, the interim dividends paid on 6 April 2020, 15 June 2020, 24 September 2020 and 15 December 2020 be and they are hereby declared as final and no further dividend be paid in respect of the year under review."

3. **To elect Directors**

   (1) In accordance with Article 108 of the Company's Articles of Incorporation, Mr. Peter Williams having been appointed to the Board of Directors since the last Annual General Meeting, will retire from office and, being eligible, offers himself for election.

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

   Resolution No. 3(a)

   "THAT Mr. Peter Williams be and is hereby elected a Director of the Company."

   (2) The Directors retiring from office by rotation pursuant to Article 102 of the Company's Articles of Incorporation are Mrs. Mary Anne Chambers, Dr. Parris Lyew-Ayee, Jr., Mr. Everton McDonald and Mr. Andrew Messado. Mrs. Mary Anne Chambers, Dr. Parris Lyew-Ayee, Jr. and Mr. Andrew Messado, being eligible, offer themselves for re-election. Mr. Everton McDonald, who will be retiring from the Board of Directors, will not be offering himself for re-election.

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

Resolution No. 3(b)

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

Resolution No. 3(c)

"THAT Mrs. Mary Anne Chambers, Dr. Parris Lyew-Ayee, Jr. and Mr. Andrew Messado be and they are hereby re-elected Directors of the Company."

4. To fix the fees of the Directors.

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

Resolution No. 4

a) *"That the amount shown in the Accounts of the Company for the year ended 31 December 2020 as fees of the Directors for their services as Directors be and is hereby approved."*
b) *"That the fees of the Directors for the year ended 31 December 2021 be fixed by the Compensation Sub-Committee, a sub-committee of the Corporate Governance & Nomination Committee of the Board of Directors."*

5. To appoint Auditors and authorise the Directors to fix the remuneration of the Auditors.

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

Resolution No. 5

"THAT PricewaterhouseCoopers, Chartered Accountants, having signified their willingness to serve, continue in office as Auditors of the Company pursuant to Section 154 of the Companies Act to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."

SPECIAL BUSINESS

6. To amend the Articles of Incorporation by special resolution.

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

Resolution No. 6

"THAT pursuant to section 10 of the Companies Act, the Articles of Incorporation of the Company be altered by adding after Article [61], the following Article to be numbered [61A]:

ELECTRONIC GENERAL MEETINGS

61A

(1) Notwithstanding anything in these Articles, the Company may, to the fullest extent permitted by applicable law, convene and hold a meeting of its members as a:

(a) hybrid meeting; or

(b) virtual meeting

and a hybrid meeting or virtual meeting shall be identified as such in the notice convening such meeting.

(2) For the purpose of these Articles:

(a) a “hybrid meeting” means a meeting that is held both at one or more physical venue/venues and a virtual venue using any technology that gives members and Directors, as a whole (including members and Directors not physically in attendance at any of the venues) a reasonable opportunity to participate by Electronic Means; and

(b) a “virtual meeting” means a meeting held at no physical venue and is held wholly at a virtual venue using any technology (which includes using an online platform) that gives members and Directors, as a whole, reasonable opportunity to participate by Electronic Means.

(3) If the Company holds a hybrid meeting it shall have power to limit the number of persons in attendance at any physical venue to such number as is reasonable in all the circumstances.

(4) Notwithstanding anything contained to the contrary in these Articles, the notice of a virtual meeting need not specify a place as a physical location but it shall include an Electronic or virtual location or details sufficient to facilitate the attendance by members at an Electronic or virtual location and such a meeting shall be recorded as held in Jamaica. The notice of a hybrid meeting shall specify a physical location and an Electronic or virtual location.

(5) Where the Company holds a hybrid meeting or a virtual meeting, the use of electronic means for the purpose of enabling members to participate in such meetings may be made subject only to such requirements and restrictions as are:

(a) necessary to ensure the identification of those taking part and the security of the electronic communication; and

(b) proportionate to the achievement of those objectives.

(6) Where the Company holds a hybrid meeting or a virtual meeting, it shall have powers to require reasonable evidence of the entitlement of any person, who is not a member, to participate in such meeting.

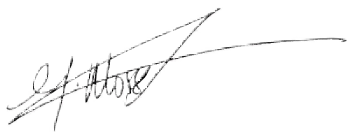
(7) The right of a member to attend a hybrid meeting or a virtual meeting may be exercised by the member's proxy and notwithstanding anything to the contrary contained in these Articles, a proxy form may be returned to the Company by fax or other electronic means and this shall be deemed as deposited for the purpose of Article 79 and valid, provided that the Company is able to identify that the proxy has been duly stamped in accordance with the applicable law.

(8) A member who, at any hybrid meeting or virtual meeting either:

(a) establishes a communication link which allows a reasonable opportunity to participate; or
(b) votes electronically

shall, for all purposes of these Articles, be treated as (i) attending the meeting in person and shall count to constitute a quorum and, (ii) if he casts a vote, as voting in person.

(9) Any failure of technology or any failure or inability of a member to attend or remain in a meeting held in accordance with these Articles as a result of a mistake or of events beyond the control of the Company shall not constitute a defect in the calling of such a meeting and shall not invalidate any resolutions passed or proceedings taking place at that meeting provided that a quorum is present at all times.



By Order of the Board
Gail Moss-Solomon
Corporate Secretary
Dated: 19th March 2021

Any member of the Company entitled to attend and vote at this meeting is also entitled to appoint one or more proxies to attend and vote in his/her stead. Such proxies need not be members of the Company. Instruments appointing proxies (a specimen of which has been circulated to members along with the Company's Annual Report) must be deposited with the Corporate Secretary of the Company, at 73 Harbour Street, Kingston, Jamaica, not less than forty-eight (48) hours before the meeting.

Further information on how to participate in this meeting is available on our website at www.gracekennedy.com.

GK HEROES

Our Group CEO, Don Wehby, has always said that GraceKennedy's greatest asset is our people. 2020 proved that. Times may be tough, but the GK team is tougher.

In the face of COVID-19, our team members became our heroes on the frontline, going above and beyond the call of duty to keep each other and our customers safe, and to ensure that we were there for the communities we serve worldwide, during a very difficult time.

Within our businesses, safety protocols guided the way for us in the 'new normal'. As challenging as it sometimes seemed, we quickly pivoted, with focus and commitment.

Many of GK's team members are classified essential workers; therefore, even at the height of the pandemic, when most of us were directed to work from home, they were on the ground – in our factories, in our supermarkets, at our remittance locations. They did this while balancing their personal priorities and family circumstances. Some were touched directly by COVID-19, even losing loved ones and colleagues.

We are eternally grateful for our team, and proud of what we have been able to accomplish, stronger, together.

We lift our hats and hearts to all our *GK Heroes!*

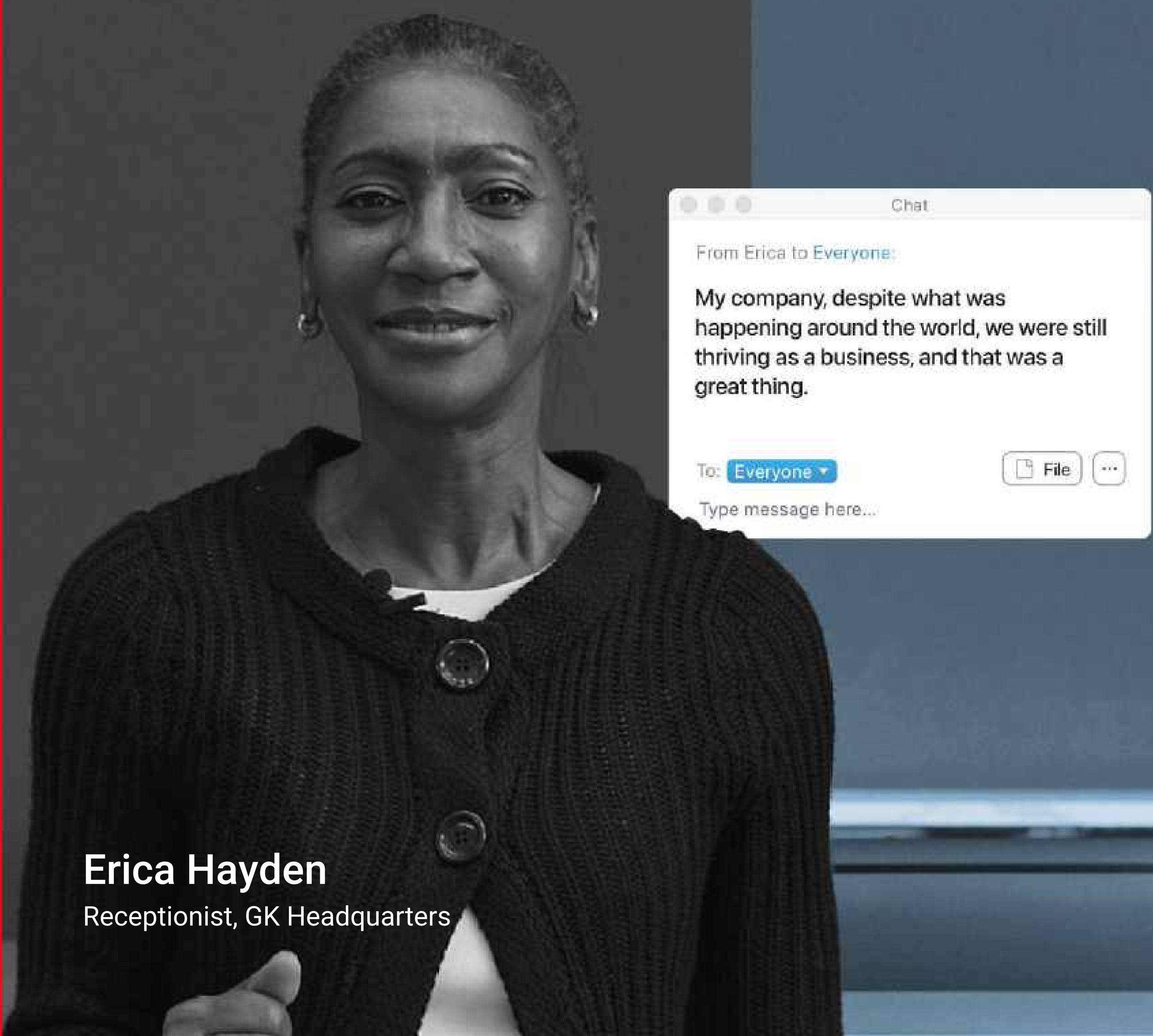
Watch our GK Heroes in action and hear how they have been serving our communities!


Grace
JERK


CMCS


GKG ONLINE

18 MD&A
MANAGEMENT DISCUSSION & ANALYSIS



Erica Hayden
Receptionist, GK Headquarters

MANAGEMENT DISCUSSION & ANALYSIS

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GRACEKENNEDY'S CAMPAIGN MAP

JAMAICAN TRADING GROUP

2020 | 2021 | 2022 | 2025 | 2030

PERFORMANCE DRIVEN ORGANISATION

- Maintain Accountability & Execution culture
- Align all employees with the Strategy & Vision
- Build expertise to support global expansion
- Reward system aligned with strategy & performance
- Develop effective leaders & staff at all levels through professional development
- Create an environment conducive to innovation

GROWTH & SUSTAINABILITY

- Advance Digital Transformation
- Grow GraceKennedy-owned brands
- Grow our international foods business
- Develop strategic partnerships
- Mobilise financial resources
- Grow domestic & regional financial & money services

INTERNAL PROCESSES

- Develop Project & Change Management Skills in the Group
- Leverage IT platforms & improve efficiency
- Manage Capital effectively
- Enhance Risk Management and internal controls
- Standardise Operating Procedures across the Group
- Optimise Group structure
- Target international benchmarking for operational excellence

CONSUMER CENTRICITY

- Transform the Company into a Market-Led Organization
- Develop global market research capabilities
- Design solutions rooted in consumer needs, attitudes, and behaviours
- Seek cross-product synergies and technological solutions
- Ensure high levels of consumer satisfaction

GLOBALLY RATIONALISE OPERATIONS

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

REBALANCE JAMAICA VS INTERNATIONAL

- Internationalise systems
- Develop Globally Mobile Human Resource Pool

DISCLOSURES

The management of GraceKennedy Limited is responsible for the integrity and objectivity of the information contained in the Management Discussion and Analysis (MD&A). The information presented herein, has been reviewed by the Group's Audit Committee on behalf of the Board. Management believes this information represents an objective review of the Group's past performance and future prospects.

All monetary figures are presented in Jamaican dollars, unless otherwise stated.

WHO WE ARE

GraceKennedy Limited is a publicly listed company on the Stock Exchanges of Jamaica and the Republic of Trinidad & Tobago. The Company was founded on February 14, 1922 and is the parent company of a group of subsidiaries operating mainly in the Food and Financial Services industries. The Group's operations are structured into two Divisions:

- Food Trading: This comprises the business of food manufacturing through our own factories, as well as through external suppliers; the distribution of Grace and Grace-owned brands in Jamaica and internationally; and the operation of retail outlets through our Hi-Lo Supermarket chain in Jamaica. The Group also manufactures and distributes third party brands in Jamaica and internationally. The Food Trading segment operates in Jamaica, the Caribbean, Central America, North America, the United Kingdom (UK), and several European countries.

- Financial Services: This comprises our commercial banking, general and health insurance businesses, insurance brokerage, investment banking, remittance, cambio and payment services businesses. Our Financial Services subsidiaries presently operate within the English-speaking Caribbean.

OUR VISION

Our Vision is ***"To be a Global Consumer Group, delivering long-term consumer and shareholder value through brand building and innovative solutions in food and financial services, provided by highly skilled and motivated people."***

Our Vision embodies the focus of GraceKennedy's team, grounded in our firm commitment to our stakeholders:

- Our Staff: We will promote teamwork, mutual respect, care, open communication, empowerment & accountability.
- Our Customers & Consumers: We will maintain high product and service standards as we honour our commitments.
- Our Shareholders: We will provide our shareholders with competitive rates of return over the medium to long term.
- Our Communites: We will be a socially responsible, caring and environmentally conscious corporate citizen.
- Our Creed: We will operate with honesty, integrity and trust.

OUR MISSION

Our Mission is ***"To deliver the taste and experience of Jamaican and other multi-cultural foods to the world, and leading financial services to our region."***

PERFORMANCE MEASUREMENT

Our Executive Committee utilises the Balanced Scorecard tool to evaluate and monitor Group performance. The Balanced Scorecard, as applied in GraceKennedy, focuses on Learning and Growth, Internal Processes, Customer and Financial Objectives.

LEARNING & GROWTH

Our team is critical to our success. This segment of the Balanced Scorecard monitors the relationship with our team. We therefore monitor retention and development of the team, as well as staff engagement.

INTERNAL PROCESSES

The focus of this aspect of our scorecard, is to increase the efficiency of our internal business processes and strengthen risk management within the Group.

CUSTOMER

Crucial to our strategy, is our focus on the customer and consumer. This is central to the delivery of our products and services, and as such, the Group consistently monitors customer experience and service levels to ensure that we anticipate the needs of our customers and consumers, delighting them in all segments of our business.

FINANCIAL

This aspect of our scorecard assesses how well the Company's strategy, implementation and execution have maximised shareholder value. The key metrics evaluated, relate to our revenue strategy and productivity levels. The Group carefully monitors revenue earned through existing and new markets, our ability to translate revenue to profit, and our allocation of capital. These measures are in keeping with the Group's long-term vision to provide investors with a competitive return on equity.

KEY EXPECTATIONS FOR 2020
STATUS REPORT

The advent of the COVID-19 pandemic in the first quarter of 2020 brought uncertainty, as persons globally grappled with mandatory quarantines, border closures and pressured healthcare infrastructure. Our business operations were affected, and we required agility and a shift in focus, to position ourselves to withstand any economic impact.

Our focus in 2020 was on strategic initiatives aimed at growing our business both organically and inorganically, executing and leveraging strategic partnerships, accelerating the availability of digital solutions, achieving greater operational efficiencies and developing our staff through training, while strengthening our succession planning framework. A summary of our status is below.

GOAL	STATUS
Continuing to grow our businesses through greenfield projects, joint ventures, mergers and acquisitions or strategic partnerships.	The recently formed Mergers and Acquisitions Unit is actively pursuing several potential transactions and remains ready to capitalise on any opportunity deemed a strategic fit. The continued expansion of our business remains a major goal of the Domestic Foods Division. 2020 saw the team successfully negotiating several strategic partnerships that are already reaping significant rewards. In our factories, we arranged several co-manufacturing deals, including a contract to manufacture Nestlé's powdered milk products at Dairy Industries Jamaica Limited (DIJL) factory. Additionally, World Brands Services (WBS) secured a new distribution contract with Nestlé that has expanded the assortment of products it has on offer in our traditional channel. Work has actively begun in two major markets for the International Foods Division, with a view to identifying brands and/or distribution targets, to continue the growth of our businesses. Identifying inorganic growth opportunities for our business segments remains a priority for the GraceKennedy Financial Group (GKFG). Throughout 2020, GKFG continued its efforts to identify and execute expansion opportunities, including the acquisition of high potential businesses, such as Key Insurance Company Limited (Key Insurance), and formed strategic partnerships to grow the business and leverage synergies where possible.

GOAL	STATUS
Bolstering our presence in the Jamaican food market by increasing our reach in various channels, executing strategic partnerships and introducing new products.	Throughout 2020, the Domestic Foods Division made significant strides in increasing our reach in various channels. An initiative to improve our distribution in traditional channels proved very successful for our Sales and Distribution department, adding over 1,500 new points of sale to our roster. WBS' new strategic partnership to distribute a portion of Nestlé's portfolio in the retail market has performed well, increasing the variety of products offered by the Division. New products introduced in 2020 include Grace Young Green Jackfruit (canned) and Grace Quinoa, which have been doing well in the market.
Optimising our Foods distribution channel in international markets through strategic investments, and additional focus on brand building, to increase earnings.	In all the major markets of the International Foods Division, we continue to strategically invest in research, the purchase of market data, as well as brand building activities. In 2020, we rolled out global campaigns to our consumers, encouraging them to *Eat in with Grace* and letting them know that *We Care*.
Execute a cross-selling strategy that effectively introduces and markets our wide range of products and services across the Food and Financial Divisions to existing and potential customers.	The implementation of a robust cross-selling programme has made significant strides in enabling employees to market our wide range of products and services to the customers of other businesses within the Group. Additionally, across many of our Hi-Lo locations there is an opportunity for shoppers to utilize the services of sister companies including First Global Bank (FGB), GK Money Services (GKMS) and GK General Insurance (GKGI). This strategy of establishing companies in neighbouring locations has bolstered our cross-selling programme and has led to improved sales across the Group. The Financial Group had successes in cross-selling across the Division, ranging from the implementation of the Government of Jamaica (GOJ) COVID-19 Allocation of Resources for Employees (CARE) programme through GraceKennedy Remittance Services (GKRS), which also facilitated the opening of 7,000 bank accounts with FGB. FGB also issued credit cards to customers based on referrals from (GKGI).

GOAL	STATUS
Accelerating the introduction of digital products/channels in the Financial Division to meet consumer needs.	Digital Transformation has been identified as a critical initiative for the GraceKennedy Group. A number of activities took place throughout the year to enhance the accessibility of our products through digital channels and improve customer experience. These include the creation of a Digital Transformation Committee and the appointment of a Head of Digital Transformation, to lead the Group through an accelerated journey to expand our digital capabilities. A Digital Transformation team was established in 2020, with work carried out to refine the Group's digital roadmap, assess and revamp our technological infrastructure, and identify resources to deliver digital solutions to our customers.
Improving the capabilities of employees through increased training, leadership development programmes and the strengthening of succession management throughout the Group.	In 2020, we continued to focus on training opportunities, including leadership development and succession planning. Much of that training was done virtually due to the pandemic. Recognizing that our people are our greatest asset, the Group continued to invest heavily in team members. We launched our *Great Leaders* programme, geared at strengthening the leadership capabilities of our mid-tier managers. The training was fully executed online. We held training in several other key areas, including Agile Leadership, Strategic Thinking, Critical Analysis and Scrum Training, in alignment with the Company's future direction. We also deployed mobile-enabled learning, to engage our learners 'anywhere, anytime'. We continued to ensure that our leadership pipeline is strengthened through our robust succession planning programme, in which several team members are enrolled and development plans are being actively managed.
Strengthening the use of change management across the Group through training and certification and the application of change management principles in project management.	A Group Change Management Lead was appointed in 2020, whose remit includes ensuring increased awareness of Change Management across the Group and ingraining effective change management into the culture of the organisation. Thirty-one (31) new change management practitioners were trained, including key members of various teams whose expertise will be deployed to guide change efforts across the Group. Change management leads were assigned to all major projects to ensure the effective roll-out, adoption and use of newly implemented systems and processes.

2020 FINANCIAL PERFORMANCE

REVENUE GROWTH
+ 12%

INCREASE IN PROFIT BEFORE OTHER INCOME
+ 82%

NET PROFIT INCREASE
+ 34%

Revenue grew by 12% to $115.4 billion for the year. Profit before other income grew by 82% to $6.8 billion, underscoring the strides made in improving operating margins. Pre-tax profits showed notable improvement, climbing by 58% or J$3.6 billion to J$9.7 billion. Net profit totalled J$6.9 billion, reflecting a marked increase of 34% or J$1.8 billion. Profit attributable to shareholders also grew significantly by J$1.7 billion or 39% to J$6.2 billion. Of note is that the 2020 results do not reflect any one-off gains.

Total assets grew by 11% to $171.7 billion in 2020, while total liabilities grew by 9% to $108.9 billion. Capital comprised shareholders' equity of $59.9 billion and non-controlling interests of $2.9 billion. Return on equity for 2020 was 11.1%, compared to 9.3% for 2019, while earnings per share improved from $4.52 to $6.28.

HOW WE EARNED

The Group's revenue growth was driven by increased earnings from all operating segments. The Food Trading segment in particular achieved improved revenue and profitability, primarily due to the outstanding performance of its international food businesses. GraceKennedy Foods (USA) LLC recorded a triple digit increase in gross profit and double-digit revenue growth. Our Jamaican food distribution business also achieved strong growth in both revenue and pre-tax profit, coupled with improved operating margins.

The Insurance segment reported strong revenue growth of 23%, followed by Money Services and Food Trading, which recorded 13% and 12%, respectively. Our Banking & Investments segment was most challenged given the impact of the pandemic on the local economy, but still achieved an improvement of 3% in revenue. Food Trading achieved an impressive 96% growth in pre-tax profits, followed by Money Services at 28% and Insurance at 21%. Banking & Investments reported a decline of 9% in pre-tax profits, attributed to a required increase in impairment provisioning in anticipation of the possible effects of the pandemic on the loan portfolio.

STATEMENT OF FINANCIAL POSITION REVIEW

During 2020, the growth in the Group's asset base was mainly attributable to an increase in cash and deposits of $9.7 billion or 66%, as the Group converted its improved profits to cash, and larger holdings of other liquid assets. Fixed assets also grew by $1.5 billion or 6% due to increased investments in our manufacturing plants, our retail chain stores and information technology.

The 9% increase in the Group's liabilities was mainly attributable to an increase in customer deposits of $5.8 billion.

The growth in the Group's equity was largely due to net profit for the year of $6.2 billion and other comprehensive income of $3.0 billion, recognised as a result of changes in actuarial assumptions impacting the Group's pension plan asset and other post-employment obligations and foreign currency translation adjustments arising in respect of overseas subsidiaries.

STOCKHOLDER RETURN

GraceKennedy's stock price recorded a 9.7% decrease on the Jamaica Stock Exchange (JSE) during 2020, closing at $62.68 on December 31, 2020 ($69.43 on December 31, 2019). This is within the context of an overall 22.86% decline in the JSE combined index for the same period. Notwithstanding the impact of the pandemic on the stock market, in line with the Group's performance, the Company increased its dividend payment during the year to J$1.58 billion or J$1.60 per share, the highest amount paid out in its history. A dividend pay-out of approximately $1.54 billion was recorded for the previous year.

The stock as at December 31, 2020, traded at a price-earnings multiple of 9.98 times on the JSE, a decrease from the 2019 multiple of 15.36 times. At year-end, the book value per share was $60.54, and the stock traded at 104% of book value. In comparison, the stock traded at 132% of book value at the end of 2019.

SEGMENT ANALYSIS

(PERCENTAGE CHANGE IN PRE-TAX PROFIT)

Food Trading	Banking & Investments	Insurance	Money Services
96% GROWTH	9% DECLINE	21% GROWTH	28% GROWTH

The Group earns in four major segments: Food Trading, Banking & Investments, Insurance and Money Services. The summary segment performance is as follows:

- The **Food Trading** segment reported an increase of 96% in pre-tax profits, primarily due to growth in revenues from our key products, improved gross profit margins, and strong performance results from our overseas companies.
- The **Banking & Investments** segment reported a 9% decline in pre-tax profits, mainly due to higher impairment provisioning for loans.
- The **Insurance** segment reported a 21% growth in pre-tax profits, primarily due to growth in revenues from the commercial portfolios, diligent expense management, and proactive investment portfolio management.
- The **Money Services** segment reported an outstanding 28% growth in pre-tax profits, largely due to growth in revenues, which included growth of digital services, combined with operating efficiencies.

Overall, the Food Trading segment generated the largest share of revenue, accounting for 79% in both 2020 and 2019. Pre-tax profit was earned in the following proportions:

- **MONEY SERVICES: 41% DOWN** FROM 50% IN 2019
- **FOOD TRADING: 40% UP** FROM 32% IN 2019
- **BANKING & INVESTMENTS: 8% DOWN** FROM 15% IN 2019
- **INSURANCE: 10% DOWN** FROM 13% IN 2019
- **CORPORATE & OTHER: 1% UP** FROM -10% IN 2019

FOOD TRADING

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

JAMAICA

We currently operate in the Jamaican market through our Distribution business units - Grace Foods & Services, Consumer Brands Limited (CBL) and WBS, and our Retail business unit, Hi-Lo Food Stores. These businesses are supported by our Manufacturing business unit, which has factories located across Jamaica: Grace Food Processors (Meats), Grace Food Processors (Canning), National Processors, Grace Agro Processors (Hounslow), Grace Agro Processors (Denbigh) and Dairy Industries (Jamaica) Limited.

Our Jamaican Food Trading subsidiaries reported improved performance for 2020. The distribution business had an exceptional year of double-digit growth in pre-tax profits, with most key products either achieving targets or recording growth. The products which contributed the most to improved performance were Grace Corned Beef, Grace Vienna Sausages, Grace Frankfurters, Grace Baked Beans and Grace Mackerel. The Grace-owned brand, *Caribbean Choice*, grew revenues over 2019. In 2020, due to the pandemic, there was a drastic shift in the global food and beverage industry, as individuals from all walks of life experienced major changes in how they interacted with each other and accessed products. Grace Foods embarked on a global communication campaign entitled, *We'll Be Alright*, which mirrored the sentiments of consumers navigating the 'new norm' and reiterated our commitment to partner with them. As human behaviour evolves, we continue to place consumers' needs at the centre of our operations. This invariably led to route-to-market shifts, including curb side pickup services, pop-up markets, community van sales programmes, as well as other initiatives aimed at reaching society's most vulnerable.

2020 saw significant increases in online and mobile media access, with spikes in recipe searches, virtual events, cooking demonstrations and food vlogging. The Company was able to harness its longstanding investment in digital marketing to provide ongoing nutritional and lifestyle support to consumers forced to spend more time at home, through its Eating In with Grace series and the highly anticipated launch of the Grace Kitchens online cooking series, *Chillin' wid Grace*. With unprecedented engagement levels, the *Chillin' wid Grace* series reached its targeted milestone of over 50,000 subscribers before the year's end due to high demand for authentic, food-focused content. Other consumer programmes such as our *Cash for Christmas, Rock it with Shelly, Chill & Grill* and Tropical Rhythms 20th Anniversary festivities rewarded consumers for their brand loyalty, while contributing to increased brand relevance during the period.

Despite a challenging year, WBS recorded growth in sales over prior year, due to the strong performance of some of its strategic and accelerated growth portfolios, as well as the addition of the Nestlé portfolio in retail distribution. The growth of our strategic and target growth brands, margin management and operational efficiency, will continue to be the key areas of focus for 2021.

CBL performed commendably, recording growth in both revenue and profit before tax (PBT) over prior year. Some brands, including Downy, Pyro, and Kaset Rice, continue to find favour with consumers, and have delivered growth year-over-year. The trade marketing and category management initiatives have continued to add value to the business. New product introductions have also assisted in driving growth by attracting consumers in new market segments and channels. We continue to drive greater penetration and visibility of some key Procter & Gamble products through our marketing initiatives.

In a year where restrictions and reduced economic activity altered the spending patterns of our consumers, Hi-Lo achieved pre-tax profit growth compared to 2019. Our Barbican, Liguanea, Spanish Town and Fairview locations recorded increased sales.

Growth was also partially attributable to the expansion of curb-side delivery options and the availability of e-commerce shopping. Profitable revenue growth continues to be the focus for the Hi-Lo chain, and as such, management is actively pursuing plans to increase its footprint, to better serve the changing needs of the Jamaican consumer.

Our Jamaican manufacturing business unit reported improved revenue and profit when compared to 2019. Revenue performance was mainly due to strong growth in Grace Viennas, Grace Frankfurters, Grace Baked Beans and an increase in export sales. A strategic partnership with the local arm of Food for the Poor (a charitable organisation) also contributed to the improved performance. Other milestones included the establishment of an LNG plant at our meats factory, the completion of the Agro Park at Hounslow in St. Elizabeth, and the granting of Food & Drug Administration (FDA) approval for canned ackee exports from our Denbigh factory directly to the United States.

INTERNATIONAL MARKET

The International Food Trading subsidiaries delivered phenomenal results for 2020, with our USA distribution business, GraceKennedy Foods (USA) LLC (GK USA), achieving new milestones.

GK USA achieved significant growth in revenue and had record-breaking improvement in gross profit. The Grace brand reported growth in revenue led by Grace Patties, Jerk Seasoning, canned fish and meats. The business also benefitted from the growth of the Quick Meal category to satisfy higher in-home consumption. Our La Fe brand saw improvement in sales with notable growth in rice, pasta and frozen vegetables. The company also achieved greater penetration in Walmart, Publix and Stop & Shop outlets, which increased visibility and earned new consumers. Our partnership with delivery service Instacart reaped dividends, as the rate of usage of the service increased significantly, in keeping with the general trend due to restrictions related to the pandemic.

Profit performance for GK USA was also enhanced through strong margin management, and the significant increase in Grace Brand sales improved our overall margin mix. Savings in expenses were seen in operations and logistics. We accelerated our investment in brand building during the year and in programmes to support the welfare of our staff and the communities we serve.

Grace Foods UK reported a marked improvement in revenue and profit before tax. The retail segment reported revenue growth over 2019. The Nurishment brand recorded growth, with encouraging sales of the Nurishment PET bottle in what was its launch year. Encona sauces, Dunns River and the Grace branded products all reported growth over 2019. The *general grocery and seasoning, sauces & spices* categories had a record year linked to the rise of in-home cooking. The Nurishment and Encona sauce relaunch campaigns will continue into Q1 2021, with the Irie Eats meal kits to be introduced to the UK market in Q2 2021.

Grace Foods Canada Inc. reported a creditable performance for 2020 when compared to 2019. The Company achieved marked recovery in large chain stores Loblaws and Walmart, both of which recorded double digit sales growth.

The business continued its strategic focus and showed overall growth in the Coconut and Jerk categories, with coconut milk and frozen jerk wings being exceptionally strong. Additionally, rice and beans accounted for a significant portion of sales. Other high potential categories showing strong growth included snacks, canned milk and peanut punch.

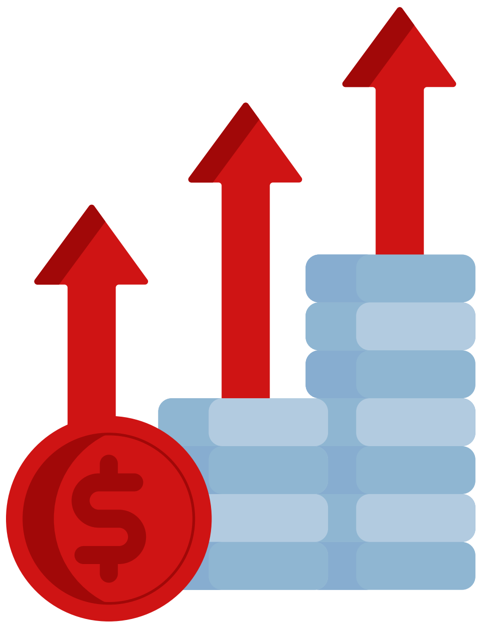
GK Belize (GKB) reported good results in 2020, showing growth in revenues and pre-tax profits. The closure of land borders in March 2020 due to COVID 19, coupled with improved margin management, contributed positively to GK Belize's full year performance in 2020. Key strategic partner brands Malher, CBL, SM Jaleel, McBride, Colgate Palmolive, Roses and Dairy Champ all achieved target and growth over prior year.

GF LACA, our business unit responsible for food distribution in the rest of the Caribbean and Latin America, reported growth in revenue for 2020 compared to prior year. Top-line growth came through our Caribbean markets in the north (Bahamas and Cayman Islands), and Guyana in the south. Continuous margin management, expense management and currency exchange gains in 2020 assisted the Company in earning solid pre-tax profits when compared with 2019.

As we look towards 2021, our focus areas will continue to be brand growth, new products and principal introduction, margin management, operational excellence, corporate social responsibility and sustainability, and team engagement. Our primary focus remains ease of accessibility through e-commerce, curb-side and Instacart options to meet the needs of our consumers, wherever they may be, by providing convenient food solutions and healthy food alternatives.

FINANCIAL SERVICES SEGMENT

(INSURANCE, BANKING & INVESTMENTS, AND MONEY SERVICES)

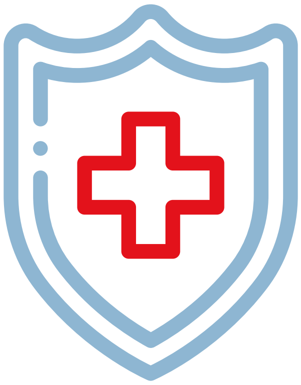


GKFG reported impressive growth in revenues and profits over the prior year, primarily due to the improved performance of our Money Services and Insurance segments.

We expanded our offerings in the Insurance segment, with the acquisition of our new general insurance company in Jamaica, Key Insurance.

Our GKONE initiative, which targets the unbanked and underbanked through the combined offering of services including remittance, micro lending, bill payment, insurance and commercial banking grew in reach, with the addition of three (3) new locations in Jamaica in 2020. These were in Half-Way Tree, Port Maria and a first of its kind e-store, GKONE Digital, at our Corporate Headquarters in downtown Kingston.

INSURANCE



The Group's insurance underwriting and brokerage businesses showed strong growth over prior year through expansion and careful expense management.

GKGI enjoyed a successful 2020, exceeding both prior year revenue and PBT. This was achieved through the combination of strong management of revenue and claim performances, and the portfolio. The Commercial Lines portfolio again exceeded expectations as strategic relationships were leveraged, leading to greater opportunities. The Company continued its efforts to expand its presence in the digital space. In the fourth quarter, the *My Portal* feature was added to the website, creating an opportunity for all existing direct clients to have instant access to their policy information, pay premiums, and report claims.

GKGOnline, which is focused on the motor portfolio, experienced modest growth and efforts to improve the platform continue in earnest.

Canopy Insurance Limited, our joint venture health insurance business, had a successful first full year of operations, with total revenue and new member growth exceeding all internal targets. Canopy's continued focus on its digital platform is expected to position the company well to achieve strong growth over the medium term.

Under the leadership of its new management team, **Key Insurance**, the newest member of GKFG, has shown improved performance since acquisition. Portfolio growth will remain its focus, and a marketing campaign to reconnect with its clients has been successfully launched.

Allied Insurance Brokers (AIB), experienced profit growth over prior year despite the negative effects of the pandemic, with increases in non-core income and effective cost containment. The onset of the COVID-19 pandemic and resultant restriction on economic activity tempered new business growth for all revenue lines. Notwithstanding this, the *Coverholder* line had commendable growth over prior year, despite restrictions on the entertainment and tourism-related sectors.

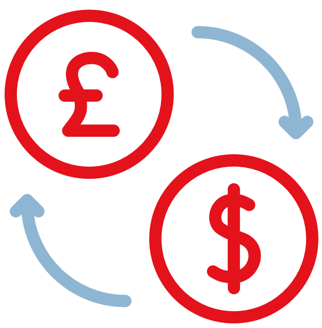
BANKING & INVESTMENTS

FGB achieved modest revenue growth in 2020, driven by the Bank's continued focus on rolling out new products to address specific needs of customers, as well as its foray into e-commerce, allowing businesses of all sizes to more easily accept payments via their website or an FGB provided link. A highlight for FGB was the opening of 7,000 starter accounts for previously unbanked Jamaicans as part of its financial inclusion strategy. FGB worked with the customers of GraceKennedy Money Services (GKMS) who qualified to receive payment under the Government of Jamaica's (GOJ) CARE programme to open the accounts. More broadly, FGB quickly put in place payment relief measures at the onset of the pandemic to support its customers, with the majority of customers transitioning back to regularized payments by year-end. In late 2020, FGB finalized plans for the launch of an upgraded version of its online banking system, *Global Access Plus*, with features including fingerprint login and facial recognition, and self-serve username and password reset.

GKFG's Jamaica based boutique stockbrokerage and asset management company, **GK Capital Management Limited** (GKCM) also faced a challenging year in 2020. Despite this, GKCM was able to achieve top-line growth in the stock brokerage business. They also continued to offer clients bespoke financing solutions, including advisory services.

SigniaGlobe Financial Group, our merchant banking business in Barbados, performed well despite a difficult local economic and operating environment attributable to COVID-19. Total revenue for the year was on par with prior year, and through the efforts of the team, pre-tax profits improved.

MONEY SERVICES



GKMS ended the year with revenue and pre-tax profits performance above prior year. The remittance business had an impressive year, with inbound transactions exceeding prior year's performance in all but two (2) territories in the Caribbean region.

The Jamaican remittance business led the increase in revenue over prior year. Strong results were also delivered across the other territories in which the business operates, including Guyana, Bahamas, Montserrat and St. Vincent. The other major lines of business, Bill Payments (Bill Express) and Foreign Currency Trading (FX Trader), experienced a good year. Bill Payments revenue grew over prior year and delivered an improved bottom line, while our Foreign Currency Trading business, though marginally below prior year revenue, achieved pre-tax profit growth.

GKMS continued its innovation efforts through the growth of its digital services. In April 2020, the team launched an electronic registration platform in Jamaica. The platform enables customers to register seamlessly for digital remittance services. This innovation has spurred the growth of the Western Union digital product, Direct to Bank (D2B). Customer registration exceeded prior year by 197%, translating to a high level of consumer adoption of D2B for transactions processed in the year. There was also very good customer adoption of Bill Express Online, with online transactions increasing by over 40%. This digital push will continue into 2021 with the expansion of Electronic Registration, D2B and Bill Express Online to other territories.

As the Company pursued efficiency improvement goals, a receipt-and-signature-capture solution was deployed across the agent network in markets outside of Jamaica. Deployment began in Jamaica in 2019. This solution allows customers to access receipts via email and provide instant feedback on the customer experience.

A Learning Management Solution was also launched for all markets, providing remote training to all staff and frontline associates within the agent network and more broadly across the business. This has allowed the Company, despite COVID-19 restrictions, to continue its investment in the development of our team.

A robust compliance and risk infrastructure continues to be top priority and as a result, the Company continues to invest in the area of compliance and risk to ensure that customers are provided with protection for their transactions within the network. We are extremely pleased with the many successes we enjoyed in this area and are confident that our investments have already delivered a competitive advantage.

During the COVID-19 crisis, GraceKennedy Remittance Services (GKRS) Jamaica participated in the GOJ CARE Programme. The Company partnered with the GOJ in issuing pay-outs through the use of the Bill Express PayU system. Of the recipients who chose Remittance companies as their preferred collection method, 80% chose Western Union and over 118,000 payments were transacted. Relief efforts were also undertaken by other markets. In Guyana, Trinidad and Tobago and the Bahamas, donations of Grace food baskets and sanitation supplies were made to governments and Non-Governmental Organisations. In the British Virgin Islands, the team undertook a special project to support vulnerable primary and secondary school students, providing them with learning supplies and food.

GKRS Jamaica celebrated its 30th anniversary and its valued partnership with Western Union in 2020. Celebrations for this significant milestone began with a virtual church service held on November 15, 2020. There have also been ongoing promotional activities for individual customers, communities, agents, the diaspora and of course, our staff members. The celebration will continue into Q1 of 2021.

WHERE WE EARN

REVENUE BY GEOGRAPHICAL AREA J$ MILLIONS	2016	2017	2018	2019	2020	2020 % CONTRIBUTION TO REVENUE
Jamaica	45,344	47,657	51,777	57,413	61,635	53.4%
North America	22,218	24,023	24,801	25,760	31,490	27.3%
Europe including UK	14,058	13,862	13,838	12,901	14,404	12.5%
Other Caribbean Countries	6,339	6,673	6,941	6,879	7,682	6.6%
Africa	164	125	29	-	-	-
Other Countries	145	135	159	137	226	0.2%
TOTAL	88,268	92,476	97,545	103,090	115,437	100%

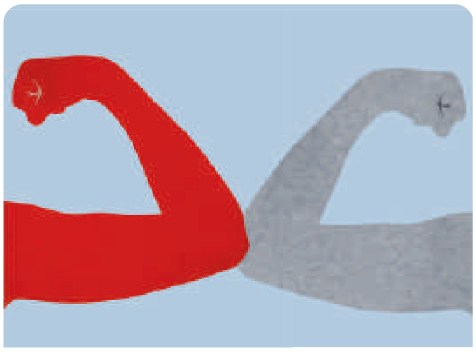
GraceKennedy's vision of being a Global Consumer Group includes achieving 60% of our revenue outside Jamaica. For 2020, the Group generated 46.6% of its revenue outside Jamaica, compared to 44.3% in 2019, due to a faster rate of growth by our overseas operations, particularly the international foods businesses.

We revised our business model for Africa and in late 2020 established a distributor arrangement with a partner based in the region. Accordingly, we have commenced a phased re-entry in that market, and anticipate a positive response to our products.

North America accounted for 27.3% of our revenue in 2020 compared to 25.0% in 2019.

The European (including U.K.) markets held steady in 2020 accounting for 12.5% of revenue.

CORPORATE SOCIAL RESPONSIBILITY



Corporate Social Responsibility (CSR) is key to who we are as a Company. Our *We Care* ethos means that as a global corporate citizen we pursue causes that are important to our staff, our customers and consumers, shareholders, communities and the countries in which we operate, guided by our principles of *Honesty, Integrity* and *Trust*. To better capture our efforts, we have expanded the CSR section of our Annual Report to more fully communicate our undertakings to our shareholders in this regard.
That report can be found on pages 57 to 70.

SPORTS

Our participation in the development of youth through sports was severely impacted by the COVID-19 pandemic in 2020. Several events were cancelled, including the largest athletics event in Jamaica, the ISSA/GraceKennedy Boys' & Girls' Championships.

With the cancellation of face to face activities, GraceKennedy's Sports, Arts and Culture Department (SPARC) adjusted, and throughout the year provided virtual exercise sessions and games evenings for staff, both locally and internationally.

In July of 2020, GraceKennedy signed Jamaican sprinter, Briana Williams, as its newest Brand Ambassador for a period of three years.

RISK MANAGEMENT & INTERNAL CONTROLS

GraceKennedy operates globally, in dynamic markets, industries, and business sectors that inherently expose the Group to a wide range of risks including financial, operational, strategic, regulatory, legal and reputational. Sound and agile risk management enables us to serve our customers and deliver for our shareholders. If not managed well, risks can result in losses, regulatory sanctions and penalties, and damage to our reputation, each of which may adversely impact our ability to execute our business strategies.

GRACEKENNEDY RISK GOVERNANCE FRAMEWORK

Since 2012, GraceKennedy has enhanced its risk management framework through the establishment and continued development of an enterprise risk management programme (ERM), to address the full range of risks to which it is exposed. The Group actively identifies, analyses, mitigates, monitors and reports, wherever possible, the identifiable or foreseeable risks inherent to our strategy and operations. The Group also designs and implements robust internal controls, reducing inherent risks to acceptable levels, in line with its approved risk appetite statement.

Through ERM, the Group reports on current and emerging risks on an ongoing basis. Our approach to enterprise risk management focuses on:

- Promptly resolving internally identified risks to compliance with laws and regulations, to maintain the provision of quality products, ensure appropriate relationships with customers and principals, and enhance our relationship with the communities we serve;
- Supporting strategies to ensure the effective use of resources, enabling an optimized, proactive approach to auditing;
- Identifying and remediating compliance issues and promoting reporting and monitoring across compliance functions;
- Enabling improved decision making, planning and prioritization through assessments of opportunities and threats;
- Helping to drive value creation by enabling management to respond in a prompt, efficient and effective manner to future events that create uncertainty, and represent a significant threat or opportunity.

Our risk governance system is based on a number of committees and management processes, which bring together reports on the management of risk at various levels within the organisation.

The risk governance process is supported by regular risk assessments and reviews of existing and new strategic initiatives, by considering the risk exposure and appetite of the Group, Division, Strategic Business Unit and Strategic Support Unit.

The diagram below sets out the risk governance structure in operation, showing the interaction between the various risk review and management committees.

ESTABLISHES RISK CULTURE & RISK PROFILE

- Sets and approves Risk Appetite and Risk Tolerances
- Approves Top Risks
- Approves Strategic Initiatives

EVALUATES THE EFFECTIVENESS OF RISK MANAGEMENT

- Reviews and endorses Top Risks
- Reviews and endorses Risk Appetite

KEY RISK OWNERS

- Identifies, assesses, quantifies, reports and manages key risks
- Review and approves risk registers
- Owners of key controls

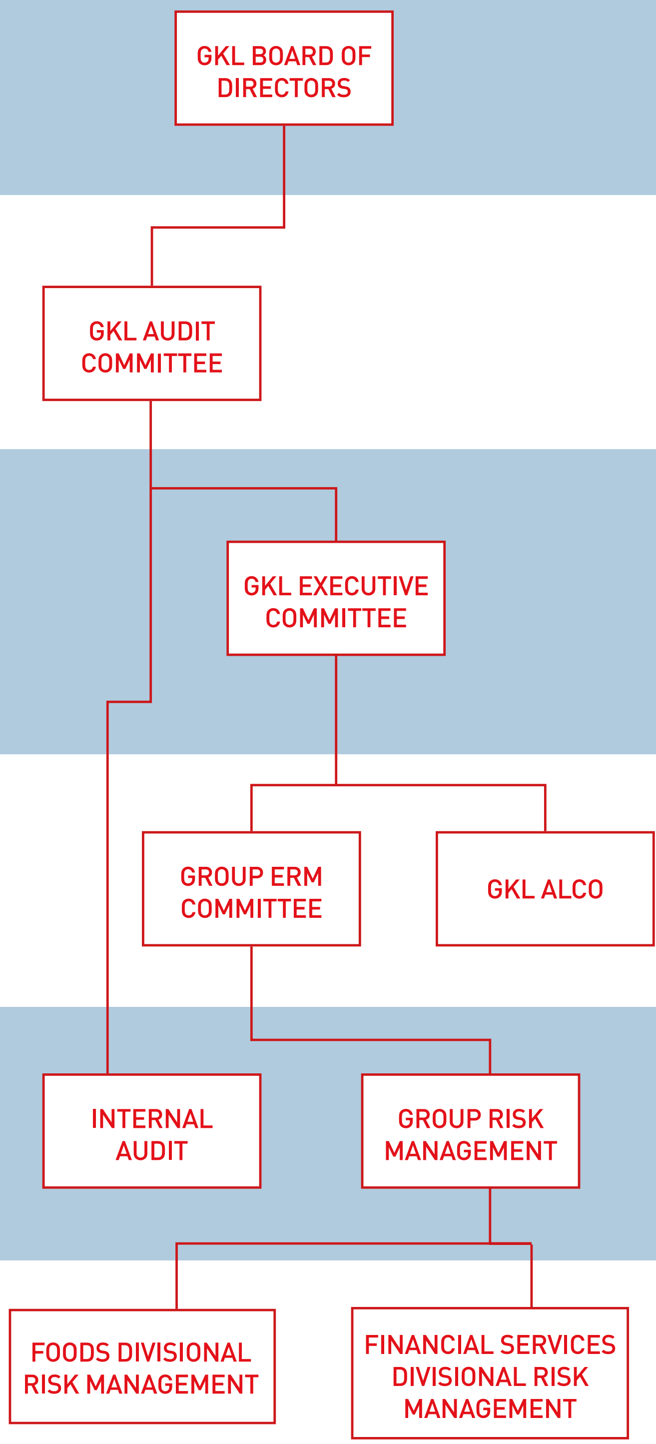
PROVIDES RISK OVERSIGHT

- Provides risk and controls oversight
- Ensures continued relevance of Risk Appetite Statement

PROVIDES RISK ASSURANCE TO MANAGEMENT, AUDIT COMMITTE AND BOARD

- Collaborates with management on strategic and operational risk assessments

AID BUSINESS UNITS TO IMPLEMENT DAY TO DAY MANAGEMENT OF KEY BUSINESS RISKS



ENTERPRISE RISK MANAGEMENT FRAMEWORK

Key components of our ERM framework include:

1. **Board Approved Risk Policy** which governs the Risk Management Framework. It clearly outlines the responsibilities of the Board of Directors, Audit Committee and Management. In summary, the:
   - **Board of Directors** is ultimately accountable for determining the Group's risk profile and ensuring that management has appropriate policies and internal controls in place in respect of risk management.
   - **Audit Committee** evaluates the effectiveness of the risk management processes and activities and provides assurance to management and the Board in respect of same. The Audit Committee has been charged by the Board with responsibility for overseeing the Risk Management Programme on its behalf, in accordance with its Terms of Reference. Our Group Internal Audit's assessment of internal controls is based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework and all audits are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
   - **Management** is responsible for identifying, assessing, quantifying, reporting and managing all risks within their lines of business. They are accountable to the Board for designing, implementing, and monitoring of the risk policy and the process of risk management and integrating it into the day-to-day activities of the Group. They ensure alignment of business strategy with corporate culture, appetite, and policy.
2. Our **Risk Appetite Statement** defines the level of risk which the Group is willing to undertake and informs decision making at all levels within GraceKennedy. It also provides a common understanding between the Board and management and guides the risk appetite statements at the subsidiary level.
3. Our **Governance Framework** supports formal reporting by company executives on topical risk and control issues, control self-assessments and the results of internal and external audit reports.
4. Our **Risk Assessment Reporting Standard** identifies the mandatory requirements or activities relating to risk assessment and mitigation.
5. Our **Risk Assessment Guidelines** outline how all areas of the business must identify, evaluate, manage, monitor, and report on risks on an on-going basis, inclusive of the need for a mitigation plan for any risk rated as High or Moderate.
6. Our **Self-Audit Guidelines** and accompanying tool kit have been designed to encourage the Company's business and support units to proactively identify and act quickly on process and control weaknesses.

RISK BALANCED SCORECARD

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

- **FINANCIAL** - Increasing Stockholder Value by creating a safe environment for the Group to successfully achieve its strategic objectives.
- **INTERNAL** - Efficient risk management tools to facilitate risk mitigation with minimal disruption to business processes.
- **CUSTOMER (INTERNAL)** - Value creation to various stakeholders (Board, executive management, management and staff) by educating, creating useful and clear frameworks and reporting on emerging risks and opportunities across the GraceKennedy Group.
- **LEARNING & GROWTH** - Trained and competent risk management professionals with the tools needed to effectively mitigate risk and identify opportunities.

MILESTONES & CHALLENGES IN 2020

In 2020, the ever-changing global developments of COVID-19 created unprecedented levels of disruption from both a human and economic perspective and also heightened uncertainty on personal, business, political and global levels. Despite the various challenges imposed by the pandemic, GraceKennedy continued its journey to realising its vision of being a Global Consumer Group.

Consequently, the Group's Risk Management function aided the business' ability to proactively identify, measure and respond to risks that threatened the Group's strategic initiatives and operations.

Key activities included:

- COVID-19 Risk Assessment and Risk Response planning;
- Capital sensitivity analysis;
- COVID-19 revenue scenario forecasting;
- Financial statement stress testing of financial implications of COVID-19 on the Group's revenues;
- Business Continuity Planning and Contingency Management;
- Work from home policies and Workplace protocols;
- Global Supply Chain risk re-assessments, mitigation and management;
- COVID-19 Incident Management and Reporting;
- Continued streamlining of risk and compliance processes across the Group for greater focus and monitoring;
- Keeping pace with changes in the regulatory and geo-political landscape; and
- Providing support to the Group in pursuit of its diversification strategy through mergers and acquisitions.

Corporation-Wide Stress Testing in 2020, was integral to the identification of counter measures and applicable contingencies to treat the economic impact on our business, given the recessionary macro-economic conditions driven by the pandemic.

The Risk Management function worked alongside the business in its Financial and Strategic Planning processes, conducting ongoing capital and revenue scenario analysis, stress forecasting to better understand balance sheet, earnings and capital sensitivities to certain economic and business scenarios, including economic and market conditions that are more severe than anticipated. These stress forecasts provided an understanding of the potential impacts from our risk profile on the balance sheet, earnings and capital, and informed the implementation of changes to mitigate threats to our business model, presented by COVID-19.

Working collaboratively with the business, the Risk Management function developed, maintained and operationalized contingency plans designed to prepare us to respond to possible adverse economic, financial or market stress events.

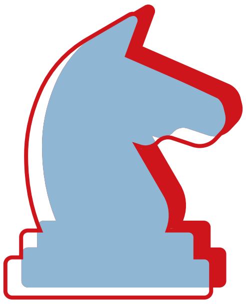
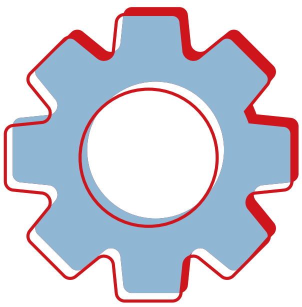
Capacity-building of the Risk and Compliance team across the Group remained an area of focus during the year, and we expect this to be ongoing given our recognition of the fact that our staff are critical to what we do and who we are as a Group.

KEY AREAS OF RISK FOCUS

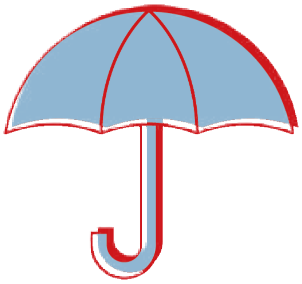
During the year, the following potential risk areas were given special focus:

- Systemic effects of COVID-19 pandemic;
- Digitalization of financial offerings;
- The dynamic and increasingly complex global regulatory compliance environment;
- Regulatory efforts globally required to promote healthy foods and changes in response to evolving consumer demand;
- The dynamism in the international political landscape;
- Climate change and the impact of extreme weather on supply chain management; and
- Information technology reliance and advancements relevant for business continuity during the pandemic.

With GraceKennedy operating in the financial and food manufacturing and distribution sectors, the major risks impacting the Group were strategic, operational, insurance, credit, liquidity, market and information technology risks.
A synopsis of each is captured on the following table.

RISK	CONSIDERATION
 **STRATEGIC RISK**	Any risk which could hinder GraceKennedy's ability to achieve its strategic objectives is referred to as a strategic risk. Therefore, effective management is important given that successful strategic risk management protects shareholder value by ensuring the business has properly assessed potential risks to the Group's strategy and has developed an appropriate course of action to mitigate the exposure. It is for this reason, that risk management is embedded within the Group's annual strategic planning sessions conducted at both the subsidiary and Group levels. To ensure that the risk is appropriately managed, regular assessments are conducted throughout the year.
 **OPERATIONAL RISK**	Operational risk arises where inadequate or failed internal processes, people and systems or external conditions result in the risk of loss. The Group addresses this risk by: • holding all employees accountable for managing the risk and internal control environment, as well as providing them with the mechanism to report violations of policies, procedures and laws by way of our Whistleblowing policy and annual disclosure programme. • having internal audit conduct regular reviews in order to provide assurance that the risk and internal controls frameworks are operating effectively. • establishing standards for assessing, managing, monitoring, and reporting of the risk. • relevant for business continuity during the pandemic. Additionally, to ensure minimum disruption to business operations due to factors including natural disasters, a comprehensive Business Continuity Plan, which is revised on an ongoing basis, is in place for entities within the Group.

RISK	CONSIDERATION



INSURANCE RISK

Factors that continue to increase insurance risk include lack of risk diversification in terms of type and the amount of risk and geographical location. Management maintains an appropriate balance between commercial, personal and other types of policies based on guidelines set by the Board of Directors. Insurance risk arising from the Group's insurance contracts is, however, concentrated within Jamaica. Within the solvency requirements of the insurance regulators, an appropriate reinsurance programme has been established to reduce exposure in all classes of business, thereby reducing capital exposure to an acceptable level, using very highly rated international reinsurers. The Insurance segment is also diversifying risk through regional expansion.

CREDIT RISK

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

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

RISK	CONSIDERATION

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed rate instruments expose the Group to fair value interest risk.

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

INFORMATION TECHNOLOGY RISKS

Information technology (IT) risk is any threat to the Group's business data, critical systems and business processes. It is the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within our organization. IT risks have the potential to damage business value and may emanate from poor management of processes, strategic initiatives and operational events.

IT risk in the Group spans a range of business-critical areas, such as:

- security – potential compromise of business data due to unauthorised access or use;
- availability - inability to access mission critical IT systems and applications needed for business operations;
- performance - reduced productivity due to slow or delayed access to IT systems and mission critical operations; and
- compliance - failure to satisfy laws and regulations governing information technology driven business processes (e.g. data protection).

The Group manages these risks through the establishment, maintenance and continuous update of our Enterprise Information Security Management Framework.

RISK	CONSIDERATION
 CYBER SECURITY RISK	With the increased focus on remote work due to the pandemic, and the heightened IT Security concerns associated therewith, the Group redoubled its cyber security efforts. In 2020, new security solutions were implemented to enhance our network and safeguard users while they worked remotely. Among other initiatives were the increased monitoring of web and e-mail traffic across the GK landscape. In addition to our monthly security campaigns, we increased communication to staff regarding a variety of security tips, inclusive of those pertaining to good cyber-hygiene practices while using collaboration tools such as Zoom and Microsoft Teams. Moreover, we continued our practice of ensuring that all staff and directors participate in annual IT security training. The training included, in some instances, industry-specific courses. Additionally, presentations on cyber security were done at various subsidiary board and the main Board meetings. There were no significant cyber security incidents in 2020. We believe that our cyber security posture is such that we continue to be properly equipped to fend off numerous threats, and to quickly address others should the need arise.

THE WAY FORWARD

Following the efforts in 2019 to bolster the Group's risk and compliance framework which included the rationalization of functions and removal of duplicated activities, 2020 saw further enhancements to the structure and resources of the risk management activities across the Group. Moving forward, the ERM programme is expected to evolve to include greater agility, relevant for the digital eco-system that will be a primary driver of GraceKennedy's 2030 business strategy. Consequently, the Group's Risk & Compliance function will be focused on enhancing the delivery of risk and compliance assurance, by leveraging technological mechanisms and agile methodologies that will boost the Group's ability to proactively manage risks to its business.

GROUP INTERNAL AUDIT

INTERNAL CONTROLS

Management and Directors acknowledge their overall responsibility for maintaining and establishing a robust internal control framework for the Group, and for reviewing the effectiveness of controls. These controls are designed to assist in the evaluation, management and mitigation of risk, for the achievement of business objectives, and the provision of reasonable assurance against misstatement or loss. Internal Audit reinforces the control framework by providing independent assurance that GraceKennedy's risk management, governance and internal control processes are operating effectively and efficiently. This includes reviews of the information technology and security, operational and financial performance, key business, strategic and enterprise-wide risks, as well as the compliance framework of the Group.

As an integral part of the Group's corporate governance structure, the Group Internal Audit Department and its activities are guided by its Charter, which is reviewed annually and approved by the Board of GraceKennedy Limited to whom it reports independently, through the Board's Audit Committee, on the effectiveness of the governance structure and risk management framework.

The Group's system of internal control is based on the control criteria framework of the COSO Internal Control Framework and the Control Objectives for Information Technologies (COBIT). The system is designed to provide reasonable assurance that:

- Transactions are appropriately authorised and recorded;
- Assets are safeguarded;
- Accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with accounting principles generally accepted; and
- Clear policy development and good practice for IT controls are in place throughout the Group.

Group Internal Audit's assessment of internal controls is based on COSO and COBIT which evaluate the internal control measures adopted by management, with all audits being conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. Further, management continues to maintain these internal controls through self-audits and ongoing monitoring.

Internal Audit meets regularly with the various subsidiary Audit Committees and Boards throughout the Group, as well as with the Group Audit Committee, providing information on key risks identified during the audits along with the implementation status of recommendations made. The Group Audit Committee met five (5) times in 2020.

The Group Audit Committee oversees the Internal Audit function, reviewing Internal Audit's assessment of the adequacy and effectiveness of the Group's internal controls, compliance with legal, statutory, regulatory and other requirements, and management of risk. Control issues identified through the work of the internal and external auditors are reviewed by and discussed with the Audit Committee. The Committee, during the course of its activities, also received reports from various members of management on significant accounting and tax, legal, regulatory, risk, fraud and whistleblowing-related matters, as well as matters pertaining to information technology and security. The Group Audit Committee Chairman reports to the Board on all significant issues considered by the Committee.

The Terms of Reference of the Group's Audit Committee are reviewed annually and approved by the Board. The various Audit Committees of the Group have oversight responsibility for:

i. Reliability and integrity of the accounting principles and practices, financial statements and other financial reporting;
ii. Internal audit functions of the Company and the Group;
iii. Risk management functions and processes of the Company and the Group;
iv. Qualification, independence and performance of the external auditors of the Company;
v. System of internal control and procedures established by Management and reviewing their effectiveness; and
vi. The Group's compliance with legal and regulatory requirements.

GraceKennedy's commitment to internal controls, ethics and integrity are reinforced through our GraceKennedy Code of Ethics, Anti-Fraud and Whistleblowing policies and use of its whistleblowing hotline. Group Internal Audit in conjunction with Group Security continue to promote this hotline as a method of facilitating the anonymous reporting of suspicious activities across the Group.

SIGNIFICANT ACTIVITIES & MILESTONES

Internal Audit continued to improve its quality and effectiveness during 2020 with a focus on continuous improvement, greater use of technology to drive efficiency and continued client support and relationship building. The activities in 2020 included ongoing internal quality assurance, consultative and peer reviews as well as programmes of continuous education and exposure for the department.

Among other significant activities of 2020, Internal Audit:

- Formulated and agreed with the Audit Committee, the audit plan, strategy and scope of work, ensuring the annual internal audit plan was designed to assist in attaining the Group's strategic objectives;
- Reviewed compliance with internal policies, procedures and standards, relevant external rules and regulations, and assessed the adequacy and effectiveness of the Group's internal control system;
- Assessed Group-wide Business Continuity Management at the parent company and SBU levels;
- Conducted assurance reviews and analysed and assessed certain key business processes and made recommendations to improve their effectiveness and efficiency;
- Provided strategic support through consultative reviews and participated in strategic planning discussions;
- Reviewed the adequacy and effectiveness of management's processes for risk management, internal control and governance;
- Provided consultative services for key projects across the Group;
- Reviewed the internal audit charter for possible modification and approval by the Group Audit Committee and Board;
- Reviewed means of safeguarding the Group's assets;
- Coordinated audit efforts with and provided support to the external auditors;
- Provided consultative support to management prior to and post major system and other project implementations, to evaluate the extent to which adequate controls were incorporated in the respective systems/processes;
- Continued training and certification of Group Internal Audit team;
- Provided consultative services for key projects across the Group;

- Facilitated rotation of staff from the business to increase knowledge and auditing technique;
- Increased use of technology to increase department efficiency and widen scope of areas reviewed; and
- Ensured the control environment remained robust while the Group navigated its first global pandemic.

At the end of 2020, Group Internal Audit had conducted sixty-six (66) audits, with significant focus on Regulatory Compliance, IT governance and security, financial controls and the general control environment.

The focus of 2021 for the Internal Audit Department continues to be:

- Assessing and enhancing risk management and governance practices;
- Addressing key stakeholder priorities;
- Focussing on compliance across the Group;
- Optimising internal audit processes and resources;
- Training of team to meet new challenges in the environment;
- Leveraging of technology, and
- Increased focus on consultative assessments.

OUR PEOPLE

Our Group CEO has often said that our employees are our greatest asset. This was demonstrated in a profound way in 2020, the year of the global COVID-19 pandemic. In a year that recorded the best financial performance in our 99-year history, we credit our phenomenal success to the significant level of employee engagement and commitment. This reinforced the strong correlation between an engaged workforce and its business performance.

EMPLOYEE ENGAGEMENT

Prior to COVID-19, among the strategic initiatives for 2020, we had set ourselves an improved employee engagement target to have a minimum of 70% of our strategic business units achieve our benchmark employee engagement score. Our 2020 employee engagement results surpassed our own expectations and target, resulting in 92% of our SBUs achieving or exceeding the global benchmark of 65%. Overall, the Group achieved a five-percentage point increase in employee engagement.

As we reflect on the year in review, and the feedback from our employees, our success can be attributed to our effective execution of various initiatives encapsulated in the five (5) pillars of our employee engagement model: Leadership, Work Environment and People Management, Meaningful Work, Growth Opportunities and Total Rewards. We have expounded on some of these pillars below.

LEADERSHIP

Our "We Care" Philosophy was particularly evident in 2020, as our leaders rose to the challenge presented by the pandemic to show genuine concern for their team members, both personally and professionally. With increased communication through multiple channels, team members were regularly informed about the pandemic, and the initiatives that the business was employing to ensure their health and safety and overall well-being.

Leading from the front, our Group CEO, supported by the COVID-19 Management Steering Committee and his Executives met weekly, providing frequent and comprehensive updates to staff. As early as March 3, 2020, the first in a series of guidelines was communicated to the GraceKennedy family to minimize the risks posed by the virus to our staff and associates, while ensuring business continuity. This included a ban on international business travel for employees, and international visitors being prohibited from entering company locations. Further significant protocols were rolled out throughout the year to ensure the safety of our staff. This was acknowledged by our employees, who, on our COVID Check-In Surveys, gave very high ratings to the Company's overall handling of staff safety, and the content and frequency of the communication.

WORK ENVIRONMENT & PEOPLE MANAGEMENT

Early in the onset of the pandemic, it was necessary to quickly implement changes, beyond the provisions of our 2014 Flexible Work Arrangements (FWA) Policy, which had been implemented in 2014 to address the need for remote working by team members whose roles could allow. The Group, with the support of our IT team, quickly provided the additional infrastructure to drive adoption of the new ways of working using laptops, virtual private networks (VPNs) and other enablers, and increased use of collaboration tools, such as Zoom, Microsoft Teams and DocuSign. Business processes were also modified to enable an efficient and productive workforce, and to ensure continuity of services to our customers.

In addition to the measures implemented to support remote working, several initiatives were implemented to respond to the varied needs of our employees. This included facilitating the purchase of tablet computers and laptops at a discount to properly equip their own children for the virtual classroom. A holistic approach was adopted, including psychosocial support through our Wellness & Employee Assistance Programmes. Webinars and 'Lunch n Learn' sessions featuring employees who overcame personal challenges sharing their coping techniques, as well as comedy and health advice virtual events, and regular "check-ins with employees" were also features of 2020. Team members also commented on the flexibility demonstrated by their supervisors and managers as it related to understanding their needs for balancing work and family obligations, including assisting children with online schooling, elderly parents and household chores.

For our team members whose roles required physical presence, such as our frontline, customer-facing, manufacturing and warehousing personnel, strong support was also demonstrated, including regular provision of personal protective equipment (PPE), care packages and various ways of recognition, including motorcades, socially-distanced salutes and treats for our *GK Heroes* during the Company's Employee Appreciation Week (EAW).

For the first time since EAW's inception in 2013, activities were launched globally, with our Group CEO addressing employees via Zoom. For the first time international team members were able participate in various EAW virtual events. Our guest speaker challenged us to adopt a 5-G Attitude for 2020.

"5-G ATTITUDE"

GRATITUDE
GROWTH
GENEROSITY
GRACE
GRIT

One of our employees was quoted in a recent forum saying, ***"When I saw how our leaders demonstrated care for the staff, especially the merchandisers, I fell in love with GK all over again."***

The work environment in 2020 was characterised by stronger levels of teamwork and collaboration among employees, as our **"we care"** and **"stronger together"** mantras permeated our organisation locally and overseas.

TALENT DEVELOPMENT

We continued our suite of Leadership Programmes through online training options and relevant content changes in response to the pandemic. A new cohort of our future leaders "Diamonds" Programme began in April 2020, and the Senior Leadership Development Programme (SLDP) modules were executed as planned to build our talent pipeline for strategic positions. Several modules of the 10-month Supervisory Development Programme (SDP) were completed in 2020 but that programme required an extension into 2021 due to the need to facilitate shorter modules spread over multiple days, and to respond to the learning needs of these participants who occupy first-level management roles, predominantly supervising front-line workers.

In June 2020, we launched another flagship leadership programme called the "Great Leaders' Development Programme" (GLDP), targeting our mid-tier leaders. The GLDP is fully online with modules spanning 9-months and commenced with two (2) cohorts totalling forty-four (44) participants from across the Group including UK, Canada, USA, Jamaica, and the Eastern Caribbean. In addition to the excellent content, the sharing of experiences in the global markets by participants has enriched the learning opportunity.

We maintained our focus on capacity building, working with our facilitators to deliver online training and development programmes to meet our strategic skill-building and individual development needs. To strengthen our digital capabilities, we invested in training in Data Analytics, Business Intelligence and Agile Leadership and continued to build Change Management and Project Management competencies.

Staff valued the efforts to continue their development during the pandemic, as evidenced by our Company's achievement of the second highest improvement score for the Growth Opportunities pillar of Employee Engagement.

SUCCESSION MANAGEMENT

Having a robust talent pipeline is critical to the effective operation of a business, and that approach is consistent with our focus on succession management in the Group. Our investment in developing our team in readiness for leadership changes facilitated a smooth transition upon the retirement of some key senior leaders. Simultaneously, we refreshed our succession plans, enrolled new potential candidates, and re-engaged with existing potential successors to review progress of development plans.

HONOURING OUR PEOPLE

Throughout 2020 we were reminded that without our people our Company could not have achieved and surpassed our targets. Team members across the Group stepped up in the face of COVID-19, and in the past few months we have celebrated their demonstration of excellence, through various reward and recognition programmes.

Seven (7) companies were nominated for the coveted Group CEO's Company of the Year Award, which was won by the GraceKennedy Foods USA team, for the second consecutive year. The GK USA team achieved revenue growth over prior year and exceeded profit targets. They also demonstrated outstanding community service and support through their *With Love From Grace* outreach for essential workers in New York, New Jersey and South Florida, in addition to providing donations to church groups. This highly motivated team also received superior employee engagement scores.

The COVID Hero award for frontline staff, Sales, Service Excellence, Exemplary Leader, Spotlight, GK Spirit, Factory/SBU/SSU of the Year, and the Group CEO's Special Recognition awards were some of the ways we honoured our team for an exceptional year of achievements.

In the words of our Group CEO, "The crisis is not yet over, but the GK Team has proven that we can rise to the challenge. We must continue to work together and take care of each other, whilst learning the many lessons and discovering the new opportunities in this crisis." That message remains valid as we embrace 2021.

FUTURE OUTLOOK

Certain statements contained in the Management Discussion & Analysis of financial condition and results of operations are forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industries, businesses and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in other sections of this Annual Report.

MD&A RECAP

Throughout 2020, the GraceKennedy Group continued to execute its mission and achieve its strategic objective of delivering long-term consumer and shareholder value. GraceKennedy also remained focused on achieving its goal of becoming a Global Consumer Group, delivering the taste of multi-cultural foods to the world and leading financial services to the region.

The onset of the COVID-19 pandemic made 2020 an extraordinary year which proved extremely challenging for many people, communities and businesses around the world. During this difficult period, GraceKennedy, through its focus on Business Continuity, has been able to adapt to the market challenges. Through dedication and attention, our COVID-19 response included:

- Activation of the Business Continuity Plan on January 29, 2020;
- The establishment of a Global multi-discipline Steering Committee on March 3, 2020;
- Ensuring the safety and well-being of our staff with over 60% working from home, and the implementation of other staff support initiatives;
- Ensuring our supply chain remained robust and reliable;
- The management of our liquidity, margins, cost containment, and cost reduction;
- The identification of opportunities in the crisis;
- Giving back to our communities; and
- Increased frequency of Executive Committee meetings.

We are particularly grateful to our employees for their tenacity and commitment during this difficult period. Their hard work in assisting to tackle the effects of the pandemic, their support for our communities, and their work with our customers and suppliers has been truly phenomenal.

During 2020, significant business achievements included the acquisition of majority shares in Key Insurance; adding a new principal (Nestlé) in our domestic food business; the record-breaking performance of GK Foods (USA) LLC; engagement in innovative manufacturing solutions; strong growth in our Nurishment brand in the UK; increasing our employee engagement scores from 66% to 71%; and Grace Foods Latin America & Caribbean (LACA) being the recipient of the Governor General's Award for Exporter of the Year as well as the Prime Minister's Award for the Top Large Exporter in Manufacturing.. GraceKennedy Limited also won several Jamaica Stock Exchange ("JSE") Best Practices Awards, including overall winner in the 2019 Corporate Disclosure and Investor Relations Category and first runner up for the 2019 JSE/PSOJ Corporate Governance and Website Award; and GKCM was also declared the first runner up in the Investor Relations category. These awards demonstrate that our Group is not only performing well, but also doing so in accordance with the highest standards, guidelines and best practices established by the Jamaica Stock Exchange and benchmarked against our counterparts around the world.

LOOKING FORWARD

Our commitment to sustainable growth and innovation will continue in 2021 and will see the Group pursuing ventures and initiatives that will accelerate the pace at which we extract value from our strategic investments and move forward with our long-term strategy. Serving the community remains a priority, especially during this time when COVID-19 has adversely impacted so many lives. During 2021, we will be guided by our theme - "We are Stronger Together. We Care." and will continue to live this theme through all our initiatives and endeavours.

To this end, we will execute our mission, built around the following business perspectives:

- Growth and Sustainability;
- Customer Centricity and Innovation;
- Operational Excellence; and being a
- Performance Driven Organization.

GROWTH AND SUSTAINABILITY

Our focus continues to be on accelerating business growth through expansion and innovation. GKFG's strategic outlook and vision are focused on being a borderless Financial Group, and a trusted people-centric financial services partner. Key priorities for the Financial Group in 2021 include creating an environment that develops pioneering solutions through the implementation of a Digital Factory. In addition, we will continue to develop an ecosystem to facilitate financial inclusion that looks at the expansion of GKONE, the launch of tiered Know your Customer (KYC) products, and financial literacy programmes. The Financial Group will also focus on growing its core business in local and regional insurance, and its share of the remittance market through retail and digital channels, and securing additional banking and investment licenses.

In fulfilling its aspiration of becoming consumers' first choice for great food both in Jamaica and internationally, the Foods Division is focused on ensuring convenient access through increased distribution. Growing the Grace and Grace owned brands is a key priority for 2021. Internationally, we will be exploring new markets for distribution and implementing initiatives to increase supply in our current channels. Grace Foods Canada performed well with its expansion into the western region performed well in 2020 and the focus in 2021 is to grow even further, while growing volumes in the major chains. The Canadian business will also introduce new product innovations in 2021 including Jerk Patties. In the United States, we will be working on principal acquisition, with particular attention to the Mexican/Hispanic market. In the UK, we will continue to focus on the growth of Nurishment and owning our distribution within Europe.

A key priority of the Jamaican manufacturing, marketing and food distribution companies will be on improving operational efficiency in 2021. To this end, we will focus on leveraging distribution synergies and modernizing our factories to drive competitiveness and growth. Strategic focus has been placed on increasing the number of principals we represent, and we recently partnered with a major brand, with hopes of expanding this arrangement in the future. We will also be looking at adding to the number of products manufactured locally through new product development and co-packing agreements.

As the Group focuses on growing our foods and financial services business both in Jamaica and internationally, merger and acquisition opportunities are also being pursued and reviewed as part of the long-term strategy.

CUSTOMER CENTRICITY AND INNOVATION

We will grow our customer base via innovative insights and product development. GKFG will implement strategies that will enhance our customer experience in 2021. These include the modernization of the Money Services call centre, the development of customer interactive channels for investments, and upgrading the mobile app for our brokering business. We will also transform into an insights-led organization through the implementation of a Customer Relationship Management tool that will use customer insights to launch new products and enhance services.

GraceKennedy maintains its promise to its customers to provide value by continually offering quality goods and services to meet their needs. The Foods Division will be launching innovative products that cater to consumers' desire for fresh, convenient, and healthy options. The "Better for You" category will be a key innovation big bet for the Foods Division in 2021. We will continue to invest in and extract gains from the refresh of the Grace brands and the relaunch of the LaFe brand to remain relevant and recruit new customers. Grace Foods UK will be investing in additional formats for its Nurishment brand and has already launched the ultra-convenient bottle format. The production of more frozen products, such as Grace Frozen Ackees, at our new Denbigh factory is also in line with plans to manufacture more convenient products.

OPERATIONAL EXCELLENCE

The consistent and flawless execution of our business strategies is made possible through employing efficient processes. In 2021, we will be investing in and building on the operational efficiencies that have been implemented throughout the Group. GKFG will be investing in a Groupwide business intelligence tool to optimize operations and better enable the sharing of data among the business units.

GK Foods (USA) LLC will continue to extract value from its new distribution centre in New Jersey. Throughout our six domestic factories, we will invest in plant modernization to ensure that our operations are best-in-class, and drive output through increased production and additional manufacturing partnerships to ensure improved capacity utilization. A supply chain optimization project will also be executed to extract additional value throughout the Foods Division both locally and internationally.

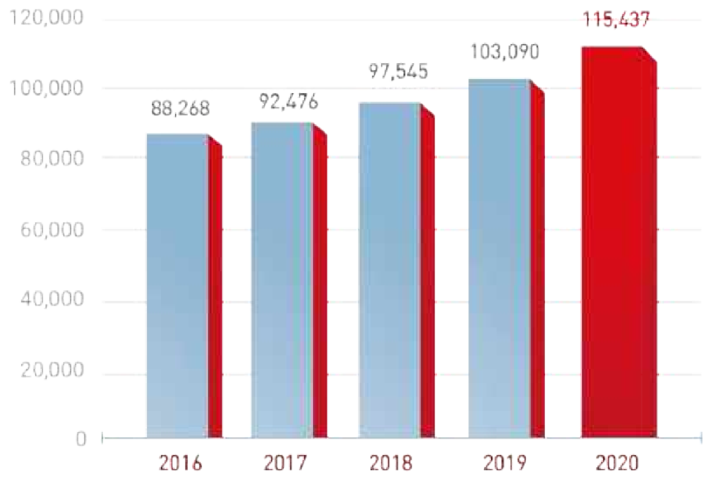
PERFORMANCE-DRIVEN ORGANIZATION

A qualified and highly motivated staff is the key to successfully achieving any organization's long-term vision. GraceKennedy recognizes the importance of creating value for our team members and in fostering high morale throughout the Group. In 2021, we will execute on the results of our employee engagement survey, highlighting the areas of growth opportunities, total rewards, meaningful work, and ensuring a positive work environment. We will also be making further investments in the use of change management, as this becomes the framework to successfully implement our key strategic initiatives. Focus will also be placed on providing our employees with appropriate training and opportunities for advancement, including the Global Leadership Development Programme, the Senior Leadership Development Programme and Diamonds training for future leaders. We believe that an organization's greatest asset is its people, and our team continues to embody the GraceKennedy spirit that truly inspires the world.

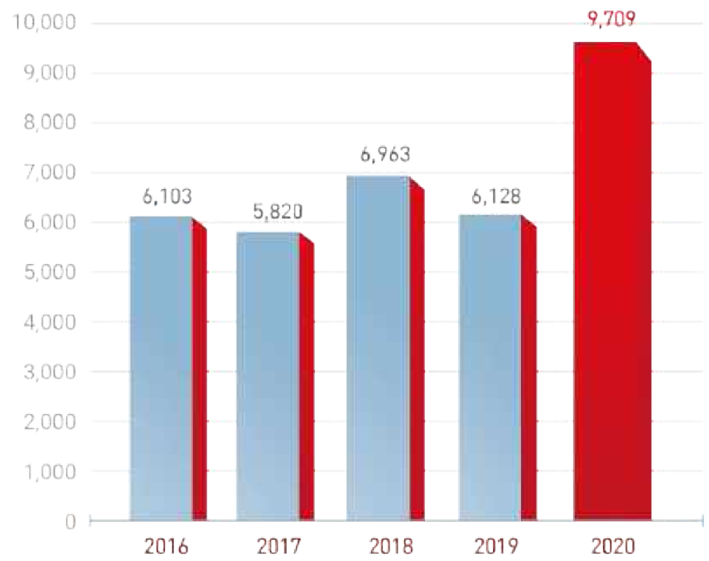
KEY EXPECTATIONS FOR 2021

- Accelerating the introduction of digital products/channels through Digital Transformation initiatives to meet consumer needs by launching our Digital factory;
- Continuing to grow our businesses through greenfield projects, joint ventures, mergers and acquisitions or through strategic partnerships;
- Bolstering our presence in the Jamaican food market by increasing our reach in various channels, executing strategic partnerships and introducing new products.;
- Optimizing our foods distribution channel in international markets through strategic investments and added focus on brand building to increase earnings;
- Factory optimization/modernization to drive competitiveness and growth in manufacturing output;
- Strengthening the use of change management across the Group through training and certification and the application of its principles in project management; and
- Improving the capabilities of employees through increased training, leadership development programmes and the strengthening of succession management throughout the Group.

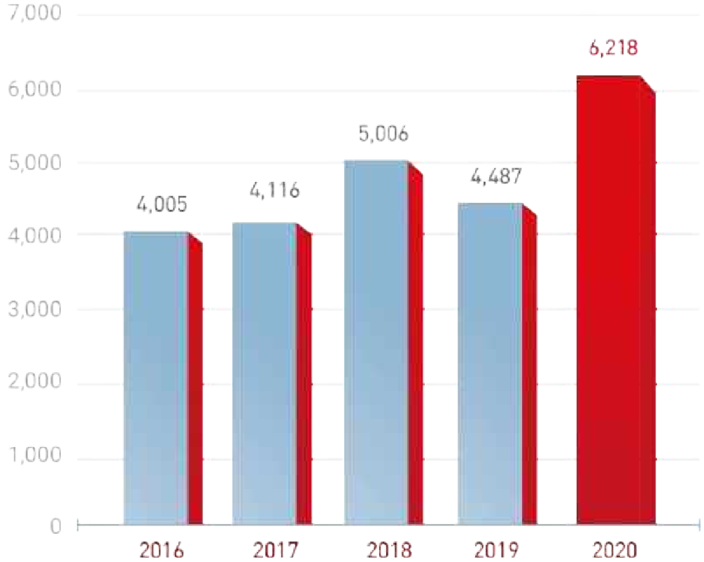
REVENUE
(JA$ MILLIONS)



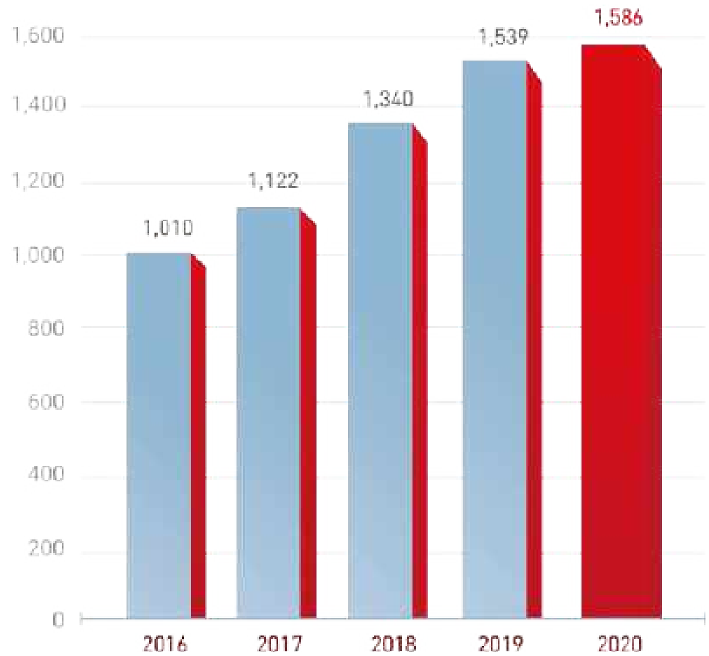
PROFIT BEFORE TAX
(JA$ MILLIONS)



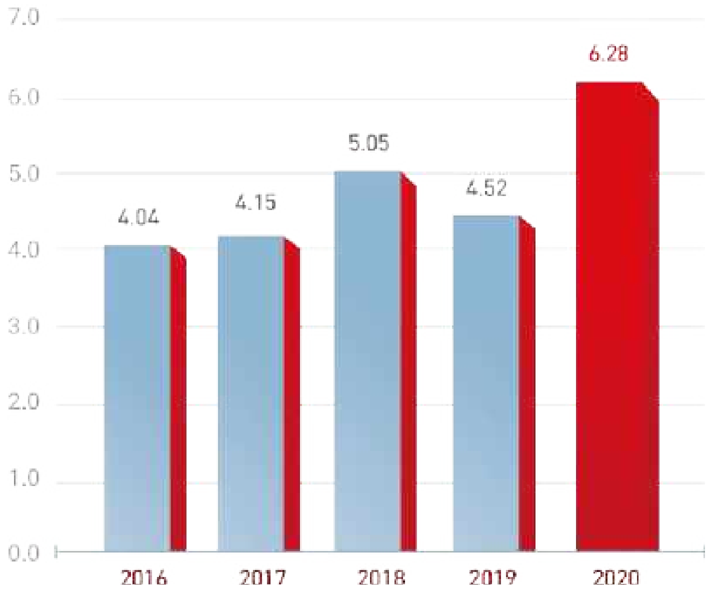
NET PROFIT ATTRIBUTABLE TO STOCKHOLDERS
(JA$ MILLIONS)



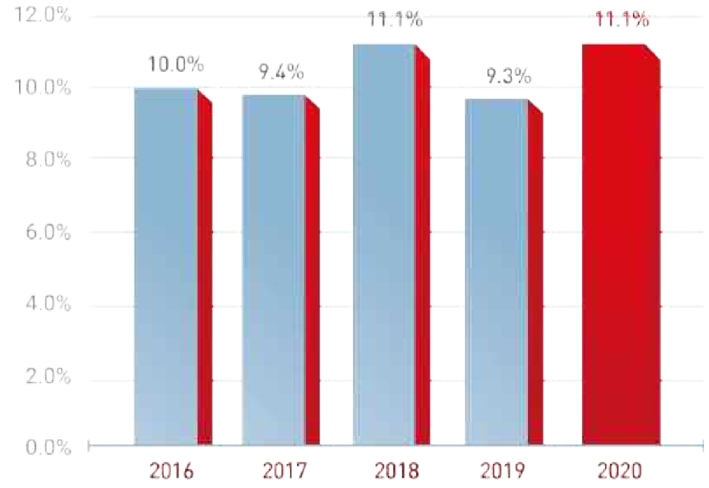
DIVIDEND
(JA$ MILLIONS)



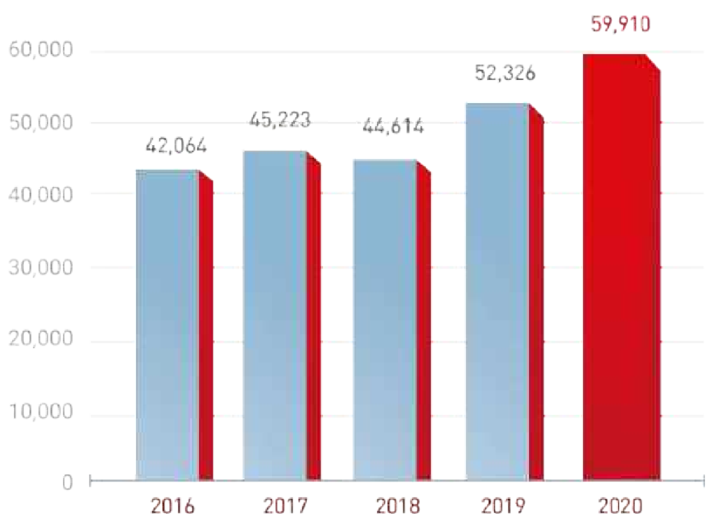
EARNING PER STOCK UNIT
(JA$)



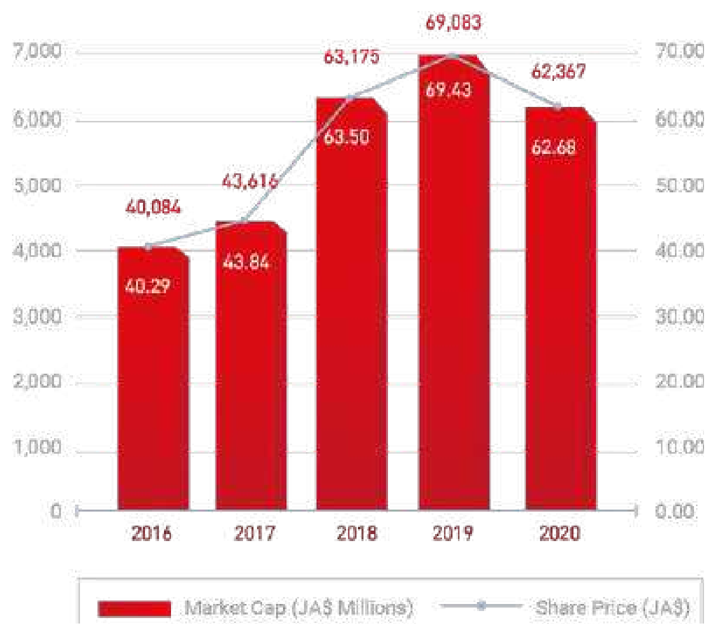
RETURN ON EQUITY
(%)



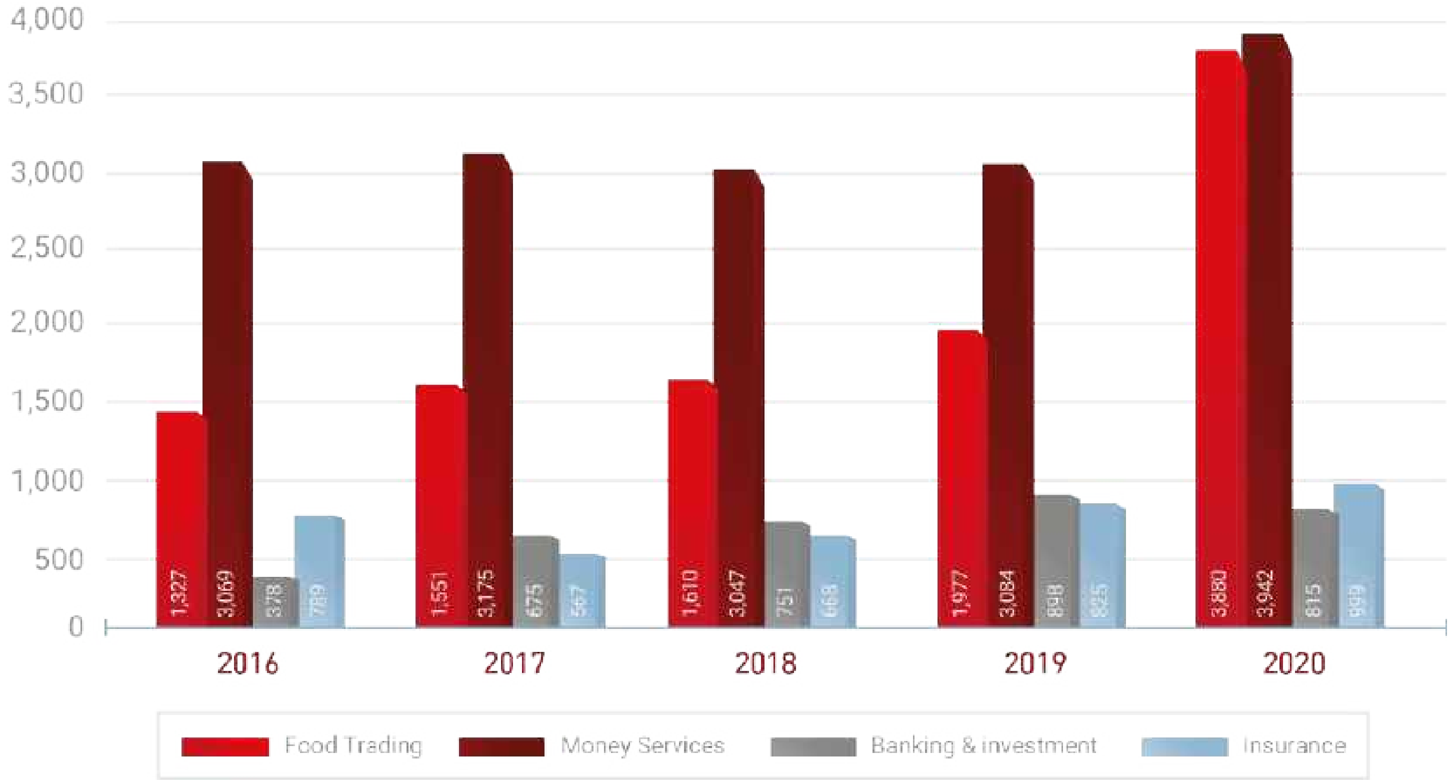
SHAREHOLDERS' EQUITY
(JA$ MILLIONS)



MARKET CAPITALISATION & SHARE PRICE

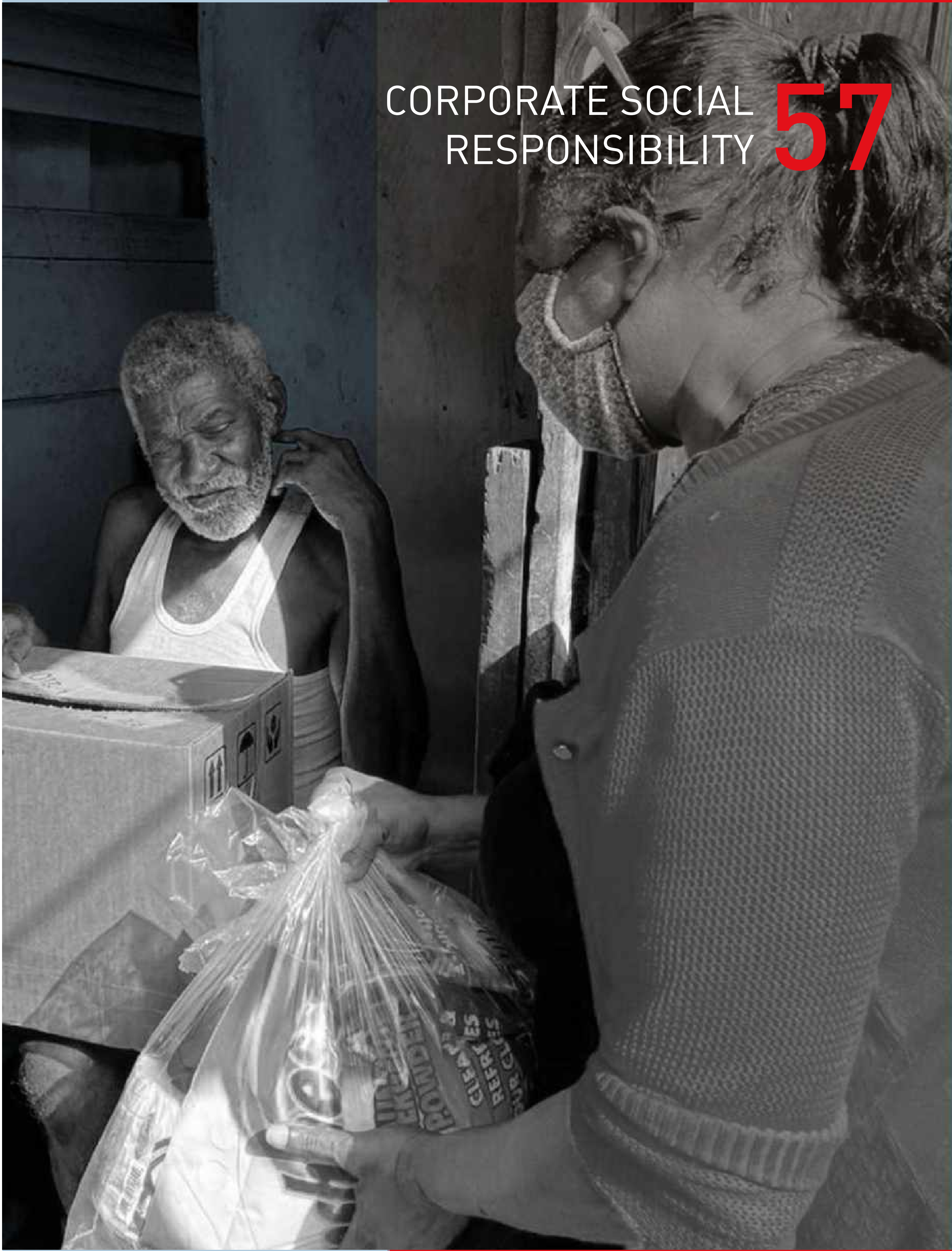


CONTRIBUTION TO PRE-TAX PROFIT BY SEGMENT
(JA$ MILLIONS)



Excludes Corporate & Other Unallocated Income

CORPORATE SOCIAL RESPONSIBILITY



OUR COMMITMENT TO CSR

GraceKennedy's We Care ethos is the foundation on which our Company is built. This extends beyond Corporate Social Responsibility (CSR) into every aspect of our operations, and we are actively working towards establishing an Environmental, Social and Governance (ESG) monitoring framework for our Group.

GraceKennedy is guided by the highest ethical standards in our business decisions and relationships with others, guided by our core values - honesty, integrity and trust – and we are committed to providing quality products and services for our customers, clients, and partners who we treat fairly and with respect, while we actively work towards improving our environmental sustainability. Our Company not only supports a host of worthy causes in Jamaica and around the world, we have institutionalized our CSR programme through two foundations - the Grace and Staff Community Development Foundation ('Grace & Staff') and the GraceKennedy Foundation (GKF).

The GK CSR policy is grounded in partnerships with staff, customers, and other stakeholders who freely give their time, resources and talents to advance our purpose as a good corporate citizen.

Scan the QR Code to view our full CSR Policy.

SUPPORTING COMMUNITIES DURING THE COVID-19 PANDEMIC

In 2020 GraceKennedy's 'We Care' spirit was felt far and wide in the communities we serve in Jamaica and overseas. In partnership with our Foundations and subsidiaries, our Company stepped up in a big way to help those who had been most significantly impacted by the COVID-19 pandemic, initiating several initiatives to support frontline workers and the most vulnerable.

WE CARE AT HOME

Soon after the first case of COVID-19 was recorded in Jamaica, GraceKennedy pledged J$10 million to the Private Sector Organisation of Jamaica's (PSOJ) COVID-19 response to purchase ventilators for Jamaica's hospitals. GK's COVID-19 outreach also benefited those working on the frontlines of the pandemic, including in-kind donations of food, beverages, hygiene and sanitary products to the Jamaica Defence Force, Jamaica Constabulary Force, Ministry of Health and Wellness, National Solid Waste Management Authority, Red Cross, Bustamante Hospital for Children and several group homes. When entire Jamaican communities were quarantined to stop the spread of COVID-19 in 2020, Grace Foods provided over 2,000 care packages for residents; and throughout 2020 Hi-Lo Food Stores, offered discounts to health care workers and senior citizens.

GraceKennedy Money Services (GKMS) served as a lifeline for many Jamaicans in 2020, with over 100 of its locations serving as pay-out stations for the Government of Jamaica (GOJ) COVID-19 Allocation of Resources for Employees (CARE) Programme.

First Global Bank (FGB) also took steps to improve financial inclusion for Jamaicans during the pandemic by offering GOJ CARE recipients bank account sign up services at 60 locations while also reducing the requirements to open an account.

Our Foundations also rose to the challenge of the pandemic. Most notably the *GK Cares Tools for Schools* Programme, which is coordinated by Grace & Staff, and the *GK Campus Connect Food Bank*, which is coordinated by GKF, offered a much-needed support to Jamaican students at all levels, struggling with fallout from COVID-19. Our GraceKennedy Foundation also donated J$2 million to the PSOJ and Council of Voluntary Social Services (CVSS) COVID-19 Response Fund, to purchase 3D printers and supplies to create personal protective gear and repair medical equipment, and Grace & Staff distributed over 500 care packages to those in need. Notwithstanding, both Foundations also continued to deliver their existing programmes despite the challenges associated with the 'new normal,' more details of which can be found on pages 62 to 70 of this report

WE CARE ABROAD

During the pandemic, our overseas businesses also stepped up to assist frontline workers, as well as charities and community groups dedicated to supporting those in need.

In Canada, Grace Foods Canada donated 1,900 cases of coconut water to frontline workers, including hospital staff, paramedics, police and fire services throughout the Greater Toronto Area (GTA) in April. At Christmas Grace Foods Canada also partnered with four charitable organizations to provide meals and grocery hampers to those who had been hardest hit by the pandemic.

In the US in June and July, the *With Love from Grace* Jerk Food Truck Tour delivered hot lunches to 2,000 essential grocery store workers, with over 30 stops in New York and Florida. Through a partnership with Congresswoman Yvette Clarke and Jamaica Consul General Alison Roach-Wilson, GraceKennedy Foods (USA) LLC also provided food assistance to over 5,000 persons in need. These donations began in May and were made to 12 churches in the New York Metro Area over three months.

Among Grace Foods UK's COVID-19 response CSR initiatives were their 'Jamaicans Inspired' donations to the Birmingham Feeding Drive, as well as donations to the Brixton Soup Kitchen and National Health Service including the NHS 'Nightingale' Hospital.

GraceKennedy is proud of the charitable work of our Foundations and subsidiaries throughout the pandemic and the critical support we were able to offer to those in need in 2020. Our Company remains committed to supporting the communities we serve in any way we can, as the world continues to grapple with COVID-19.

We are Stronger Together. We Care.

GraceKennedy Limited

Ahead of the new school year in September GraceKennedy donated over 200 laptops and tablets valued at over J$5m to Jamaican teachers under the GK Cares' Tools for Schools initiative.

GraceKennedy Limited

Christmas came early for the children of 25 Jamaican Household Workers in need, who benefitted from a donation of 25 tablets valued at over J$850,000 from GraceKennedy in December.

GraceKennedy Limited

Although GraceKennedy's Christmas Outreach had to be adjusted in 2020 in accordance with COVID-19 protocols, 22 Grace & Staff volunteers spread the Christmas cheer by delivering care packages to over 750 seniors in December 2020.

GraceKennedy Limited

Since its launch in April 2019 the GK Campus Connect Food Bank has provided food packages valued at approximately J$7.5 million for hundreds of tertiary students in need, over $3.1 million dollars of that support was provided during the pandemic in 2020.

GraceKennedy Limited

GraceKennedy Foundation awarded scholarships and bursaries valued at over J$21 million to 93 Jamaican tertiary students for the 2020/21 academic year.

AT GK, **WE CARE** ABOUT OUR COMMUNITIES

Scan the QR Code to see the work we've done throughout the year or watch the video at https://www.youtube.com/watch?v=NUhN3VaVM3A

GraceKennedy Limited

In April Grace Foods Canada donated 1,900 cases of Coconut Water throughout the Greater Toronto Area to frontline workers including hospital staff, paramedics, police and fire services.

WE ARE STRONGER TOGETHER!

GraceKennedy Limited

Although GraceKennedy's Christmas Outreach had to be adjusted in 2020 in accordance with COVID-19 protocols, 22 Grace & Staff volunteers spread the Christmas cheer by delivering care packages to over 750 seniors in December 2020.

GraceKennedy Limited

Each year the Carlton Alexander Bursaries are awarded to children of GK employees who achieve high academic performance; J$1.5 million worth of bursaries were awarded to 20 students in 2020.

GraceKennedy Limited

In June and July GraceKennedy Foods USA's "With Love from Grace" Appreciation Food Truck Tour delivered hot lunches to 2,000 essential workers over some 30 stops in New York and Florida.

GraceKennedy Limited

Starting in March Grace Foods provided meals for distribution to Jamaican security personnel working on the frontline to contain the spread of COVID-19. Under the initiative, meals and beverages, were distributed to police officers and soldiers assisting with containment measures at various locations.

GraceKennedy Limited

In July 2020 a partnership between Grace & Staff, Kingston Creative and Digicel Foundation saw members of the Rae Town and Rose Gardens communities producing 1,000 face masks which were distributed to communities across Downtown Kingston.

GraceKennedy Limited

Grace & Staff joined Jamaica Millennium Vision Youth on their 'Youth Fi Plant' initiative at Mona Heights Primary to mark National Tree Planting Day in October.

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GRACE & STAFF COMMUNITY DEVELOPMENT FOUNDATION REPORT

Tanketa Chance Wilson
General Manager, Grace & Staff Community Development Foundation

GRACE & STAFF
COMMUNITY DEVELOPMENT
FOUNDATION
"Building a bridge of human care and understanding

BOARD OF DIRECTORS

as at March 1, 2021

The Grace & Staff Community Development Foundation (Grace & Staff) was established in 1979, in response to the social and economic conditions in inner city communities in downtown Kingston. As the name suggests, the Foundation is a partnership between GraceKennedy's management and staff, to facilitate the development of communities that border the Company's offices. For over 40 years, the Foundation has been working in communities, building a bridge of human care and understanding, providing support in the core areas of education, community outreach and development, and volunteerism. The work of the Foundation is geared towards positively impacting the most poor and vulnerable within society.

In 2020 the Foundation's efforts focused on education and community outreach, two areas severely impacted by the pandemic.

EDUCATION

Bridging the Digital Divide

With the shift to online learning during the pandemic, many Jamaican children in underserved communities had limited or no access to internet-enabled devices to participate in virtual classes. This put them at a distinct disadvantage and at risk of falling behind in their studies. Through donations of tablets and laptops, Grace & Staff enabled access to these devices for students and teachers, bridging the digital divide, which had been worsened by the COVID-19 pandemic.

Through the ***GK Cares: Tools for Schools*** initiative, in 2020 Grace & Staff facilitated the donation of 242 tablets and laptops, valued at over J$5 million, to students and teachers from 20 early childhood, primary and secondary schools. The first donation of this kind was made in January of 2020, to the Majesty Gardens Infant School.

Grace & Staff's commitment to supporting online education in 2020 also included a partnership with GK Capital Management and GK Insurance which facilitated the improvement of Wi-Fi internet access and the donation of tablets to secondary and tertiary students.

The GK Cares programme also assisted GK team members in securing discounted devices for their children's virtual learning.

Tuition Support

As GraceKennedy approaches its 100th Anniversary in 2022, Grace & Staff has been tasked with achieving the target of providing financial support for 1,000 Jamaican students. In 2020, the Foundation inched closer to that goal, by providing tuition assistance for 810 students.

Homework Centres

Five of Grace & Staff's six homework centres and its STEM centre remained open throughout the year, adhering to strict COVID-19 protocols. The centres continued to provide support to students from communities in which GraceKennedy operates in Kingston and St. Catherine.

Youth Development

In addition to addressing fundamental areas of education, Grace & Staff also focused on developmental initiatives for youth.

Recognizing the importance of play to the children participating in its programmes, in February 2020, Grace & Staff partnered with the St Michael's Infant School and UNICEF Jamaica to observe ***Play Day JA***. Through the initiative, GraceKennedy employees, supported by participants from ***Fight for Peace***, participated in a fun-filled day of activities at the school in Kingston.

In July, 49 students participated in a virtual **Science, Technology, Education, Arts and Math (STEAM) Camp**, led by "Youth Can Do IT" (YCDIT), and sponsored by First Global Bank through its 'Global Cares' initiative. As part of this programme, students created games, developed animated stories, webpages and blog sites. The group was also engaged in self-empowerment exercises.

In December, 13 girls from the GraceKennedy STEM Centre joined over one hundred (100) other participants across the island in a virtual workshop led by regional NGO, **Caribbean Girls Hack**'s regional technical partner, RSC Tech Clubs, and funded by Verizon. The workshop, themed, **"Introduction to Tech through eCommerce"**, aimed to inspire and familiarize girls with career opportunities in the Tech sector, especially in the local and regional eCommerce industry.

In 2020 the **Boys Can** Mentorship Programme, a partnership with the British Council, also continued to provide structured mentorship support for 46 boys from seven Jamaican secondary schools across the island. The programme was developed to raise the aspirations of, and support boys at-risk of not completing their high school education, and to identify opportunities for positive pathways in employment. A key objective of this initiative was to empower parents, guardians and guidance counsellors to support and guide boys towards completing their education.

In 2020 members of the Grace & Staff Photography Clubs, which include student beneficiaries of Grace & Staff programmes, expanded their knowledge and skill sets to video creation. These were put to good use through a competition to create a Public Service Announcement (PSA) for the Jamaica Stroke Alliance (JSA). Members of the club are currently working to complete a docuseries looking at the social impact of the pandemic on our communities.

Community Outreach & Volunteerism

The communities adjacent to GraceKennedy's operations experienced significant hardships in 2020 as a result of the COVID-19 pandemic. In a bid to ease some of the pressure, Grace & Staff assisted with meeting some basic, yet crucial needs of community members, with focus on the most vulnerable. Over 500 care packages were distributed by Grace & Staff, while some 60 students from Western Jamaica received Hi-Lo gift vouchers for groceries. Grace & Staff also contributed to community soup kitchens to support those in need.

In July 2020 a partnership with Kingston Creative saw members of the Rae Town and Rose Gardens communities in Downtown Kingston producing 1,000 face masks which were distributed to communities across Downtown Kingston. Early support from Grace Foods for this initiative resulted in an income generating opportunity for the mask-making artisans who brought in over J$400,000.

Although Grace & Staff's Christmas Outreach had to be adjusted in 2020 in accordance with COVID-19 protocols, 22 volunteers braved the pandemic, taking all necessary safety precautions to spread the Christmas cheer and GraceKennedy's 'we care' spirit. Through that initiative, over 750 seniors received care packages from GraceKennedy in December of 2020.

In 2020 the Foundation also provided virtual counselling and motivational sessions as part of the GK staff wellness programme, as well as online parenting, resilience building and coping sessions for members of the communities which are part of the Foundation's programmes.

The Grace & Staff Community Development Foundation is proud of the impact of its work in 2020. The team looks forward to continuing to carry out its mandate to 'build a bridge of human care and understanding.'

Caroline Mahfood
Chief Executive Officer,
GraceKennedy Foundation

BOARD OF DIRECTORS

as at March 1, 2021

DR. FRED KENNEDY
Chairman

ALLISON RANGOLAN

DR. CAROL GENTLES

CATHRINE KENNEDY

CHALUK RICHARDS

DEIDRE COUSINS

HILARY WEHBY

JAMES MOSS-SOLOMON

JULIE MEEKS-GARDNER

PHILIP ALEXANDER

RADCLIFFE DALEY

TERRY-ANN GRAVER

CAROLINE MAHFOOD
Chief Executive Officer

The GraceKennedy Foundation (GKF) is dedicated to supporting GraceKennedy's - corporate citizenship by creating environmentally sustainable programmes, promoting healthy lifestyle initiatives and increasing access to education. The Foundation's mission, vision and programmes are aligned with several of Jamaica's Vision 2030 goals and the United Nation's Sustainable Development Goals (SDGs). In support of the Foundation's mission and these goals, the following activities were executed in its core focus areas:

ENVIRONMENTAL PROGRAMMES

In 2020, the holder of the GraceKennedy Foundation funded James Moss-Solomon Snr. Chair in Environment, Prof. Mona Webber, contributed to the sustainable development of Jamaica through research, student development and outreach. Prof. Webber's work supports SDG 14 and 15 – "life below water and life on land", and Jamaica's Vision 2030 Goal 4 - that "Jamaica has a healthy natural environment." Much of Prof. Webber's work focuses on the rehabilitation and protection of various aspects of coastal and marine life, including mangrove restoration. These initiatives are aimed at increasing Jamaica's resilience to natural disasters and the impact of climate change.

Recycling

The GraceKennedy team remains committed to the Company's Recycling Programme, which was introduced by the Foundation in 2014. The programme encourages GraceKennedy team members to separate their plastics at source and bring them to work to be recycled. In 2020, GraceKennedy collected approximately 9,200lbs of plastic through the programme, bringing the total to over 86,000lbs of plastic since it began.

The Foundation is part of a consortium that was awarded a grant valued at US$990,000 - to undertake a 3-year pilot project which aims at identifying a long-term solution to the pollution entering the Kingston Harbour.

The project is primarily financed by the Caribbean Biodiversity Fund (CBF), which is made possible through the funding of the Ecosystem-based Adaptation (EbA) Facility, provided by the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety (BMU) International Climate Initiative, through KfW, the German Development Bank. The project began in February 2020 and its goals are to rehabilitate the mangroves surrounding the Kingston Harbour, reduce solid waste entering the Harbour from Barnes Gully (pilot study), and raise awareness of solid waste management issues in schools and communities in the surrounding areas.

In 2020, the Foundation assisted Ocean Cleanup, an international non-profit organization which is developing technology to rid the oceans of plastic, with a baseline study on plastic and garbage entering the Kingston Harbour at Hunt's Bay in Kingston. This research contributed to Ocean Cleanup receiving a US$1 Million grant to address the pollution entering the Harbour. The Foundation will work with Ocean Cleanup to implement this critical project.

PROMOTING HEALTHY LIFESTYLES

Jamaica Stroke Alliance

According to the Jamaica Health and Lifestyle Survey for 2016/2017, one in three Jamaicans is hypertensive, and at risk of a stroke. As part of its healthy lifestyles focus, the GraceKennedy Foundation assisted with the founding of the Jamaica Stroke Alliance (JSA), which was launched on World Stroke Day, October 29, 2020. GraceKennedy, along with the Foundation, provided seed funding to assist with JSA's start-up costs.

GK Campus Connect Food Bank

As a part of GraceKennedy's efforts to support tertiary students in a multifaceted way- the Foundation launched the GK Campus Connect Food Bank for students attending the University of the West Indies (UWI), the University of Technology (UTech), and the Edna Manley College for the Visual and Performing Arts.

This initiative is being carried out in partnership with companies from across the GraceKennedy Group. Dairy Industries Jamaica Limited and Grace Food Processors (Meats) Division donate items monthly, while Grace Foods contributed goods valued at J$4.5 million between 2019 and 2020. Over 1200 people have received assistance from the Food Bank since April 2019. At the onset of the COVID-19 pandemic, the Food Bank donated 600 food packages to international students who were stranded on the UWI and UTech campuses, as well as to Jamaican non-profit organizations helping those in need. Grace Foods brand, 'Mighty Malt' also contributed 100 packages valued at J$1m to this initiative.

The Foundation continues to be exceedingly proud of our GraceKennedy Scholars, who use their volunteer hours to assist in the operation of the Food Bank. The Foundation would also like to thank UTech's administration for the support that it has given throughout the year under review, including the provision of a room, shelving and other items to house the Food Bank.

Jamaicans in the diaspora can support the Food Bank by making a donation at www.theafj.org.

Scholarship Programme

In 2020, the GraceKennedy Foundation awarded over J$21 million in scholarships to Jamaican tertiary students attending the University of the West Indies, University of Technology, Edna Manley College of Visual and Performing Arts and the Caribbean Maritime University through its annual scholarship programme. Bursaries valued at over J$1.5 million were also awarded by the Foundation to the children of GraceKennedy employees through the annual Carlton Alexander Memorial Awards in 2020.

EDUCATION

The Foundation continues to support public education and discourse, as well as tertiary and secondary level training in the following ways:

- Grant Funding
- The Annual Lecture Series
- Funding of a Professorial Chair, a research fund and an Executive-In-Residence at the University of the West Indies
- The GraceKennedy Jamaican Birthright Programme
- Scholarships

Grant Funding

In 2020, the Foundation awarded grants totalling over J$4.4M to projects focusing on early childhood education, Science, Technology, Engineering, the Arts and Mathematics (STEAM) education, healthy lifestyles and the environment. Of that amount, J$2.3 million was allocated to the Private Sector Organisation of Jamaica (PSOJ) COVID-19 Relief Fund; J$2 Million was apportioned to the purchase of medical grade 3D printers for the Citizen's Response Group to make personal protective equipment (PPE) for Jamaica's health care workers; and J$300,000 was used to purchase food packages, which were distributed to underserved communities in Jamaica.

Annual Lecture

On 30 September, over 350 persons logged on for the first ever virtual GraceKennedy Annual Lecture in its thirty-one-year history. Dr. Margaret Jones Williams, UNDP Deputy Resident Representative for Suriname, presented the lecture from Paramaribo in Suriname on the topic "The Decade of Action Begins: The Sustainable Development Goals. Leaving No One Behind." Dr. Jones Williams shared the background to the Sustainable Development Goals, the development issues they address and the progress towards achieving them.

The goals range from reducing poverty and hunger, to gender equality, access to water, conservation of biodiversity, access to clean and affordable energy, just and peaceful societies, and strong partnerships.

The S. Carlton Alexander Research Fund

Following the resignation of the outgoing S. Carlton Alexander Chair in 2018, the GraceKennedy Board agreed to use the allocated funds to support multiple UWI researchers working on projects supporting national development. The Carlton Alexander Research Fund will be launched in the first quarter of 2021.

Executive-In-Residence

Mr. James Moss-Solomon has served as the Executive-in-Residence at the Mona School of Business and Management (MSBM) for the past eight years. In this role, he continues to provide guidance and business expertise to the students in the MSBM MBA programmes, as well as to support the MSBM's development of fora on topics of national importance.

Birthright Programme

The GraceKennedy Jamaican Birthright Programme is a cultural and professional internship for second and third generation Jamaican university students in the USA, UK and Canada. In 2020 the internship was cancelled due to the pandemic.

GK Campus Connect

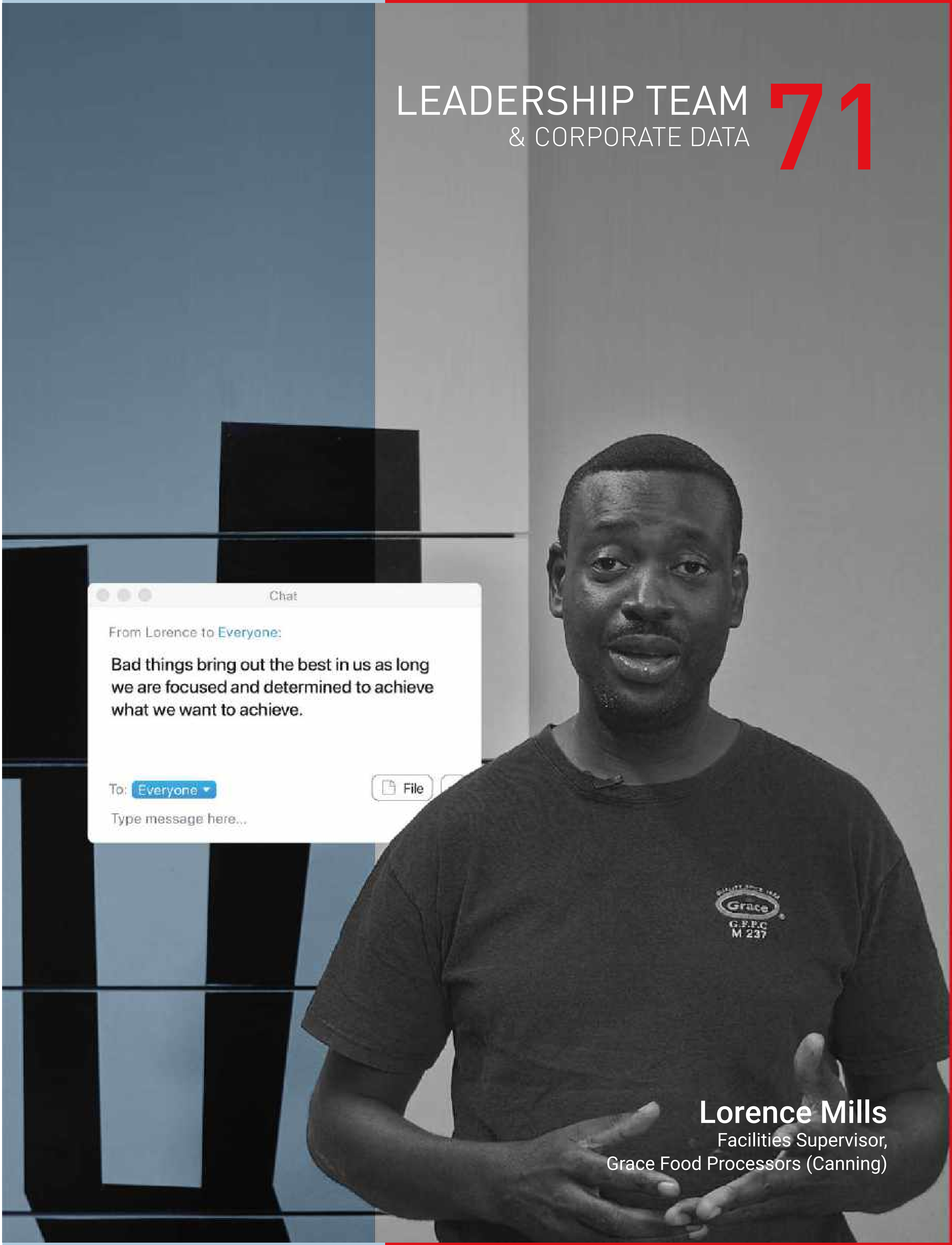
Since it was established in October 2019, the GK Campus Connect has provided GraceKennedy scholarship recipients with exposure to the companies within the GraceKennedy Group, to assist with the development of their leadership skills.

In February 2020, the Foundation partnered with the GraceKennedy Financial Group, to host a Wealth Management Seminar, featuring presentations on budgeting, banking, investing in the stock market, and the benefits of insurance. Over 270 students attended the event. Spearheaded by a GK Campus Connect Intern, Akeem Kitson, the event was planned and coordinated by a team of GraceKennedy scholars. The Foundation also hosted a virtual session in March 2020 to help prepare the students for the world of work.

GraceKennedy scholars also provided support to the PSOJ's COVID-19 Relief Fund, through the packing and distribution of care packages for those in need.

The GraceKennedy Foundation is proud of its work during a challenging year and remains committed to making a positive impact in the lives of its stakeholders throughout 2021 and beyond.

LEADERSHIP TEAM & CORPORATE DATA 71



Lorence Mills
Facilities Supervisor,
Grace Food Processors (Canning)

Don G. Wehby, CD

GraceKennedy Group Chief Executive Officer. Fellow Chartered Accountant. Government of Jamaica Senator and Chairman of JAMPRO. Director of the West Indies Cricket Board (WICB) and New Zealand's Honorary Consul to Jamaica.

Prof. Gordon V. Shirley, OJ

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

Mary Anne V. Chambers, O.Ont., M.S.M., Hon LL.D

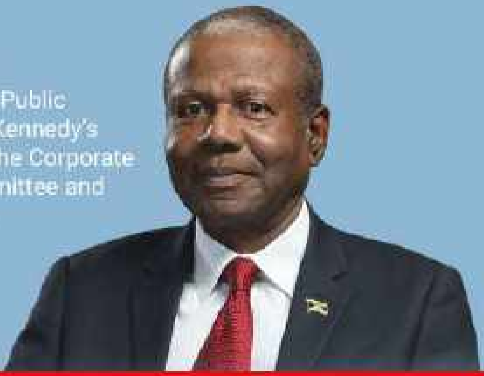
Retired bank executive, former Ontario Cabinet Minister (Canada) and a resident of Canada. A member of GraceKennedy's Audit Committee and Corporate Governance & Nomination Committee.

BOARD OF DIRECTORS

as at March 1, 2021

Dr. Parris A. R. Lyew-Ayee, Jr

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



Everton L. McDonald, OD

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

Andrew R. Messado

GraceKennedy Group Chief Financial Officer. Finance and Accounting professional. Fellow of the Institute of Chartered Accountants of Jamaica (ICAJ).

Dr. Indianna D. Minto-Coy

Academic Director (MScs) and Senior Research Fellow at the Mona School of Business and Management (MSBM) at the University of the West Indies, Jamaica. A member of GraceKennedy's Audit Committee and Corporate Governance & Nomination Committee.

Peter H. Moses, OJ, CD

Retired bank executive and a member of GraceKennedy's Audit Committee and Corporate Governance & Nomination Committee. Chairman, First Global Bank.

Gina M. Phillipps Black

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

DIRECTORS & CORPORATE DATA

As at December 31, 2020

DIRECTORS

Prof. Gordon V. Shirley, OJ
Chairman

Don G. Wehby, CD
Group Chief Executive Officer

Mary Anne V. Chambers, O. Ont., MSM, Hon LL.D

Dr Parris A. R. Lyew-Ayee, Jr

Andrew R. Messado
Group Chief Financial Officer

Everton L. McDonald, OD

Dr. Indianna D. Minto-Coy

Peter H. Moses, OJ, CD

Gina M. Phillipps Black

CORPORATE SECRETARY

Gail Moss-Solomon

BANKERS

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

AUDITORS

PricewaterhouseCoopers
Scotiabank Centre, Duke Street
Kingston, Jamaica

ATTORNEYS

DunnCox
48 Duke Street
Kingston, Jamaica

REGISTERED OFFICE

73 Harbour Street
Kingston, Jamaica

REGISTRAR & TRANSFER OFFICE

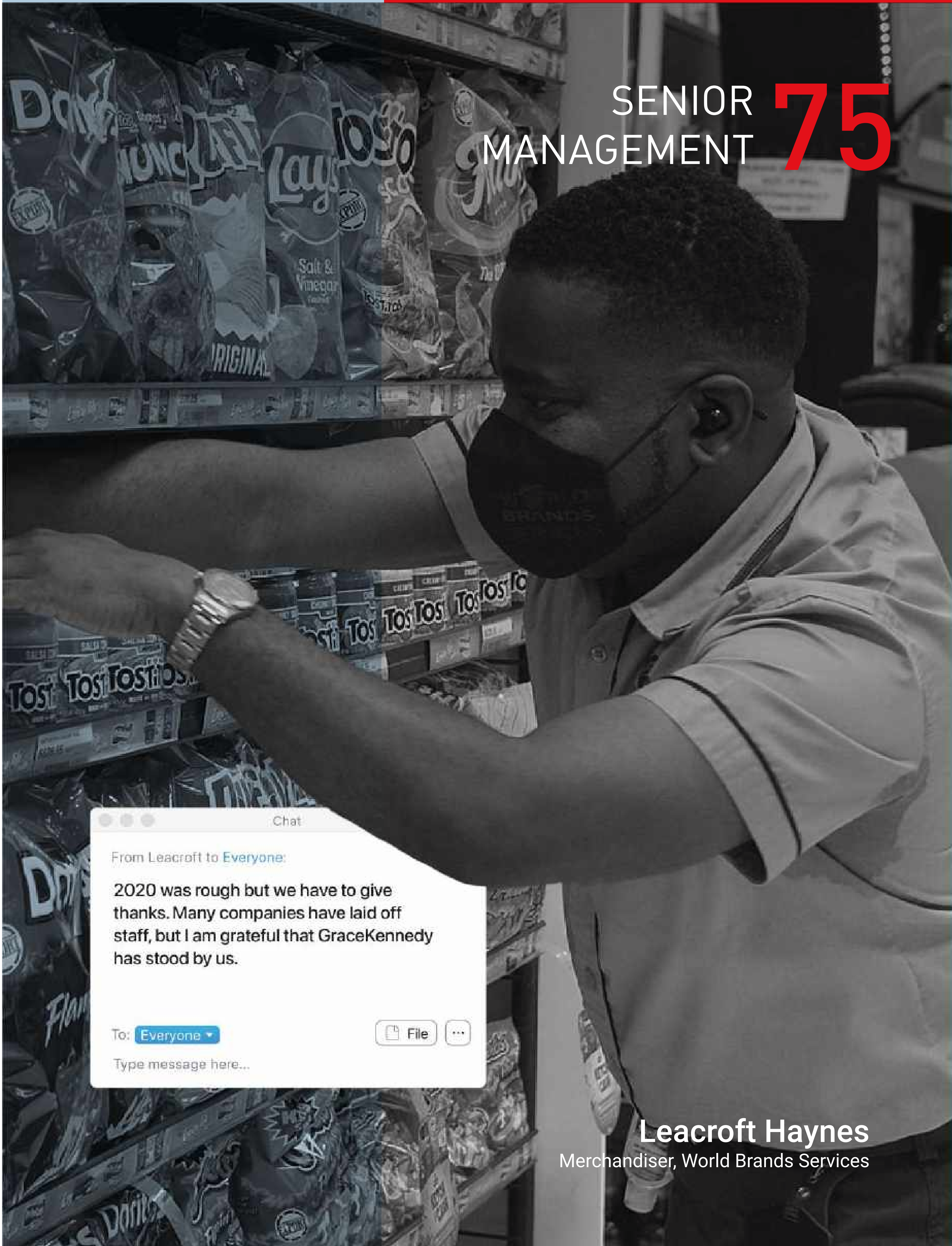
GraceKennedy Limited
73 Harbour Street
Kingston, Jamaica

WEBSITES

www.gracekennedy.com

www.gracefoods.com

SENIOR MANAGEMENT 75



Chat

From Leacroft to Everyone:

2020 was rough but we have to give thanks. Many companies have laid off staff, but I am grateful that GraceKennedy has stood by us.

To: Everyone

File

Type message here...

Leacroft Haynes
Merchandiser, World Brands Services

EXECUTIVE OFFICE

As at March 1, 2021

DON WEHBY

Group Chief Executive Officer

ANDREW MESSADO

Group Chief Financial Officer

GAIL MOSS-SOLOMON

General Counsel & Chief Corporate Secretary

NAOMI HOLNESS

Chief Human Resources Officer

KERRY-ANN RICHARDS

Group Comptroller

JUDITH CHUNG GORDON

Group Chief Compliance Officer
& Senior Legal Counsel

LEE-ANNE BRUCE

Chief Audit Executive

SUZANNE STANLEY

Head of Corporate Communication

DEIDRE COUSINS

Chief Information Officer

TERRY-ANN GRAVER

Head of Treasury & Corporate Finance

ANDREW LEO-RHYNIE

Head of Mergers & Acquisitions

GLENISE DURRANT-FRECKLETON

Head of Strategic Planning

GK FOODS DOMESTIC

As at March 1, 2021

FRANK JAMES
Chief Executive Officer,
GK Foods Domestic Business

NAOMI HOLNESS
Chief Human Resources Officer,
GraceKennedy Limited

DEBRA DODD
Divisional Chief Financial Officer

ZAK MARS
Head of Global Sourcing & Manufacturing

CARL BARNETT
Senior General Manager - Manufacturing

DIANNE ROBINSON
Chief Supply Chain Officer

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

GRACE FOODS LIMITED

DAVE DACOSTA
Managing Director

DAIRY INDUSTRIES (JAMAICA) LTD

RADCLIFFE WALKER
General Manager

GK FOODS & SERVICES LIMITED

ANDREA COY
Managing Director

GRACE FOODS & SERVICES

TAMARA THOMPSON
General Manager

GRACE FOOD PROCESSORS (CANNING) DIVISION

ANDREW WILDISH
General Manager

GRACE FOOD PROCESSORS (MEATS) DIVISION

CARL BARNETT
General Manager

HI-LO FOOD STORES DIVISION

CATHRINE KENNEDY
General Manager

NATIONAL PROCESSORS DIVISION

DAVE MITCHELL
General Manager

WORLD BRANDS SERVICES DIVISION

RENEE NATHAN
General Manager

CONSUMER BRANDS LIMITED

TAMARA THOMPSON
General Manager

GRACE AGRO PROCESSORS DIVISION

MAUREEN DENTON
General Manager

GK FOODS INTERNATIONAL

As at March 1, 2021

ANDREA COY
Chief Executive Officer

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

GRACE FOODS CANADA, INC.

NIMAL AMITIRIGALA
President

JACK ZHU
Chief Financial Officer

GRACE FOODS LATIN AMERICA AND CARIBBEAN (GF LACA)

DANIELLE DALEY-LONGMAN
General Manager

GRACE FOODS UK LTD

ANDREA COY
Managing Director

BRIAN MITCHELL
Chief Financial Officer & Operations Director

GRACEKENNEDY (BELIZE) LIMITED

DANIELLE DALEY-LONGMAN
General Manager

GRACEKENNEDY FOODS (USA) LLC.

DERRICK RECKORD
President & CEO

OSWALD LYN
Chief Financial Officer

RICARDO BRYAN
Senior Vice President – Northern USA

DAVID HERNANDEZ
Senior Vice President – National Sales

ALBERTO YOUNG
Vice President – Southern USA

GK FINANCIAL GROUP

As at March 1, 2021

GRACEKENNEDY FINANCIAL GROUP LIMITED

GRACE BURNETT
Chief Executive Officer

STEVEN WHITTINGHAM
Chief Operating Officer

ALLIED INSURANCE BROKERS LIMITED

AMANDA BEEPAT
Managing Director

CANOPY INSURANCE LIMITED

SEAN SCOTT
Managing Director

GK GENERAL INSURANCE COMPANY LIMITED

CHALUK RICHARDS
General Manager

GK INSURANCE BROKERS LIMITED

MARIE BECKFORD
General Manager

GK INSURANCE (EASTERN CARIBBEAN) LIMITED

STEVEN WHITTINGHAM
Director

FIRST GLOBAL HOLDINGS LIMITED

GRACE BURNETT
Chief Executive Officer

FIRST GLOBAL BANK LIMITED

MARIAME ROBINSON
President & CEO

RADCLIFFE DALEY
Chief Operating Officer

GK CAPITAL MANAGEMENT LIMITED

DOUGLAS ROBINSON
Managing Director Actg.

GK INVESTMENTS LIMITED

DOUGLAS ROBINSON
Managing Director Actg.

GRACEKENNEDY PAYMENT SERVICES LIMITED

GRACE BURNETT
President & CEO

MARGARET CAMPBELL
Chief Operating Officer

GRACEKENNEDY CURRENCY TRADING SERVICES LIMITED

GRACE BURNETT
President & CEO

MARGARET CAMPBELL
Chief Operating Officer

GRACEKENNEDY REMITTANCE SERVICES LIMITED

GRACE BURNETT
President & CEO

GRACEKENNEDY REMITTANCE SERVICES (GUYANA) LIMITED

TROY WILLIAMS

Country Manager

GRACEKENNEDY (TRINIDAD & TOBAGO) LIMITED

DONALD EDWARDS

Country Manager

GRACEKENNEDY MONEY SERVICES (CARIBBEAN) SRL

GRACE BURNETT

President & CEO

GRACEKENNEDY MONEY SERVICES (BVI) LIMITED

DAYNA BISHOP

Regional Manager

GRACEKENNEDY MONEY SERVICES (ANGUILLA) LIMITED

DAYNA BISHOP

Regional Manager

GRACEKENNEDY MONEY SERVICES (ANTIGUA & BARBUDA) LIMITED

DAYNA BISHOP

Regional Manager

GRACEKENNEDY MONEY SERVICES (MONTSERRAT) LIMITED

DAYNA BISHOP

Regional Manager

GRACEKENNEDY MONEY SERVICES (ST KITTS & NEVIS) LIMITED

DAYNA BISHOP

Regional Manager

GRACEKENNEDY MONEY SERVICES (ST VINCENT) LIMITED

DAYNA BISHOP

Regional Manager

GRACEKENNEDY MONEY SERVICES (CAYMAN) LIMITED

ANNALISE HAREWOOD

Regional Manager

GRACEKENNEDY MONEY SERVICES (TURKS & CAICOS) LIMITED

ANNALISE HAREWOOD

Regional Manager

GRACEKENNEDY MONEY SERVICES (BAHAMAS) LIMITED

ANNALISE HAREWOOD

Regional Manager

KEY INSURANCE COMPANY LIMITED

TAMMARA GLAVES-HUCEY

General Manager

SIGNIA GLOBE FINANCIAL GROUP INC *

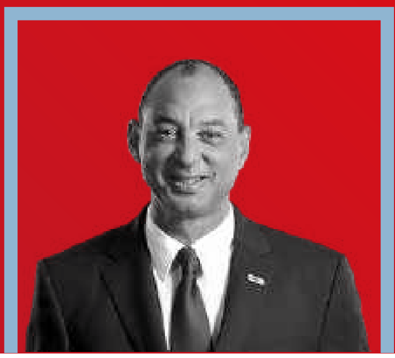
PAUL ASHBY

Chief Executive Officer

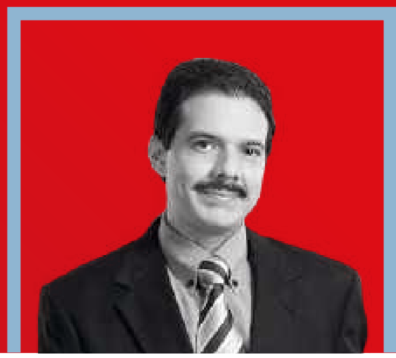
* Associated Company

EXECUTIVE COMMITTEE

As at March 1, 2021



DON WEHBY
Group Chief Executive Officer



ANDREW MESSADO
Group Chief Financial Officer

GRACE BURNETT
Chief Executive Officer,
GraceKennedy Financial Group

ANDREA COY
Chief Executive Officer,
GK Foods International

NAOMI HOLNESS
Chief Human Resources Officer

FRANK JAMES
Chief Executive Officer,
GK Foods Domestic

GAIL MOSS-SOLOMON
General Counsel & Chief
Corporate Secretary

MARIAME ROBINSON
President & CEO, First Global Bank

STEVEN WHITTINGHAM
Chief Operating Officer,
GraceKennedy Financial Group

ORGANISATIONAL CHART

GK FOODS

- Grace Foods UK Limited
- Enco Products Limited
- Funnybones Foodservice Limited
- Chadha Oriental Foods Limited
- Grace Foods Limited
- GraceKennedy Foods (USA) LLC
- GK Foods & Services Limited
- GraceKennedy (Belize) Limited
- Grace Foods Canada Inc.
- Consumer Brands Limited
- Dairy Industries (Ja.) Limited
- Grace Foods & Services
- Gray's Pepper Products Limited
- Catherine's Peak Bottling Company Limited
- Majesty Foods LLC

GK FINANCIAL GROUP

GraceKennedy Financial Group Limited	
GraceKennedy Money Services Caribbean SRL	GK General Insurance Company Limited
GraceKennedy Remittance Services Limited	Key Insurance Company Limited
GraceKennedy Currency Trading Services Limited	GK Insurance Brokers Limited
GraceKennedy Payment Services Limited	GK Insurance (Eastern Caribbean) Limited
GraceKennedy Remittance Services (Guyana) Limited	Knutsford Re
GraceKennedy (Trinidad & Tobago) Limited	First Global Holdings Limited
GraceKennedy Money Services (Anguilla) Limited	First Global Bank Limited
GraceKennedy Money Services (Montserrat) Limited	GK Capital Management Limited
GraceKennedy Money Services (St. Kitts & Nevis) Limited	GK Investments Limited
GraceKennedy Money Services (Bahamas) Limited	Canopy Insurance Limited
GraceKennedy Money Services (St. Vincent & The Grenadines) Limited	Greenfield Media Productions Limited
GraceKennedy Money Services (BVI) Limited	GraceKennedy Properties Limited
GraceKennedy Money Services (Cayman) Limited	SigniaGlobe Financial Group Inc.
GraceKennedy Money Services (Turks & Caicos) Limited	Pelican Power Limited

- CORPORATE FINANCE & ACCOUNTING
- RISK MANAGEMENT
- INFORMATION TECHNOLOGY
- INTERNAL AUDIT
- GROUP SECRETARIAT & LEGAL
- CORPORATE COMMUNICATIONS
- HUMAN RESOURCES
- MERGERS & ACQUISITIONS
- CORPORATE PLANNING & STRATEGY

GROUP CEO

BOARD OF DIRECTORS

SHAREHOLDINGS OF DIRECTORS

As at December 31, 2020

DIRECTORS	TOTAL	DIRECT	CONNECTED PARTIES	% OWNERSHIP
Don G. Wehby	12,025,204	9,670,597	2,354,607	1.21%
Gordon V. Shirley	670,354	670,354	-	0.07%
Andrew Messado	480,542	480,542	-	0.05%
Everton McDonald	227,792	227,792	-	0.02%
Mary Anne Chambers	225,224	225,224	-	0.02%
Gina Phillipps Black	178,037	178,037	-	0.02%
Parris Lyew-Ayee	142,142	142,142	-	0.01%
Indianna Minto-Coy	23,922	23,922	-	0.00%
Peter Moses	23,922	23,922	-	0.00%
TOTAL	**13,997,139**			

SHAREHOLDINGS OF EXECUTIVE COMMITTEE MEMBERS & SENIOR OFFICERS

As at December 31, 2020

	TOTAL	DIRECT	CONNECTED PARTIES	% OWNERSHIP
Don G. Wehby	12,025,204	9,670,597	2,354,607	1.21%
Frank James	2,546,155	2,546,155	-	0.26%
Grace Burnett	703,139	703,139	-	0.07%
Andrea Coy	674,017	674,017	-	0.07%
Andrew Messado	480,542	480,542	-	0.06%
Mariame McIntosh Robinson	613,776	175,068	438,708	0.06%
Steven Whittingham	364,335	364,335	-	0.04%
John A. Leo Rhynie	87,342	87,342	-	0.01%
Naomi Holness	58,939	58,939	-	0.01%
Radcliffe Daley	27,200	27,200	-	0.00%
Gail Moss-Solomon	24,664	24,664	-	0.00%
Lee-Anne Bruce	3,600	3,600	-	0.00%
Terry-Ann Graver	1,500	1,500	-	0.00%
Judith Chung	-	-	-	0.00%
Kerry-Ann Richards	-	-	-	0.00%
Gerron Thomas	-	-	-	0.00%
TOTAL	**17,614,413**			

STOCKHOLDERS' PROFILE

As at December 31, 2020

STOCKHOLDER	STOCK UNITS	%
Insurance Companies, Trust Companies & Pension Funds	320,219,790	32.18%
Private Individuals	305,286,168	30.68%
Investment Companies/Unit Trusts	160,616,468	16.14%
Others	87,157,020	8.76%
Private Companies	88,735,006	8.92%
Directors & Senior Managers	19,105,806	1.92%
Nominee Companies	11,208,897	1.13%
Public Listed Companies	2,683,276	0.27%
	995,012,431	**100.00%**

TOP TEN (10) STOCKHOLDERS

As at December 31, 2020

NAME	ORDINARY STOCK UNITS
1 NCB Insurance Co. Ltd. A/C WT 109	54,412,956
2 National Insurance Fund	46,090,036
3 GraceKennedy Limited Pension Scheme	44,922,201
4 Sagicor Pooled Equity Fund	42,409,796
5 Resource in Motion Limited	30,796,032
6 ATL Group Pension Fund Trustees Nominee Ltd.	21,952,905
7 JCSD Trustee Services Ltd - Sigma Equity	21,881,744
8 Douglas Orane	20,557,188
9 Michele Marie Kennedy	18,496,716
10 NCB Insurance Co. Ltd A/C WT157	16,798,182

Jodie-Ann Wilson
Personal Lines Associate,
GK General Insurance

DIRECTORS' REPORT

For the Year ended December 31, 2020

1. The Directors are pleased to present their report for the year ended 31 December 2020 and submit herewith the Consolidated Income Statement and Consolidated Statement of Financial Position for GraceKennedy Limited and its subsidiaries as at that date.

2. **Operating Results**

	$'000
Revenues	115,437,341
Profit Before Taxation	9,708,975
Net Profit After Tax	6,856,926
Net Profit After Tax Attributable to Stockholders	6,218,055

3. **Dividends**

The following dividends were paid during the year:

- $0.40 per ordinary stock unit was paid on 6 April 2020
- $0.25 per ordinary stock unit was paid on 15 June 2020
- $0.40 per ordinary stock unit was paid on 24 September 2020
- $0.55 per ordinary stock unit was paid on 15 December 2020

The Directors recommend that the interim dividends paid on 6 April 2020, 15 June 2020, 24 September 2020 and 15 December 2020 be declared as final for the year under review.

4. **Directors**

The Directors as at 31 December 2020 were as follows:

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

5. In accordance with Article 108 of the Company's Articles of Incorporation, Mr. Peter Williams having been appointed to the Board of Directors since the last Annual General Meeting, will retire from office and, being eligible, offers himself for election.

6. The Directors retiring from office by rotation pursuant to Article 102 of the Company's Articles of Incorporation are Mrs. Mary Anne Chambers, Dr. Parris Lyew-Ayee, Jr., Mr. Everton McDonald and Mr. Andrew Messado. Mrs. Mary Anne Chambers, Dr. Parris Lyew-Ayee, Jr. and Mr. Andrew Messado, being eligible, offer themselves for re-election. Mr. Everton McDonald, who will be retiring from the Board of Directors, will not be offering himself for re-election.
The Directors wish to thank Mr. McDonald for his many years of dedicated service to the Company.

7. **Subsequent Event**

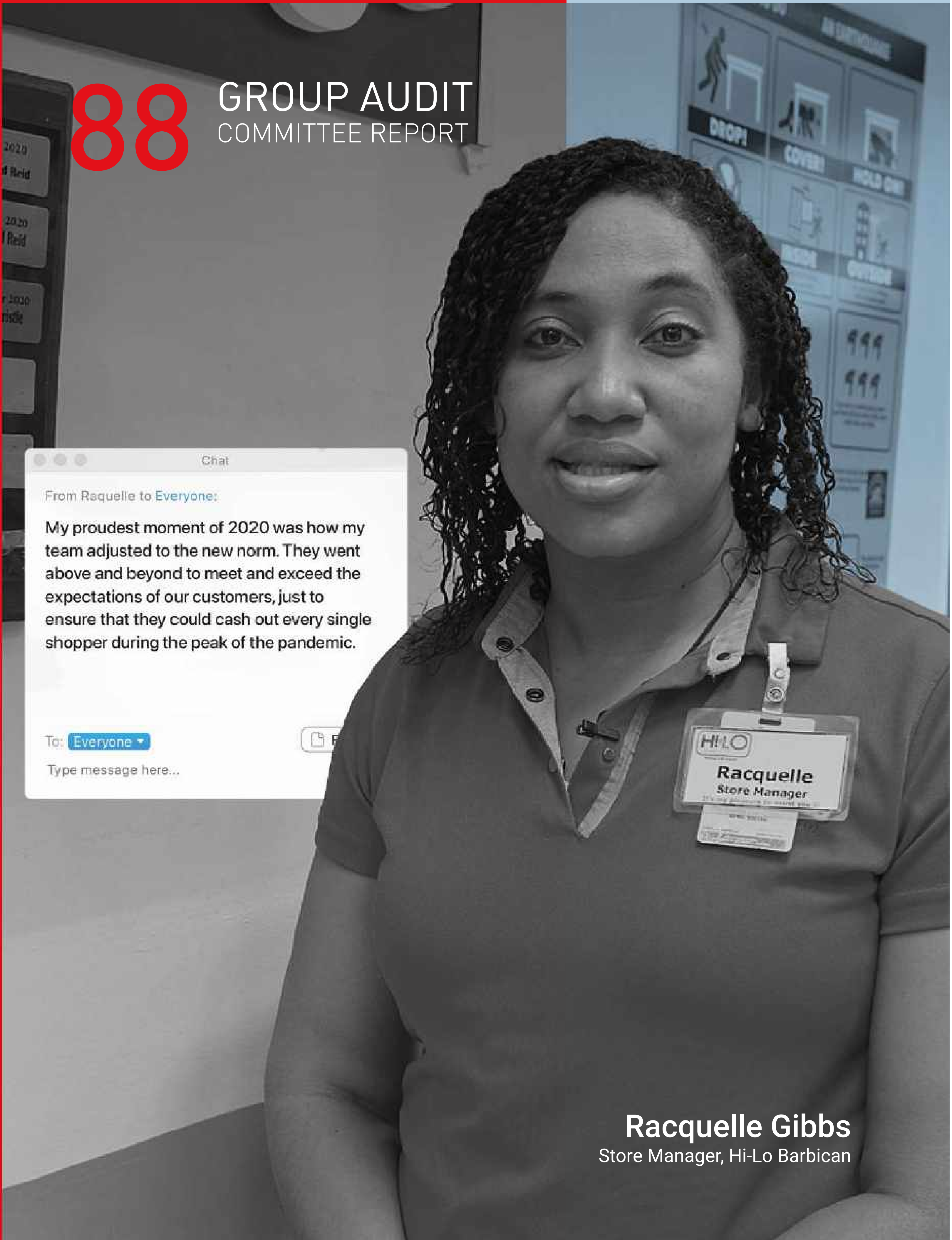
   Subsequent to year end 31 December 2020, Mr. Peter Williams was appointed to the Board of Directors effective 1 April 2021.

8. **Auditors**

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

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

By Order of the Board
19 March 2021
Prof. Gordon V. Shirley, OJ,
Chairman



Racquelle Gibbs
Store Manager, Hi-Lo Barbican

GROUP AUDIT COMMITTEE REPORT

Year ended December 31, 2020

COMPOSITION

The Group Audit Committee (the Committee) consists of five non-executive members of the Board of Directors (the Board), one of whom is a "financial expert,

a person with an understanding of financial statements and applicable accounting principles and experience in preparing, auditing, analyzing or evaluating financial statements" and the others, financially literate, in accordance with the Committee's Terms of Reference (TOR).

There was no change in the membership of the Committee during 2020.

MANDATE & SCOPE

The responsibilities and activities of the Committee are governed by its TOR which are reviewed annually by the Committee, approved by the Board and comply with applicable laws, rules and regulations, including the Private Sector Organization of Jamaica's Code on Corporate Governance and the Jamaica Stock Exchange's Corporate Governance Guidelines.

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

key areas of:

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

In the execution of its responsibilities, the Committee is assisted by the Chief Audit Executive (CAE), who functions as head of the Group Internal Audit Department (GIA), the Group Chief Executive Officer (CEO), the Group Chief Financial Officer (CFO), and other members of management as required, all of whom have unrestricted access to the Committee.

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

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

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

The Committee has the authority to engage at the Company's expense, external legal, accounting and other professional expertise, when deemed necessary for the effective discharge of its responsibilities.

The Committee's TOR can be viewed on the Company's website.

Scan the QR Code to read the committee's Terms of Reference or visit the following link: https://www.gracekennedy.com/corporate/code

ACTIVITIES DURING THE YEAR

The Committee met five times as scheduled, and there was full attendance by Committee members. PwC's Engagement Partner and/or senior representatives of the firm attended all four regular meetings.

Mr. Peter E. Williams, on his retirement, demitted office mid-year as the PwC Engagement Partner assigned to the Group Audit, and was replaced by Mr. Paul Williams.

The onset of the unprecedented COVID-19 pandemic in early 2020, challenged the global economy and all areas of the Group's business, namely operational, financial, security and human resources. The resulting increased risk environment and management's responses were reviewed by the Committee in discussions with the Group CEO and other members of Executive Management. The incremental strategies and actions taken to safeguard and advance the Group's operations, provided a high level of comfort to the Committee in respect of its risk oversight responsibility.

In particular, the Committee:

- received presentations from the Group Chief Risk and Compliance Manager on the robustness of the Enterprise Risk Management (ERM) infrastructure and its responsiveness to pandemic-related risks.
- Received updates from the Group Chief Information Officer (CIO) on the actions taken in the areas of information technology and cyber security, to protect and secure the Group's business in the new environment of employee remote working, increased digital transactions and rising cyber fraud attempts.

The Committee also:

- assessed the independence, performance, and scope of the annual audit plan of PwC and recommended the firm's appointment by the stockholders and approval of its fees to the Board. PwC outlined to the Committee and the Committee approved certain adjustments to its audit approach occasioned by the COVID-19 pandemic, geared towards strengthening audit quality and the fairness of the annual financial statements. As part of the assessment of PwC's independence, objectivity, relationship matters and compliance with professional ethics, the Committee reviewed communication from PwC required by ISA 260, "Communication with those Charged with Governance," a standard issued by The International Federation of Accountants and promulgated by the Institute of Chartered Accountants of Jamaica, confirming same.

- reviewed internal audit reports covering financial, information technology (IT), operational and compliance audits in respect of which recommendations for improvements were made to management and the Board, which were accepted and either implemented or are in the process of being implemented.

- reviewed management letters from PwC relating to internal control issues and findings and noted management's action plans to address them.

- received and scrutinized reports from management on significant tax, legal, regulatory, enterprise risk, IT, security, fraud and whistle-blowing related matters.

- considered the involvement of GIA in special management requests for operational reviews and new projects, and the outcome of such activities. In reviewing these special matters, the Committee received assurance from the CAE that the independence and objectivity of GIA were maintained.

- carried out the annual assessment of the performance of the CAE and reviewed and approved GIA's TOR.

- reviewed the composition, duties and responsibilities of regulated subsidiaries' Audit Committees and significant findings from their meetings. The Committee examined and discussed half yearly reporting on significant internal control and other matters by the Chairs of these Audit Committees, as part of its increased oversight of such subsidiaries' Audit matters.

- reviewed, and after consultation with management and PwC, recommended to the Board, unaudited quarterly financial statements and the 2020 audited annual financial statements for its approval and release to stockholders. In the review of quarterly and annual financial statements, special emphasis was placed by the Committee on areas impacted by the COVID -19 economic environment, including credit loss provisioning and asset fair values. Satisfactory responses were provided by management and PwC.

The significant impact of IAS 19 - Employee Benefits, on the quarterly and annual financial statements, was highlighted by management during the reviews and confirmed by PwC. Overall, the Committee was satisfied that the financial statements fully complied with International Financial Reporting Standards.

CONTINUING EDUCATION

In keeping with the Committee's mandate and focus on continuing education, members of the Group's Audit Committees participated in the annual Directors' and Management Training Workshops, which were held virtually. Topics covered included Anti-Money Laundering and Counter-Terrorism Financing; Recent and Emerging Trends in Corporate Governance; COVID-19 – the Next Normal and Implications for Financial and Food Services; The Data Protection Regime and the Director's Remit; and Oversight, Accountability, Transparency and the Role of the Audit Committee.

AUDIT COMMITTEE MEMBERS

Everton L. McDonald, OD
Chairman

Mary Anne V. Chambers, O.Ont., M.S.M., Hon LL.D

Dr. Parris A. R. Lyew-Ayee, Jr.

Peter H. Moses, OJ, CD

Dr. Indianna D. Minto-Coy

92 CORPORATE GOVERNANCE
& NOMINATION COMMITTEE REPORT

Susan Ffrench
Front Line Associate, GKONE
Digital Store

CORPORATE GOVERNANCE & NOMINATION COMMITTEE REPORT

Year ended December 31, 2020

GOVERNANCE

The Foundation of Stronger Together, We Care

A strong culture of Corporate Governance continues to be at the core of GraceKennedy's continued success in the ever-changing global space in which we operate.

GraceKennedy has long had a keen focus on its stakeholders, including its customers. The COVID-19 pandemic has validated this focus, showing us the inextricable link between GraceKennedy and its communities even more.

Our values and ethos are underpinned by our Corporate Governance Code and Code of Ethics & Guidelines for Business Conduct, which together, set out the general principles which have guided our Company over the years.

OUR CORPORATE GOVERNANCE CODE

Scan the QR Code to read the full policy.

The principles of our Code were compiled with reference to the United Kingdom Combined Code on Corporate Governance, the Private Sector Organization of Jamaica's Code on Corporate Governance and the Corporate Governance Guidelines set out in the Jamaica Stock Exchange (JSE) Main Market Rules. Our Corporate Governance Code is reviewed every two (2) years, or more often as may be considered necessary, to take account of developing best practices. The biennial review of the Code commenced in 2020 to take into consideration recent developments in local and international best practices for good governance.

THE CENTRALITY OF OUR CODE OF ETHICS

Honesty, Integrity & Trust

Our Code of Ethics & Guidelines for Business Conduct (Code of Ethics) is a formal document that outlines the minimum standards for acceptable behaviour and the strong ethical culture expected of our Employees and Directors. We believe that our Employees and Directors should promote and exemplify our core values of Honesty, Integrity and Trust. This means that our business dealings are based on the following principles:

- **ACCEPTANCE** of decisions made by the proper forum, person or authority
- **COMMITMENT** to quality and service

- **CONFIDENCE** in making decisions with due regard for all relevant facts and circumstances
- **CONSIDERATION** for the concerns of others
- **FAIR PLAY** being just and consistent in our dealings with all
- **HONESTY** in what we say and do
- **HUMILITY** without pretension or self-importance
- **INTEGRITY** our word is our bond
- **LOYALTY** to the organization and companies forming part of our Group
- **OPEN-DOOR** easy accessibility
- **RESPECT** for staff, peers, managers, directors and the public
- **SINCERITY** being genuine and without pretence
- **TOLERANCE** for each other's differences
- **TRANSPARENCY** being open in what we do
- **TRUST** to inspire and earn the trust and confidence of staff, associates and the public by our conduct.

This will make us stronger, together.

The Code of Ethics is reviewed and updated periodically to reflect policy, legislative and regulatory changes applicable to the GraceKennedy Group. As it approaches the celebration of its 100th anniversary in 2022, GraceKennedy will launch a revised Code of Ethics in 2021 which is appropriate to the Company's vision and mission.

At the start of each calendar year, employees and Directors are required to confirm that they have reviewed the Code of Ethics and complied with its terms during the previous year. Failure to comply with the Code of Ethics is considered a serious matter and some infractions may result in disciplinary action in the case of employees, and Directors may be required to relinquish their roles as Directors.

A report is delivered to the Corporate Governance and Nominations Committee (CGNC) on any employee or Director who has not delivered this confirmation as required, and the appropriate steps are taken to ensure compliance.

Scan the QR Code to read our Code of Ethics & Guidelines for Business Conduct or visit https://www.gracekennedy.com/corporate/code/code-of-ethics/

OUR BOARD OF DIRECTORS

Composition, Role and Responsibilities

The Board of Director's formal Terms of Reference and our Corporate Governance Code set out the composition, role and responsibilities of our Board.

The role of the Board is to provide entrepreneurial leadership to the Company, within a framework of prudent and effective controls, which enables enterprise-wide risk to be assessed and managed. The Board also provides strategic guidance to the GraceKennedy Group, oversees the implementation of strategic objectives and monitors management's performance against key objectives.

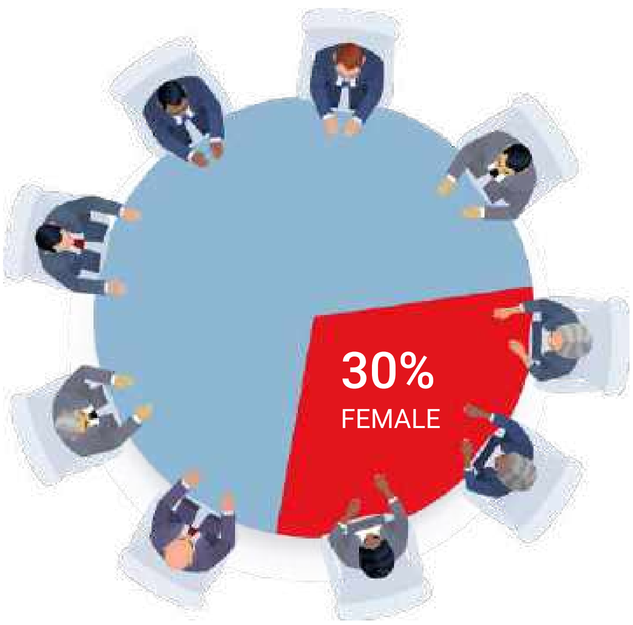
The Company's Balanced Scorecard is one of the tools used by the Board to measure and monitor the progress and outcomes of the Company's strategic targets. The Balanced Scorecard also allows the Board to assess the Company's control and governance environment, as it translates the **mission** and **vision**,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

BOARD COMPOSITION

The GraceKennedy Limited Board is comprised of nine (9) Directors. Over seventy-five percent (75%) or seven (7) of the nine (9) Directors are non-executive Directors, including the independent Chairman, Prof. Gordon Shirley. This is in keeping with the Company's Corporate Governance Code, which mandates that not less than half of the Board should comprise non-executive Directors.

The remaining two (2) Directors are Senior Executives of the GraceKennedy Group: Donald Wehby, Group Chief Executive Officer and Andrew Messado, Group Chief Financial Officer.

Thirty percent (30%) of our Directors are female.



INDEPENDENCE

We consider a Director independent if he/she is a non-executive Director who is free of any interest, position, affiliation or relationship that might influence or reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the Company's best interest. This definition is in line with international best practice and the provisions of our Corporate Governance Code.

In order to assess whether a Director may continue to be considered independent, each Director is required to submit an annual declaration of his or her interests and potential areas of conflict, which may adversely affect the Director's ability to effectively carry out his role and fulfil his or her duties to the Company. The CGNC and the Board review these declarations and other information available to it, in determining whether a Director may be considered independent. Directors are also obliged to provide, in a timely manner, updates of any change in their status that may directly, or indirectly, affect their independence. In 2020, having considered the declarations made by each Director, any potential conflicts of interest and any other information that may have been available to the CGNC and the Board, six (6) of our nine (9) Board Directors were deemed independent Directors:

- Prof. Gordon V. Shirley, OJ
- Mary Anne V. Chambers, O.Ont., M.S.M., Hon LL.D
- Dr. Parris A. R. Lyew-Ayee, Jr
- Everton L. McDonald, OD
- Dr. Indianna D. Minto-Coy
- Gina M. Phillipps Black

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

Having a majority of non-executive independent Directors on the Board promotes increased transparency and accountability. Independent Directors are encouraged to, and do, constructively challenge and help develop proposals on strategy, and scrutinise the performance of management in meeting agreed goals and objectives. The non-executive independent Directors oversee the maintenance of the integrity of financial information and ensure that financial controls and systems of risk management are relevant and robust.

Non-executive Directors are given an opportunity for open and frank discussion in a private session generally held at the end of each Board meeting. During private sessions, discussions are led by the Board Chairman, and non-executive Directors may raise any matter, whether arising from that meeting or a previous one. The Group CEO also has private sessions with the Company's Chairman alone, and with the CGNC Chair, or both.

All non-executive Directors are members of the CGNC. CGNC meetings are structured to begin with a session during which the non-executive Directors discuss governance matters in private. This meeting is followed by a private session attended by the Group CEO, which provides him with an opportunity to raise matters that should be discussed, without other executives or members of the management team present, or before raising them at the Board meeting. This session also gives the Group CEO the opportunity to privately raise matters or seek guidance from the CGNC on areas of key performance and execution of strategic objectives.

The size of our Board and its Committees and the skillsets and competencies of our Directors are adequate and enable the Board to discharge its duties in an efficient and effective manner. Notwithstanding this, the Board is continuously finding ways to refresh and strengthen existing competencies.

The table below provides information on the academic qualifications and relevant expertise and skills of each Director of the Company, and the Committees/Sub-Committees on which they served during the reporting period.

DIRECTORS	ACADEMIC QUALIFICATIONS	EXPERTISE	COMMITTEE/ SUB-COMMITTEE
Prof. Gordon V. Shirley, OJ	Doctorate in Business Administration (Operations Management (DBA); MSc. Business Administration (Operations & Finance) (MBA); BSc. Mechanical Engineering	Technology, Product/Service	Corporate Governance & Nomination Committee Member; Compensation Sub-Committee Chairman
Everton L. McDonald, OD	BSc. Economics; Fellow Chartered Accountant (FCA)	Service Expertise-Audit-internal & external, Finance, Risk, Corporate Governance	Audit Committee Chairman; Corporate Governance & Nomination Committee Member; Compensation Sub-Committee Member

DIRECTORS	ACADEMIC QUALIFICATIONS	EXPERTISE	COMMITTEE/ SUB-COMMITTEE
Mary Anne V. Chambers, O.Ont., M.S.M., Hon LL.D	B.A. (Hons.) (with majors in Commerce & Political Science), University of Toronto; Executive Management Program, Queen's University; Chartered Director (C.Dir.), The Director's College, McMaster University & The Conference Board of Canada	Banking, Technology, Corporate Governance	Audit Committee Member; Corporate Governance & Nomination Committee Member
Gina M. Phillipps Black	Bachelor of Laws (LLB), Certificate of Legal Education (CLE)	Legal, Corporate Governance	Corporate Governance & Nomination Committee Chairman
Dr. Parris A. R. Lyew-Ayee	D.Phil., University of Oxford: Geography, BSc. (1st Cl Hons) UWI: Earth Sciences	Technology, Data Analytics	Audit Committee Member; Corporate Governance & Nomination Committee Member; Compensation Sub-Committee Member
Peter H. Moses, OJ, CD	BSc. Economics	Banking	Audit Committee Member; Corporate Governance & Nomination Committee Member
Dr. Indianna D. Minto-Coy	PhD., MSc., BSc.	Diasporas, Migration, Entrepreneurship, Corporate Governance	Audit Committee Member; Corporate Governance & Nomination Committee Member
Don G. Wehby, CD	MSc., BSc. (Hons.) Accounting, Fellow Chartered Accountant (FCA)	Accounting, Finance	n/a
Andrew R. Messado	MSc. Accounting (Distinction); BSc. Accounting (1st Cl Hons.); Fellow Chartered Accountant (FCA)	Accounting, Finance	n/a

The CGNC, which has responsibility for making or reviewing and approving recommendations for appointments to Boards across the GraceKennedy Group, considers the composition of the subsidiary Boards for the purpose of ensuring independent oversight, compliance with regulatory requirements, and in order to take a proactive approach to Board composition and succession planning. The approach to and requirement for independent non-executive Directors is promoted and replicated across the GraceKennedy Group, at the subsidiary Board level.

THE CHAIRMAN

Prof. Gordon Shirley is the Chairman of the Board and its lead independent non-executive Director. In that capacity, Professor Shirley is responsible for the leadership of the Board, setting its agenda with the Company's Secretary, and ensuring the Board's effectiveness in all aspects of its role. He is also responsible for ensuring that the Directors receive accurate, timely and clear information. He also ensures that there is effective communication between the Board and the Company's management and shareholders.

COMPANY SECRETARY

Mrs Gail Moss-Solomon is the Board-appointed Company Secretary and is responsible for ensuring that the Board complies with governance procedures and policies, and its legal, regulatory and financial obligations.

Her duties include, but are not limited to, the filing of statutory documents and communicating with regulatory bodies, such as the Jamaica and Trinidad Stock Exchanges, the Financial Services Commission of Jamaica, and the Trinidad and Tobago Securities Exchange Commission. Directors have access to the impartial advice and services of the Company Secretary, who onboards new Directors and facilitates the continuous development of Directors' skills through training and development opportunities, including the Annual Directors' Training. Directors receive training on appointment and thereafter, at least annually, on a wide variety of matters. In compliance with COVID-19 protocols and recommendations, several virtual training sessions were held for the benefit of Directors and Senior Managers throughout the year in 2020. Mrs Moss-Solomon also ensures the proper functioning of the Board and its Committees through the preparation of meetings, and the timely communication of information between the Board and Committees, and with senior management.

ATTENDANCE

Our Board meets regularly based on the pre-approved annual schedule of meetings during a given year, which allows the Board to discharge its duties in a timely and effective manner. The events related to the COVID-19 pandemic supported the importance of GraceKennedy's view of corporate governance as not just a set of rules to be followed, but added value; by facilitating sound decision-making, while enhancing the quality of leadership in the ongoing crisis. Following the identification of the first COVID-19 case in Jamaica in March 2020, a decision was made to hold all Board meetings in a virtual format. Prior to COVID-19, Directors were already empowered to take resolutions in writing and vote electronically. Technological solutions were already in place to facilitate Directors' effective and safe communication, to allow for efficient decision-making and participation in online meetings. As such, meetings continued to be productive and effective during the year.

Board members are required to attend Board and assigned Board committee meetings regularly, and to prepare for and participate actively in meetings. The CGNC is pleased to report that attendance of the Company's Directors at Board and Committee meetings continues to be outstanding, evidencing their commitment to their duties and responsibilities as Directors of the Board.

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

DIRECTORS	EXECUTIVE(E)/ NON-EXECUTIVE (NE)	BOARD *	CORPORATE GOVERNANCE & NOMINATION COMMITTEE	AUDIT COMMITTEE*	COMPENSATION SUB-COMMITTEE	DATES OF APPOINTMENT TO BOARD
Mary Anne V. Chambers, O.Ont., M.S.M., Hon LL.D	NE	5/5	4/4	5/5 (including 1 special meeting to discuss MD&A	n/a	26-May-11
Dr. Parris A. R. Lyew-Ayee	NE	5/5	4/4	5/5 (including 1 special meeting to discuss MD&A	2/2	06-Mar-13
Andrew R. Messado	E	5/5	n/a	n/a	n/a	01-Apr-19
Everton L. McDonald, OD	NE	5/5	4/4	5/5 (including 1 special meeting to discuss MD&A	2/2	26-May-11
Gina M. Phillipps Black	NE	5/5	4/4	n/a	n/a	08-Feb-12
Prof. Gordon V. Shirley, OJ	NE	5/5	4/4	n/a	2/2	30-May-96
Don Wehby	E	5/5	4/4	n/a	n/a	05-Oct-09
Peter H. Moses, OJ, CD	NE	5/5	4/4	5/5 (including 1 special meeting to discuss MD&A	n/a	26-Jun-18
Indianna Minto-Coy	NE	5/5	4/4	5/5 (including 1 special meeting to discuss MD&A	n/a	26-Jun-18

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

The CGNC also reviewed the Directors' attendance schedule for key operating subsidiaries in the GraceKennedy Group, and determined whether the attendance record of any Director of those entities should be of concern or require further action.

OUR BOARD COMMITTEES

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

The Committees include the Corporate Governance & Nomination Committee, the Audit Committee, the Banking Committee, and the Compensation Sub-Committee, the latter being a permanent sub-committee of the CGNC. All these Committees of the Board are chaired by independent non-executive Directors. During 2020, the Chair of the CGNC was Gina Phillipps Black. The Audit Committee was chaired by Everton McDonald and the Compensation Sub-Committee was chaired by the Chairman of the Board, Prof. Gordon Shirley.

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

Scan the QR Code to read the Directors' Terms of Reference or visit the following link: https://www.gracekennedy.com/corporate/code/terms-of-reference-directors-gracekennedy-ltd/

SUCCESSION PLANNING

The CGNC continued discussions with respect to the Board's composition, given its mandate to ensure orderly succession planning and the maintenance of an appropriate balance of skills and experience among Directors. The CGNC also reviewed the composition of subsidiary Boards, which involved a review of the skillset, experience, age and number of independent Directors. During this process in 2020, the CGNC identified some Boards which required strengthening and recommendations for appointments of directors were made to the Chair of those Boards.

THE NOMINATION, APPOINTMENT & ORIENTATION PROCESS FOR NEW DIRECTORS

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

The Company has a policy that governs the nomination, selection and appointment of new Directors across the GraceKennedy Group. When a nominee for non-executive Director is identified, the CGNC considers the nomination and makes a recommendation to the Board. The nominee's qualifications, experience and background, as well as the result of independent enquiries are considered by the Board and CGNC in arriving at a decision. The Secretary confirms to the Committee that the due diligence checks undertaken did not uncover any adverse findings that would affect the nominee's suitability for appointment.

The Chairman of the Board, the Group CEO and the Chair of the CGNC also interview the nominee. The interview covers any area of potential conflict of interest, considerations that may impact the independence of the nominee and whether the nominee is able to devote the time necessary to prepare in advance and to attend Board and, where applicable, committee meetings. The Group CEO, Chairman of the Board and its CGNC Chair conducted several of these interviews during the period covered by this report.

The appointment of Executives to Boards in the GraceKennedy Group, with the exception of the Divisional Boards, continues to be made by the Group CEO, in consultation with the Executive Committee.

New Directors participate in a comprehensive induction to the Company's affairs upon joining the Board. This process commences with a formal letter of appointment and Board package containing key terms and conditions of the appointment, the Company's Code of Ethics, statements of the Director's duties, rights and responsibilities, a confirmation of the time commitment envisaged, and the Board's expectations regarding involvement with committee work.

The re-election of a retiring Director who is eligible for election is not automatic and subject to satisfactory Board performance. The CGNC and Board consider the performance of a Director who is eligible for re-election, among other factors such as required proficiencies, time availability, and considerations on which independence is determined. The Board does not currently have fixed tenure limits for non-executive Directors other than as provided in the Company's Articles. Term limits for Directors of subsidiary Boards have been implemented for new appointments to those Boards in recent years.

A clear understanding of the Company's business, vision and values, and strategic, operational, financial, compliance and risk management outlook are required for a Director to properly discharge his or her duties.

For this reason, during the introduction and induction period, the new non-executive Director is exposed to the Company and its businesses through the provision of business and financial information, as well as the convening of one-on-one meetings with members of the Senior Management team, at which additional information and clarification are provided. The CGNC has directed that this should also include a session on the Group's financials, given their complexity. The complex nature of the Company's financials is due to the geographical spread and diversity of the Group's operations, as well as reporting requirements for several subsidiaries within each segment.

Directors' Liability Insurance cover is currently in place for Directors of the Company and its subsidiaries, and this is renewed annually. Each year, Directors of the GraceKennedy Group are provided with a confirmation that this insurance cover is in place.

TRAINING & DEVELOPMENT

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

During 2020, over one hundred (100) Directors, Senior Managers and Executives of the GraceKennedy Group participated in the Annual Director's Training, which was held in the form of three (3) virtual training sessions covering the following topics:

- Recent and Emerging Trends in Corporate Governance
- Oversight, Accountability, Transparency and the Role of the Audit Committee
- The Data Protection Regime and the Director's Remit
- COVID-19 - The next normal and implications for Financial and Foods services
- Anti-Money Laundering and Counter-Terrorism Financing

Although in 2019 a decision was taken to alternate between face-to-face and online training sessions for the Annual Directors training, the Board agreed that virtual training sessions only would continue until the COVID-19 pandemic subsides.

Following the virtual sessions, the presentations were made available electronically to attendees, as well as to those who were unable to attend. Directors are reminded of the importance of attending the annual Directors' training exercise, and that participation is considered in the assessment of each Director during the Board evaluation process.

Apart from the annually scheduled Directors' Training, the Committee and its members share research, articles, presentations and briefings on topics that are pertinent to, or considered to have the potential to impact the Company's businesses, operations, or people.

The subsidiary Boards also engaged in sector-specific training during the year, related to the industries in which the subsidiaries operate, such as the securities market in Jamaica, the US Hispanic Market and economic reviews of the Belizean and Canadian markets. Reports on the sessions were provided to the CGNC.

Cyber Security Awareness training remains mandatory for Directors and employees in the GraceKennedy Group and is conducted annually. In addition to the Annual Directors' Training, seventy-eight (78) Managers and Executives across the Group received training during 2020, in areas related to the business and their roles, including:

- Time Management & Productivity
- IFRS 2020
- Leadership
- Enterprise Risk Management

OUR POLICIES

The Board understands the importance of enterprise risk management, risk mitigation, compliance standards and their application. A formal delegation of authority policy is in force and the Board approves and monitors delegations to and by the Group CEO to senior management. This monitoring assists the Group CEO and the Board in ensuring that strategic decisions reflect good governance and that the principles laid out in the Company's Code of Ethics are honoured.

Our employees are important stakeholders in our corporate governance framework, and this is affirmed through the application of our Code of Ethics and policies related to safety and welfare, such as our Corporate Social Responsibility, Flexible Work Arrangement and Community Involvement Policies. Our Flexible Work Arrangement Policy was revised based on feedback from employees indicating that they wanted more options, such as telecommuting. We are committed to excellence in service delivery and creating mutually beneficial and enduring employment relationships. In doing so, the Company recognizes and facilitates the ability of employees to effectively execute their job functions, while fulfilling their personal needs and responsibilities, which include but are not limited to family responsibilities, educational, volunteering and wellness activities. The revised Flexible Work Arrangement Policy came into effect on January 29, 2021. A Sub-Committee of the Board was appointed to undertake a comprehensive review of the policies issued by the Board. As at the date of this report the Sub-Committee has reviewed over twenty (20) policies. The Sub-Committee is expected to complete the review process in 2021.

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

Scan the QR Code to read our Whistle Blower Policy or visit the following link: https://www.gracekennedy.com/corporate/code/whistle-blowing/

BOARD EVALUATIONS

The formal evaluation of the Board's performance, and that of its Committees, is undertaken annually. The evaluation is currently conducted by the Group's Business Intelligence Unit and is administered electronically using an online survey tool. Every other year, the evaluation is extended to cover self and peer evaluation of each Director. The full format conducted in alternate years, therefore, involves an assessment of the GraceKennedy Board, a self-assessment of the individual Board Member and a peer assessment of Board Members, which solicits responses with respect to the overall performance of the Board Member, such as skills and attributes, preparedness and participation in meetings, effectiveness, and understanding of the Board Member's responsibilities. The short format evaluation places less emphasis on the peer review and more emphasis on the Board's overall performance and dynamics, captured by questions related to Board structure and culture, content and analysis, Board conduct and the monitoring of risks and trends.

In 2020, the Board evaluation exercise was undertaken by an external evaluator that is an international management consulting firm. The evaluation took the form of a Board Effectiveness Survey. The survey was administered to provide insights on Board dynamics and governance arrangements, including governance structure (Board committees) and different aspects of Board effectiveness, such as, how Directors work together, how the Board spends its time, and what the Directors' perception is of the overall performance of the Board. The survey was followed by individual interviews with each Director to gain insights into their survey answers. The survey results were then compared to the latest global benchmark.

Following the production of the Board effectiveness report, the external facilitator met with the entire Board to review the results and provide recommendations on how to maximise the Board's performance to further unlock value, accelerate the Board's ability to guide the Group to deliver on its strategy, and enable effective decision making. The next externally facilitated evaluation will be conducted in 2024.

Overall, the Board was satisfied with its performance and will implement the recommendations discussed.

The CGNC also reviewed the Evaluation Schedule for key operating subsidiaries in the Group and received reports from the subsidiary Board Chairs on the results of the evaluations.

The evaluation of the Audit Committees of the regulated entities within the Group commenced during the year 2020. These evaluations will be conducted every two (2) years.

COMMUNICATION

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

There is open, clear and constructive dialogue between the Company and its shareholders and stakeholders. The CGNC ensures that shareholders have an opportunity to make the Board aware of their views, issues and concerns, and to understand the Company's strategy, operations and performance.

The Annual General Meeting (AGM) continues to be an important forum for shareholders to engage with management and the Directors on various aspects of the GraceKennedy Group's operations. Due to the COVID-19 pandemic and the restrictions placed on public gatherings the AGM was live streamed for the first time. Over two hundred (200) persons watched the live stream. The Minutes of our AGM, a record of the questions asked, and responses provided were produced, and are made available to shareholders on the Company's website and will also be available at the next AGM. Additionally, shareholders are advised that they may request a copy of the Minutes by sending an email to gracekennedy@gkco.com. The copy will then be emailed to the shareholder or may be collected from the Company's Head Office in Jamaica. A video recording of the AGM is also available online on the Company's YouTube channel.

The existence of effective communication beyond mandatory disclosure is critical for corporate governance to succeed in our Company. The Company uses several channels to actively keep shareholders and stakeholders informed, including Company websites, social media and print platforms of the Company and its subsidiaries. Material or significant developments are communicated by way of Stock Exchange announcements and press releases published in the daily newspapers circulating in Jamaica and Trinidad & Tobago. Press releases are also posted on the Company's website at www.gracekennedy.com. At quarterly investor briefings, the Group CEO and CFO discuss recent financial statements, updating shareholders and stakeholders on developments within the GraceKennedy Group. These briefings take the form of an online meeting, and are open to the public, allowing anyone who wishes to do so, to access via live internet stream. Questions may be submitted to the Group CEO via email before or during the conference. Responses are usually provided during the conference broadcast. Notice of these briefings are posted on the Stock Exchanges' and Company's websites.

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

AN EFFECTIVE RISK MANAGEMENT FRAMEWORK AND GOVERNANCE

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

Scan the QR Code to read the Group's Risk Policy or visit the following link: https://www.gracekennedy.com/corporate/code/risk/

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

COMPENSATION SUB-COMMITTEE REPORT

The Compensation Sub-Committee of the CGNC (the Sub-Committee) reviews and approves the overall strategy for compensation within the GraceKennedy Group. In doing so, the Sub-Committee is tasked with oversight for and implementation of the GraceKennedy Group's compensation and related policies, remuneration structure and incentive schemes.

When setting the policy for employee and Directors' remuneration, the Sub-Committee is responsible for ensuring that incentives and rewards align with the Group's performance-driven culture.

EXECUTIVE COMPENSATION

The Sub-Committee considers the total compensation of all levels of employees within the Group and the remuneration and related policies, in order to provide an appropriate context for making decisions regarding the compensation of employees at the Senior Executive level. In keeping with this mandate, the Sub-Committee reviewed and made recommendations regarding the total compensation of the Group CEO and Senior Executives and assessed the performance of the Group CEO for the previous year against stated objectives.

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

The LTI Scheme's purpose and objectives are to:

- Attract and retain leaders of the highest calibre;
- Drive Executive performance towards the achievement of key company objectives;
- Enhance alignment between GraceKennedy's long-term strategy and shareholder value;
- Increase the level of Executive pay at risk; and
- Implement a long-term incentive plan which reflects global best practices.

The LTI Scheme is administered by the Compensation Sub-Committee, which makes recommendations to the Board of Directors on revisions to the Scheme, as well as on periodic awards of stock options and restricted stock grants. During the year, the Sub-Committee considered the goals and targets under the LTI Scheme for 2021 and the LTI allocations for 2021.

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

DIRECTORS' COMPENSATION

The Sub-Committee believes that levels of remuneration of GraceKennedy's Executives and Board Members should be sufficient to attract, retain and motivate individuals who are qualified to drive the business to achieve its strategic objectives. The Sub-Committee considers recommendations made by the Group CEO and the Group CFO regarding the remuneration of the non-executive Directors of the Company when advising the Corporate Governance & Nomination Committee and the Board.

The fees paid to non-executive Directors in 2020 are reflected in the table below. In addition to these fees, each non-executive Director was granted, in respect of the year 2020, a pro-rated amount J$847,439 of which the net amount after tax was used exclusively to purchase GraceKennedy shares on the open market in the name of the Director. The shares so purchased are subject to a restriction on sale for a period of three (3) years. All transaction costs associated with the purchase of the shares are borne by the individual Director.

Executives who serve on Boards within the Group do not receive fees for services performed in this capacity.

In order to ensure that the Sub-Committee's roles and responsibilities were aligned with international best practices and regulatory requirements on compensation and corporate governance, the Sub-Committee revised its Terms of Reference during the year.

The members of the Sub-Committee are non-executive Directors, Prof. Gordon Shirley (Chairman), Everton McDonald and Dr. Parris Lyew-Ayee, Jr. The members of the Sub-Committee met twice during 2020 to conduct the business of the Sub-Committee.

BOARD FEES

Payable to Non-Executive Directors only

ANNUAL RETAINER

All Directors	$1,978,860
Additional Retainer Board Chair	$3,429,560
Additional Retainer Corporate Governance & Nomination Committee Chair	$434,410
Additional Retainer Audit Committee Chair	$1,143,190
Additional Retainer Compensation Sub-Committee Chair	$289,580

PER MEETING ATTENDANCE FEES

Board Meetings	None
Audit Committee meetings	$165,560
Other Committee meetings	$55,190

OUR AWARDS

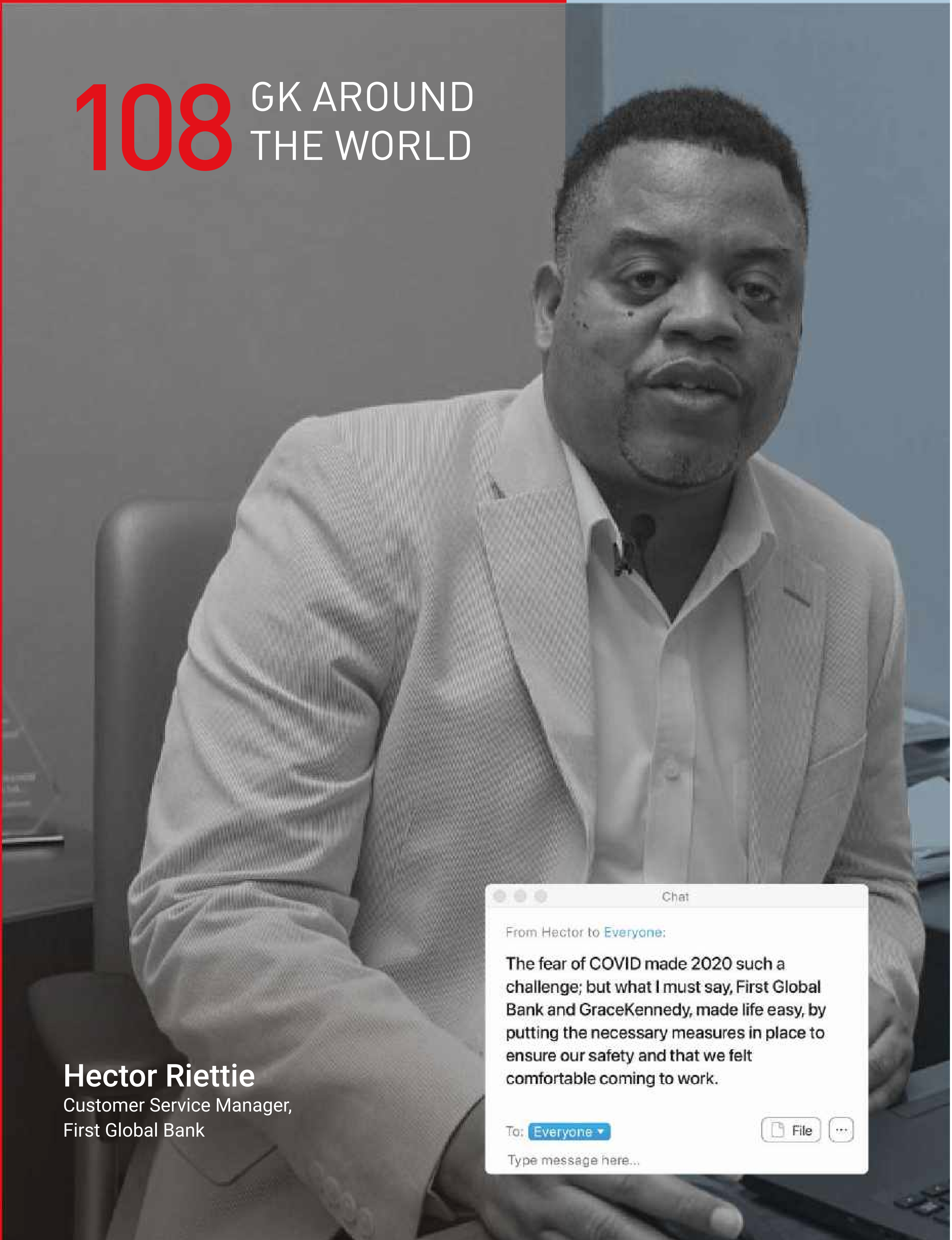
GraceKennedy has received over fifteen (15) Best Practices Awards from the JSE since the annual event began, including the prestigious Governor General's Award for Excellence for 2004 and 2018. In 2020 the Company was the proud winner of four (4) 2019 JSE Best Practices Awards. In the Main Market Best Practices Awards, the Company was named the overall winner in the Corporate Disclosure & Investor Relations category, and the first runner up for the JSE/PSOJ Corporate Governance Award and Website Award.

GK Capital Management was declared the first runner up in the Investor Relations category of the Member Dealers Awards, marking the first time the Company has been awarded by the JSE at the annual event. The Member Dealer Investor Relations award recognizes excellence in providing customer service to investors.

The year 2020 was unprecedented, as the COVID-19 pandemic compelled us to innovate and pivot in many ways. Notwithstanding the challenges, our team remained resilient and continued to support children, the elderly and the communities in which we operate. Our cashiers, merchandizers, drivers, and other front-line staff were and continue to be our heroes, ensuring that our products are delivered to shelves to meet customer demand, while we continue to manage the effects of a global health crisis and support the most vulnerable.

The COVID-19 pandemic, a period of severe and extended disruption illustrated that business continuity management is integral to good corporate governance. It also reminded us of the importance of adequate strategic management processes to identify and address potential threats, advance planning, and the safeguarding of critical business functions, to protect our employees and other stakeholders even as we continue to serve our customers across the globe because ***We Are Stronger Together. We Care.***

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



Chat

From Hector to Everyone:

The fear of COVID made 2020 such a challenge; but what I must say, First Global Bank and GraceKennedy, made life easy, by putting the necessary measures in place to ensure our safety and that we felt comfortable coming to work.

To: Everyone

File

Type message here...

Hector Riettie
Customer Service Manager,
First Global Bank

GK AROUND THE WORLD

At a time when the fallout from the pandemic continued to impact businesses around the world, GraceKennedy remained focused on innovation and the execution of its strategy. This resulted in several major wins across the Group in 2020. There were also important milestones for our businesses in 2020, which we commemorated in new ways, given the impact of COVID-19.

In July, we welcomed our newest GK family member - Grace Ambassador, reigning World Athletics Under-20 100m and 200m champion, Briana Williams. Also, in July, Grace Foods celebrated the 20th Anniversary of one of its most popular products worldwide, Grace Tropical Rhythms. 2020 also marked an important anniversary for our GraceKennedy Financial Group (GKFG) with GraceKennedy Remittance Services (GKRS) celebrating 30 years of helping Jamaican families at home and abroad connect the dots. GKFG also welcomed a new Company, Key Insurance, to its Insurance Segment in March, and opened its first GKONE cashless store at the GK Headquarters in Downtown Kingston in July.

Last year also witnessed GK accelerating its digital transformation strategy with the appointment of Steven Whittingham as the Head of Digital Transformation in July; and in October 2020, GK established a new Mergers and Acquisitions Unit, headed by Andrew Leo-Rhynie.

At the end of the year, the hard work put into navigating the pandemic paid off, when in December GraceKennedy Limited received several Jamaica Stock Exchange ("JSE") Best Practices awards, and Grace Foods Latin America and the Caribbean (LACA) won big at the Jamaica Manufacturers and Exporters (JMEA) Awards.

The good news coming out of GraceKennedy in 2020 was attributable to the strength and dedication of our team; these are some of the highlights of the year!

GraceKennedy Limited

In September 2020 Nestlé Jamaica inked a co-manufacturing agreement with Dairy Industries Jamaica Limited (DIJL). The agreement formalized DIJL's production of NESTLÉ Everyday milk powder in its production facility in Kingston.

GraceKennedy Limited

In 2020 Grace Tropical Rhythms, the coolest rhythms around, celebrated 20 years of delivering a splash of energy, fun and flavour.

GraceKennedy Limited

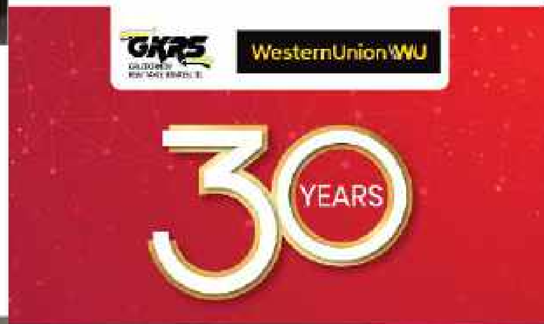
GraceKennedy renewed its commitment to manufacturing in Jamaica in 2020, strategically investing and reorganising not only to maintain its Manufacturing segment's performance, but also to further build out and grow the segment.

GraceKennedy Limited

GKFG created history in July by opening the first cashless financial services store in Jamaica - GKONE Digital. Services include loan applications, opening of bank accounts, and electronic registration for Western Union's Direct to Bank service.

GraceKennedy Limited

GraceKennedy, through its wholly owned subsidiary, GKFG, acquired 65 percent of the share capital of Key Insurance in March 2020. In October a rights issue and a resolution to increase Key's share capital were approved by shareholders at Key's first ever virtual AGM.



Congratulations

GraceKennedy Remittance Services
on 30 solid years of partnerships and making connections happen!

GraceKennedy
GROUP

GraceKennedy Limited

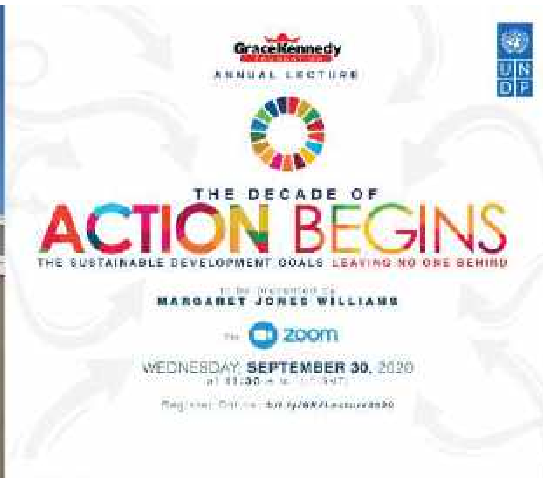
Congratulations to GraceKennedy Remittance Services and Western Union who celebrated 30 years of helping Jamaican families connect the dots in 2020.

GraceKennedy Limited

Following the establishment of our Digital Transformation and Mergers and Acquisitions teams in 2020, GraceKennedy is pleased to report progress in both areas, as the setup of our first Digital Factory is well underway and we are actively exploring several potential targets for acquisition.

GraceKennedy Limited

In December 2020 GraceKennedy was the proud winner of four Jamaica Stock Exchange (JSE) Best Practices Awards for 2019. In the Main Market Best Practices Awards, GK Limited was announced the overall winner in the Corporate Disclosure & Investor Relations category, and the first runner up for the JSE/PSOJ Corporate Governance Award and Website Award. GK Capital Management was the first runner up in the Investor Relations category of the Member Dealers Awards.



GraceKennedy Limited

The first-ever virtual GraceKennedy Foundation lecture, titled "Decade of Action Begins: The Sustainable Development Goals – Leaving No One Behind", was presented by Dr Margaret Jones Williams, UNDP Deputy Resident Representative for Suriname live from Paramaribo on September 30 and hosted over 350 online participants

We invite you to continue reading, to learn more about our successes on our website!

GraceKennedy Limited

Grace Foods Latin America & Caribbean (LACA), a subsidiary of GraceKennedy won big at the 2020 Jamaica Manufacturers and Exporters Association (JMEA) M&E awards, taking home the Governor General's Award for Exporter of the Year and the Prime Minister's Award for the Top Large Exporter in Manufacturing.

GraceKennedy Limited

One of the highlights of 2020 for GKFG was its participation in the Government of Jamaica's COVID-19 Allocation of Resources for Employees ("CARE") Programme, where 80% of recipients who chose remittance companies as their collection method chose Grace Kennedy Remittance Services. This resulted in over 118,000 payments being processed by GKRS.

GraceKennedy Limited

GraceKennedy announced that GK Foods signed sprinter Briana Williams as its newest Brand Ambassador in July. The National Under 20 Record Holder will represent the GK Foods brand locally, as well in the regional and international markets, over the next three years.

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AUDITED FINANCIAL STATEMENTS

Kelisha Davis
Machine Operator and Dispensary Clerk,
Grace Food Processors Canning Division

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31 December 2020

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Independent auditor's report

To the Members of GraceKennedy Limited

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of GraceKennedy Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at December 31, 2020, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

The Group's consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the company statement of financial position as at December 31, 2020;
- the company income statement for the year then ended;
- the company statement of comprehensive income for the year then ended;
- the company statement of changes in equity for the year then ended;
- the company statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: 876) 922 7581, www.pwc.com/jm

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Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

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

Of the 23 components selected, we performed an audit of the complete financial information of 13 components ("full scope components") which were selected based on their size, risk characteristics or both. For the remaining 10 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the consolidated financial statements, either due to the size of these accounts or their risk profile.

In relation to the remaining components, none of which are individually greater than 3% of the Group's profit before tax, we performed other procedures, including analytical review procedures and testing of consolidation journals, intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group's consolidated financial statements. For components that are in scope of the Group audit, we used component auditors from PwC network firms and non-PwC firms who are familiar with the local laws and regulations to perform this audit work. Throughout the audit we had regular meetings and correspondence with management and component auditor teams to follow up on progress of work for all components. The Group engagement team reviewed workpapers relating to the audit approach and findings of the component auditors.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

pwc

Key audit matter	How our audit addressed the key audit matter

Accounting for business combinations (Group)

Refer to notes 2(b), 4(i), 4(ix), 11 and 39 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements, estimates and balances.

On 24 March 2020, the Group acquired 65.2% of the share capital of Key Insurance Company Limited. Management assessed that the acquisition qualified as a business combination resulting in recognition of goodwill in the amount of $171.9 million.

Valuations of identifiable net assets acquired were performed as part of the Purchase Price Allocation (PPA) which resulted in the Group recognising intangible assets in the amount of $147 million and $38 million for customer related assets and brands respectively.

We focused on this area due to the significance of the intangible assets identified and due to the nature of business combinations, the accounting requirements of which can be complex and require management to exercise judgement in determining certain estimates. The most significant is the determination of the PPA. Management engaged external experts to assist with the determination of the PPA which encompassed:

- Identifying the assets and liabilities acquired and determining their fair values; and
- Determining in particular the valuation of intangible assets as the methodology involves significant areas of judgement which are based on the inputs and assumptions in the model, such as business growth rates, attrition rate, future margins and discount rates.

We read the share purchase agreement and evaluated the appropriateness of the accounting for the acquisition as a business combination against management's accounting policies and the applicable accounting standards.

We held discussions with management to understand and evaluate their basis for determining assumptions. With the assistance of our own valuation expert, we assessed the reasonableness of the fair value conclusion derived for assets and liabilities acquired. This included evaluating the appropriateness of valuation methodologies utilised to derive the fair value of identified intangible assets and evaluating the reasonableness of the underlying valuation assumptions and inputs.

We achieved this by corroborating the key variables, being the business growth rates, attrition rate, future margins and discount rates, to historic and prospective financial, industry and economic information, taking into consideration our knowledge of the Group and its industries. Where relevant, we considered third party sources and challenged management's future revenue estimates considering changes in the market or actions by competitors.

We recalculated the goodwill, being the difference between the total net consideration paid and the fair value of the net assets acquired for mathematical accuracy.

Based on the audit procedures performed, management's accounting, judgements and estimates relating to the business combination were not unreasonable.

Key audit matter	How our audit addressed the key audit matter
IFRS 9 'Financial Instruments' – Probabilities of Default, Forward Looking Information and Significant Increase in Credit Risk (Group) *Refer to notes 2(h), 3c(i), 4(viii) and 9 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements, estimates and balances.*	
As at 31 December 2020, the Group's loans and advances totalled $31.3 billion net of credit losses. The above balance represents 18% of total assets of the Group at the reporting date. The resultant impairment recorded under the expected credit loss (ECL) impairment model amounted to $1.3 billion. In assessing impairment, IFRS 9 prescribes a forward looking ECL impairment model which takes into account reasonable and supportable forward looking information as well as probabilities of default (PD). Probabilities of default represent the likelihood of a borrower defaulting on its obligation over the next twelve months or over the remaining lifetime of the obligation. For loans and advances, management developed PDs based on the Group's specific historical default rates for each industry classification. In performing historical analyses, management identified economic variables impacting credit risk and ECLs for each portfolio. The economic impact of COVID-19 resulted in a significant increase in credit risk (SICR) for a number of borrowers who migrated from Stage 1 to Stage 2 based on an assessment of the industry in which the borrower operates and other relevant factors. In the event of a SICR, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). The estimation and application of forward looking information requires significant judgement. Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes	Our approach to addressing the matter involved the following procedures, amongst others: • Updated our understanding of management's ECL model including any changes to source data and assumptions. • Tested the completeness of all loans and advances to determine whether all items were included in the ECL models by agreeing the models to detailed loans listings. • Evaluated the reasonableness of management's judgements pertaining to PD, SICR and forward looking information, including macroeconomic factors, impacting the weighting of the scenarios due to the negative impact of COVID-19 as follows: PD: • Tested the critical data fields used in the ECL model for the PD determination, such as default date, effective interest rate, write-off data, and loan type by tracing data back to source documents. • Reperformed the calculation of days past due, a key data input into the PD parameter, in the Group's banking system on a sample basis. SICR: • Evaluated staging of loans and advances by identifying the industries severely impacted by the pandemic. This included industries affected by restrictions imposed by governments in countries where the Group operates. • Evaluated whether the loans of borrowers from these industries migrated to Stage 2 where appropriate.

Key audit matter	How our audit addressed the key audit matter
in macroeconomic variables) which most closely correlate with credit losses in the relevant portfolio. Each macroeconomic scenario used in the ECL calculation incorporates forecasts of the relevant macroeconomic variables. The estimation of ECL in Stage 1 and Stage 2 is a discounted, probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. The base case scenario is based on macroeconomic forecasts which are publicly available. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions. Additional adjustments to the base, best case and worst case scenario weightings were required as a result of the COVID-19 pandemic. We focused on this area due to the impact of COVID-19 on credit risk, the complexity of the techniques used to determine PDs and identify SICR, and the number of significant judgements made by management regarding possible future economic scenarios.	Forward Looking Information: • Assessed the reasonableness of the Group's methodology for determining economic scenarios including the appropriateness of the Gross Domestic Product and unemployment rate economic factors utilised by management. • Evaluated the reasonableness of the increase in the weighting used for the worst case scenario by agreeing the forward looking economic information to external sources published or pronounced by reputable third parties. • Sensitized the probability weightings used in the ECL calculation. The results of our procedures indicated that the assumptions used by management for determining the probabilities of default, significant increase in credit risk and forward looking information were not unreasonable.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment for the United States of America (USA) operations (Group) *Refer to notes 2(g), 4(i) and 11 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements, estimates and balances.*	

The total carrying value of goodwill at the reporting date is \$1.8 billion of which \$1.06 billion relates to the USA operations.
 	
In accordance with IAS 36, 'Impairment of Assets', management performed an annual goodwill impairment assessment to determine whether the carrying value exceeded the recoverable amount of the cash generating unit (CGU) to which the goodwill is allocated and is therefore impaired at the reporting date. Goodwill relating to the recoverable amount of a CGU is calculated as the higher of the value-in-use and fair value less costs of disposal.
 	
Management determined the recoverable amount by reference to value-in-use which is based on discounted cash flow projections over which management makes significant judgements on key inputs. As a result of the assessment, management determined there was no impairment as at 31 December 2020.
We focused on this area as the goodwill impairment assessment requires significant management judgement and estimation, is sensitive to changes in key assumptions and due to the challenges involved in determining the impact of COVID-19 on those key assumptions.
 	
The key assumptions were assessed by management as being:
• Revenue growth rate;
• Discount rate;
• Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) to revenue; and
• Capital expenditure to revenue.
	Our approach to addressing the matter, with the assistance of our valuation expert, involved the following procedures, amongst others:
	• Updated our understanding of management's approach to performing their annual impairment assessment. This included the process by which management's key assumptions and methodologies were developed and assessing their appropriateness.
	• Compared previous forecasts to actual results in order to assess the performance of the business and the extent to which reliance could be placed on management's ability to forecast.
	• Tested the key assumptions, including the impact of COVID-19 on those key assumptions as follows:
	  ◦ Evaluated the revenue growth rate and the discount rate against valuations of similar companies.
	  ◦ Evaluated the EBITDA and capital expenditure to revenue assumptions against internal and relevant externally derived data, where available.
	  ◦ Tested the calculations for mathematical accuracy and assessed the sensitivity of the calculations by varying the key assumptions and adjustments within management's cash flow forecast.
	
	The results of our procedures indicated management's determination that goodwill was not impaired at the reporting date was not unreasonable.

Key audit matter	How our audit addressed the key audit matter
Valuation of the defined benefit pension scheme and other post-employment obligations (Group and Company) *Refer to notes 2(m), 4(iii) and 14 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements, estimates and balances.* The Group has a defined benefit pension scheme and other post-employment obligations which are significant in the context of the overall statements of financial position of the Group and Company. Pension scheme obligations totalled $31.8 billion for the Group and Company at the reporting date. The pension scheme obligations are included as part of net pension asset of $6.8 billion on the respective statements of financial position. Other post-employment obligations amounted to $5.9 billion and $2.9 billion for the Group and Company respectively. We focused on this area as the valuation of the defined benefit pension liabilities and other post-employment obligations requires significant levels of judgement and technical expertise in determining appropriate assumptions. A number of the key assumptions can have a material impact on the calculation of the liabilities and obligations including: • salary increases; • inflation rates; • pension increases; • discount rates; and • mortality rates. Management uses external actuaries to assist in determining these assumptions and in valuing the defined benefit pension scheme and other post-employment obligations.	We performed procedures on the valuations of the pension scheme and other post-employment obligations as follows: • We evaluated management's assumptions made in relation to the valuations of the defined benefit pension scheme and other post-employment obligations and the assumptions relating to salary increases, pension increases and mortality rates by comparing them to national and industry statistics and averages. • We agreed the discount and inflation rates used in the valuation of the pension scheme and other post-employment obligations to those issued by the Institute of Chartered Accountants of Jamaica and targets set by the Bank of Jamaica. • With the assistance of our actuarial expert, we performed inquiries with management and management's external actuary and performed an evaluation of the key economic assumptions used including the impact of COVID-19 in the calculation of the liability. • We tested the completeness and accuracy of data extracted and supplied to the Group's actuary, which is used for the actuarial calculations. Based on the audit evidence obtained, we determined that the available audit evidence supported the data and assumptions used by management in the actuarial valuations.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

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

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

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Paul Williams.

PricewaterhouseCoopers

Chartered Accountants
26 February 2021
Kingston, Jamaica

GraceKennedy Limited
Consolidated Statement of Financial Position
31 December 2020
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Assets			
Cash and deposits	5	24,331,106	14,627,178
Investment securities	6	33,513,948	30,666,623
Pledged assets	6	7,610,387	9,227,048
Receivables	7	16,871,439	15,908,616
Inventories	8	14,433,135	13,315,155
Loans receivable	9	31,250,331	30,677,003
Taxation recoverable		767,669	775,786
Investments in associates and joint ventures	10	4,118,824	3,511,934
Investment properties	38	925,734	665,000
Intangible assets	11	4,411,466	4,012,945
Fixed assets	12	25,560,044	24,074,325
Deferred tax assets	13	1,060,528	1,142,161
Pension plan asset	14	6,841,372	5,821,549
Assets classified as held for sale	12	-	280,558
Total Assets		**171,695,983**	**154,705,881**
Liabilities			
Deposits		41,611,220	35,805,361
Securities sold under agreements to repurchase		4,968,483	7,892,207
Bank and other loans	15	25,233,708	24,032,254
Payables	17	28,211,841	24,408,190
Taxation		1,077,285	459,191
Provisions	18	42,602	37,779
Deferred tax liabilities	13	1,822,238	1,559,686
Other post-employment obligations	14	5,949,279	5,799,526
Total Liabilities		**108,916,656**	**99,994,194**
Equity			
Capital and reserves attributable to the company's owners			
Share capital	19	305,493	457,170
Capital and fair value reserves	20	7,789,066	7,234,527
Retained earnings		44,096,867	38,501,844
Banking reserves	21	3,620,711	3,220,711
Other reserves	22	4,098,122	2,912,158
		59,910,259	52,326,410
Non-Controlling interests	23	2,869,068	2,385,277
Total Equity		**62,779,327**	**54,711,687**
Total Equity and Liabilities		**171,695,983**	**154,705,881**

Approved for issue by the Board of Directors on 26 February 2021 and signed on its behalf by:

Gordon Shirley — Chairman

Donald Wehby — Group Chief Executive Officer

GraceKennedy Limited

Consolidated Income Statement

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Revenue from products and services		111,064,222	98,913,473
Interest revenue		4,373,119	4,176,420
Revenues	25	115,437,341	103,069,893
Direct and operating expenses		(108,109,929)	(98,862,776)
Net impairment losses on financial assets		(523,486)	(488,116)
Expenses	26	(108,633,415)	(99,350,892)
Profit before Other income		6,803,926	3,739,001
Other income	27	3,024,608	2,520,212
Profit from Operations		9,828,534	6,259,213
Interest income – non-financial services		467,866	437,398
Interest expense – non-financial services		(1,130,957)	(1,087,903)
Share of results of associates and joint ventures	10	543,532	518,887
Profit before Taxation		9,708,975	6,127,595
Taxation	29	(2,852,049)	(1,027,679)
NET PROFIT		6,856,926	5,099,916
Attributable to:			
Owners of GraceKennedy Limited	30	6,218,055	4,487,389
Non-Controlling interests	23	638,871	612,527
		6,856,926	5,099,916

	Note	$	$
Earnings per Stock Unit for profit attributable to the owners of the company during the year:	32		
Basic		6.28	4.52
Diluted		6.26	4.51

GraceKennedy Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Profit for the year		6,856,926	5,099,916
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on revaluation of land and buildings		656,138	20,315
Changes in fair value of equity instruments at fair value through other comprehensive income		(260,167)	621,450
Remeasurements of post-employment benefit obligations		1,247,533	3,022,237
Share of other comprehensive income of associates and joint ventures		80,936	14,989
		1,724,440	3,678,991
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustments		1,041,404	551,187
Changes in fair value of debt instruments at fair value through other comprehensive income		201,801	539,061
Share of other comprehensive income of associates and joint ventures		114,911	38,048
		1,358,116	1,128,296
Other comprehensive income for the year, net of tax		3,082,556	4,807,287
Total comprehensive income for the year		9,939,482	9,907,203
Attributable to:			
Owners of GraceKennedy Limited		9,236,355	9,261,866
Non-Controlling interests	23	703,127	645,337
		9,939,482	9,907,203

GraceKennedy Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

		Attributable to Owners of the Parent						Non-Controlling Interest	Total Equity
	Note	Number of Stock Units '000	Share Capital $'000	Capital and Fair Value Reserves $'000	Retained Earnings $'000	Banking Reserves $'000	Other Reserves $'000	$'000	$'000
Balance at 1 January 2019		991,865	490,354	6,346,838	32,306,560	3,118,867	2,351,808	2,074,965	46,689,392
Profit for the year		-	-	-	4,487,389	-	-	612,527	5,099,916
Other comprehensive income for the year		-	-	1,175,635	3,027,788	-	571,054	32,810	4,807,287
Total comprehensive income for 2019		-	-	1,175,635	7,515,177	-	571,054	645,337	9,907,203
Transactions with owners:									
Issue of shares	19 (a)	113	3,150	-	-	-	-	-	3,150
Sale of treasury shares	19 (b)	178	10,885	-	-	-	-	-	10,885
Purchase of treasury shares	19 (b)	(1,957)	(131,150)	-	-	-	-	-	(131,150)
Share-based payments:									
Value of services received	19 (e)	-	-	-	-	-	131,521	1,367	132,888
Exercised		-	-	-	-	-	(26,460)	(637)	(27,097)
Transfer of shares to employees	19 (a)	5	312	-	-	-	(312)	-	-
Transfer of treasury shares to employees	19 (b)	1,902	83,619	33,054	-	-	(115,453)	(1,220)	-
Dividends paid by subsidiaries to non-controlling interests	23	-	-	-	-	-	-	(334,535)	(334,535)
Dividends paid	31	-	-	-	(1,539,049)	-	-	-	(1,539,049)
Total transactions with owners		241	(33,184)	33,054	(1,539,049)	-	(10,704)	(335,025)	(1,884,908)
Transfers between reserves:									
From capital reserves		-	-	(321,000)	321,000	-	-	-	-
To banking reserves		-	-	-	(101,844)	101,844	-	-	-
Balance at 31 December 2019		992,106	457,170	7,234,527	38,501,844	3,220,711	2,912,158	2,385,277	54,711,687
Profit for the year		-	-	-	6,218,055	-	-	638,871	6,856,926
Other comprehensive income for the year		-	-	657,256	1,247,385	-	1,113,659	64,256	3,082,556
Total comprehensive income for 2020		-	-	657,256	7,465,440	-	1,113,659	703,127	9,939,482
Transactions with owners:									
Issue of shares	19 (a)	8	340	-	-	-	-	-	340
Sale of treasury shares	19 (b)	92	5,333	-	-	-	-	-	5,333
Purchase of treasury shares	19 (b)	(3,545)	(216,811)	-	-	-	-	-	(216,811)
Share-based payments:									
Value of services received	19 (e)	-	-	-	-	-	171,781	1,546	173,327
Exercised		-	-	-	-	-	(27,711)	(88)	(27,799)
Transfer of treasury shares to employees	19 (b)	1,000	59,461	12,470	-	-	(71,765)	(166)	-
Increase in non-controlling interests on acquisition of subsidiary	23	-	-	-	-	-	-	170,092	170,092
Dividends paid by subsidiaries to non-controlling interests	23	-	-	-	-	-	-	(390,720)	(390,720)
Dividends paid	31	-	-	-	(1,585,604)	-	-	-	(1,585,604)
Total transactions with owners		(2,445)	(151,677)	12,470	(1,585,604)	-	72,305	(219,338)	(1,871,842)
Transfers between reserves:									
From capital reserves		-	-	(115,187)	115,187	-	-	-	-
To banking reserves		-	-	-	(400,000)	400,000	-	-	-
Balance at 31 December 2020		989,661	305,493	7,789,066	44,096,867	3,620,711	4,098,122	2,869,068	62,779,327

GraceKennedy Limited
Consolidated Statement of Cash Flows
Year ended 31 December 2020
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
SOURCES/(USES) OF CASH:			
Operating Activities	33	13,884,563	7,049,456
Financing Activities			
Loans received		10,791,178	6,030,765
Loans repaid		(11,676,657)	(6,306,514)
Dividends paid by subsidiary to non-controlling interests	23	(390,720)	(334,535)
Purchase of treasury shares	19	(216,811)	(131,150)
Sale of treasury shares	19	5,333	10,885
Issue of shares	19	340	3,150
Exercise of share based payments	19	(27,799)	(27,097)
Interest paid – non financial services		(1,140,270)	(1,066,114)
Dividends	31	(1,585,604)	(1,539,049)
		(4,241,010)	(3,359,659)
Investing Activities			
Additions to fixed assets[(a)]	12	(1,573,741)	(2,921,570)
Proceeds from disposal of fixed assets		82,235	269,419
Additions to assets held for sale		-	(30,544)
Proceeds from disposal of assets held for sale		292,977	-
Additions to investments		(9,527,145)	(23,379,440)
Cash inflow on acquisition of subsidiary	39	176,840	-
Cash outflow on purchase of interest in associates and joint ventures		(107,500)	(202,904)
Proceeds from sale of investments		9,887,406	23,868,680
Additions to intangibles	11	(376,306)	(351,529)
Interest received – non financial services		432,256	435,162
		(712,978)	(2,312,726)
Increase in cash and cash equivalents		8,930,575	1,377,071
Cash and cash equivalents at beginning of year		13,858,915	12,278,198
Exchange and translation gains on net foreign cash balances		530,298	203,646
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	23,319,788	13,858,915

The principal non-cash transactions include:

(a) Acquisition of right-of-use asset of $971,148,000 (2019: $2,975,546,000), (Note 12).

GraceKennedy Limited
Company Statement of Financial Position
31 December 2020
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Assets			
Cash and deposits	5	5,403,813	2,633,161
Investment securities	6	6,878,116	6,687,588
Receivables	7	1,551,680	1,662,856
Inventories	8	2,630,884	2,764,103
Loans receivable	9	2,469,965	2,096,204
Subsidiaries	35	1,424,243	1,930,889
Taxation recoverable		-	199,010
Investments in associates	10	574,698	574,698
Investments in subsidiaries		18,017,773	18,018,692
Intangible assets	11	290,731	285,615
Fixed assets	12	3,290,308	3,402,265
Pension plan asset	14	6,841,372	5,821,549
Total Assets		**49,373,583**	**46,076,630**
Liabilities			
Bank and other loans	15	8,675,862	9,051,347
Payables	17	3,097,157	2,808,126
Subsidiaries	35	4,337,422	3,381,561
Taxation		103,721	-
Deferred tax liabilities	13	813,688	628,399
Other post-employment obligations	14	2,886,721	2,768,342
Total Liabilities		**19,914,571**	**18,637,775**
Equity			
Share capital	19	305,493	457,170
Capital and fair value reserves	20	262,355	241,434
Retained earnings		28,742,340	26,641,782
Other reserves	22	148,824	98,469
Total Equity		**29,459,012**	**27,438,855**
Total Equity and Liabilities		**49,373,583**	**46,076,630**

Approved for issue by the Board of Directors on 26 February 2021 and signed on its behalf by:

Gordon Shirley — Chairman

Donald Wehby — Group Chief Executive Officer

GraceKennedy Limited

Company Income Statement

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Revenue	25	23,005,986	21,566,624
Cost of goods sold		(17,297,284)	(16,690,978)
Gross Profit		5,708,702	4,875,646
Other income	27	6,118,282	5,077,223
Administration expenses		(8,985,882)	(8,437,696)
Net impairment losses on financial assets		(79,902)	(43,929)
Profit from Operations		2,761,200	1,471,244
Interest income		620,135	572,086
Interest expense		(489,614)	(532,680)
Profit before Taxation		2,891,721	1,510,650
Taxation	29	(207,433)	80,091
NET PROFIT	30	**2,684,288**	**1,590,741**

GraceKennedy Limited

Company Statement of Comprehensive Income

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	2020 $'000	2019 $'000
Profit for the year	2,684,288	1,590,741
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Gains on revaluation of land and buildings	11,918	-
Changes in fair value of equity instruments at fair value through other comprehensive income	(3,467)	30,870
Remeasurements of post-employment benefit obligations	1,001,874	2,677,106
Other comprehensive income for the year, net of tax	1,010,325	2,707,976
Total comprehensive income for the year	3,694,613	4,298,717

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 29.

GraceKennedy Limited

Company Statement of Changes in Equity

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Stock Units '000	Share Capital $'000	Capital and Fair Value Reserves $'000	Retained Earnings $'000	Other Reserves $'000	Total $'000
Balance at 1 January 2019		991,865	490,354	177,510	23,912,984	130,728	24,711,576
Profit for the year		-	-	-	1,590,741	-	1,590,741
Other comprehensive income for the year		-	-	30,870	2,677,106	-	2,707,976
Total comprehensive income for 2019		-	-	30,870	4,267,847	-	4,298,717
Transactions with owners:							
Issue of shares	19 (a)	113	3,150	-	-	-	3,150
Sale of treasury shares	19 (b)	178	10,885	-	-	-	10,885
Purchase of treasury shares	19 (b)	(1,957)	(131,150)	-	-	-	(131,150)
Share-based payments:							
Value of services received	22	-	-	-	-	93,863	93,863
Exercised		-	-	-	-	(20,111)	(20,111)
Transfer of shares to employees	19 (a)	5	312	-	-	(312)	-
Transfer of treasury shares to employees	19 (b)	1,902	83,619	33,054	-	(105,699)	10,974
Dividends paid	31	-	-	-	(1,539,049)	-	(1,539,049)
Total transactions with owners		241	(33,184)	33,054	(1,539,049)	(32,259)	(1,571,438)
Balance at 31 December 2019		992,106	457,170	241,434	26,641,782	98,469	27,438,855
Profit for the year		-	-	-	2,684,288	-	2,684,288
Other comprehensive income for the year		-	-	8,451	1,001,874	-	1,010,325
Total comprehensive income for 2020		-	-	8,451	3,686,162	-	3,694,613
Transactions with owners:							
Issue of shares	19 (a)	8	340	-	-	-	340
Sale of treasury shares	19 (b)	92	5,333	-	-	-	5,333
Purchase of treasury shares	19 (b)	(3,545)	(216,811)	-	-	-	(216,811)
Share-based payments:							
Value of services received	22	-	-	-	-	121,988	121,988
Exercised		-	-	-	-	(13,485)	(13,485)
Transfer of treasury shares to employees	19 (b)	1,000	59,461	12,470	-	(58,148)	13,783
Dividends paid	31	-	-	-	(1,585,604)	-	(1,585,604)
Total transactions with owners		(2,445)	(151,677)	12,470	(1,585,604)	50,355	(1,674,456)
Balance at 31 December 2020		989,661	305,493	262,355	28,742,340	148,824	29,459,012

GraceKennedy Limited

Company Statement of Cash Flows

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
SOURCES/(USES) OF CASH:			
Operating Activities	33	5,352,421	2,795,213
Financing Activities			
Loans received		5,320,777	4,515,827
Loans repaid		(5,462,741)	(3,963,828)
Purchase of treasury shares	19	(216,811)	(131,150)
Sale of treasury shares	19	5,333	10,885
Issue of shares	19	340	3,150
Exercise of share based payments	19	(13,485)	(20,111)
Interest paid		(502,824)	(532,682)
Dividends	31	(1,585,604)	(1,539,049)
		(2,455,015)	(1,656,958)
Investing Activities			
Additions to fixed assets[(a)]	12	(157,829)	(273,606)
Proceeds from disposal of fixed assets		8,446	37,741
Additions to investments		(1,069,378)	(1,912,853)
Loans receivable, net		(373,761)	(661,238)
Proceeds from sale of investments		1,268,358	1,180,534
Investment in subsidiary		-	(474,684)
Additions to intangibles	11	(99,271)	(85,146)
Interest received		584,526	572,087
		161,091	(1,617,165)
Increase/(decrease) in cash and cash equivalents		3,058,497	(478,910)
Cash and cash equivalents at beginning of year		2,005,293	2,439,594
Exchange and translation gains on net foreign cash balances		31,418	44,609
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	5,095,208	2,005,293

The principal non-cash transactions include:

(a) Acquisition of right-of-use assets of $116,640,000 (2019: $526,040,000), (Note 12).

1. Identification

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

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

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

The principal activities of the company, its subsidiaries, associates and joint ventures (the Group) are as follows:

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

Banking and Investments -
Commercial banking; stock brokerage; corporate finance; advisory services; and lease financing.

Insurance -
General insurance, health insurance and insurance brokerage.

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

2. Significant Accounting Policies

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

(a) Basis of preparation

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

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

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

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

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

- IFRS 3 'Business combinations' (effective for annual periods beginning on or after 1 January 2020). This amendment revises the definition of a business which requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term outputs is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. There was no impact from the adoption of this amendment.

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

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- IFRS 17, 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2023). This standard was issued as replacement for IFRS 4 'Insurance contracts' and requires a current measurement model where estimates are re-measured each reporting period. The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts. The Group is currently assessing the impact of this standard.

- IFRS 16, 'Leases' – Covid-19 related rent concessions (effective for annual periods beginning on or after 1 June 2020). As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16, 'Leases' which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. The Group is currently assessing the impact of this amendment.

- Amendments to IAS 1, 'Presentation of financial statements' (effective for annual periods beginning on or after 1 January 2022). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The Group is currently assessing the impact of this amendment.

- Amendment to IAS 16, 'Property, plant and equipment' (effective for annual periods beginning on or after 1 January 2022). This amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognise such sales proceeds and related cost in profit or loss. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The Group is currently assessing the impact of this amendment.

- Amendments to IFRS 3, 'Business combinations' (effective for annual periods beginning on or after 1 January 2022). Minor amendments were made to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. The Group will apply this amendment to future transactions.

- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' (effective for annual periods beginning on or after 1 January 2022). This amendment specifies which costs a company includes when assessing whether a contract will be loss making. It clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The Group is currently assessing the impact of this amendment.

- Annual improvements to IFRSs 2018 – 2020 cycles (effective for annual periods beginning on or after 1 January 2022). These amendments include minor changes to the following standards:
  - IFRS 9, 'Financial instruments'
  - IFRS 16, 'Leases'
  - IFRS 1, 'First-time adoption of International Financial Reporting Standards
  - IAS 41, 'Agriculture'

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

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

(expressed in Jamaican dollars unless otherwise indicated)

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

(b) **Basis of consolidation (continued)**

Entity	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held by the parent company %	Proportion of ordinary shares held by the Group %	Proportion of ordinary shares held by non-controlling interests %
Consumer Brands Limited	Jamaica	General goods distributor	100	100	-
GK Investments Limited and its subsidiary –	Jamaica	Lease financing	100	100	-
Greenfield Media Productions Limited	Jamaica	Media rights holder	-	55	45
GraceKennedy Financial Group Limited and its subsidiaries –	Jamaica	Holding company	100	100	-
Allied Insurance Brokers Limited	Jamaica	Insurance brokerage	-	100	-
GK General Insurance Company Limited	Jamaica	General insurance	-	100	-
GraceKennedy Money Services Caribbean SRL and its subsidiary –	Barbados	Holding company	-	75	25
GraceKennedy Remittance Services Limited and its subsidiaries –	Jamaica	Money services	-	75	25
Grace Kennedy Currency Trading Services Limited	Jamaica	Money services	-	75	25
GraceKennedy Payment Services Limited	Jamaica	Money services	-	75	25
GraceKennedy Money Services (Anguilla) Limited	Anguilla	Money services	-	75	25
GraceKennedy Money Services (Antigua & Barbuda) Limited	Antigua & Barbuda	Money services	-	75	25
GraceKennedy Money Services (Bahamas) Limited	Bahamas	Money services	-	75	25
GraceKennedy Money Services (Montserrat) Limited	Montserrat	Money services	-	75	25
GraceKennedy Money Services (St. Kitts & Nevis) Limited	St. Kitts & Nevis	Money services	-	75	25
GraceKennedy Money Services (St. Vincent and the Grenadines) Limited	St. Vincent and the Grenadines	Money services	-	75	25
GraceKennedy Money Services (BVI) Limited	British Virgin Islands	Money services	-	75	25
GraceKennedy Money Services (Cayman) Limited	Cayman Islands	Money services	-	75	25
GraceKennedy Money Services (Turks & Caicos Islands) Limited	Turks & Caicos Islands	Money services	-	75	25
Grace, Kennedy Remittance Services (Guyana) Limited	Guyana	Money services	-	75	25
GraceKennedy (Trinidad & Tobago) Limited	Trinidad and Tobago	Money services	-	75	25
GK Insurance (Eastern Caribbean) Limited	St. Lucia	General insurance	-	89.3	10.7
GK Insurance Brokers Limited	Turks & Caicos	Insurance brokerage	-	100	-
Key Insurance Company Limited	Jamaica	General insurance	-	65.2	34.8
Knutsford Re	Turks & Caicos	Insurance	-	100	-
First Global Holdings Limited and its subsidiaries –	Jamaica	Holding company	25	100	-
First Global Bank Limited	Jamaica	Banking	-	100	-
GK Capital Management Limited	Jamaica	Investment manager	-	100	-
GraceKennedy Properties Limited	Jamaica	Property rental	-	100	-
GK Foods & Services Limited	Jamaica	Food trading	100	100	-
International Communications Limited	Jamaica	Dormant	100	100	-

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

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

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

During the year the Group acquired 65.2% of the share capital of Key Insurance Company Limited (Note 39).

The Group liquidated Grace Foods International Limited during the year.

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

(c) **Associates and Joint Ventures**

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

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

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

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

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

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

The Group's associates and joint ventures are as follows:

Entity	Financial Reporting Year-end	Country of Incorporation	Nature of Business	Nature of Relationship	Group's Percentage Interest	
					2020	2019
Canopy Insurance Limited	31 December	Jamaica	Financial	Joint Venture	50.0	50.0
Catherine's Peak Bottling Company Limited	31 March	Jamaica	Food trading	Associate	35.0	35.0
CSGK Finance Holdings Limited	31 December	Barbados	Banking	Associate	40.0	40.0
Dairy Industries (Jamaica) Limited	31 December	Jamaica	Food trading	Associate	50.0	50.0
Gray's Pepper Products Limited	31 December	Jamaica	Food trading	Associate	33.3	33.3
Majesty Foods LLC	31 December	USA	Food trading	Associate	49.0	49.0
Pelican Power Limited	31 December	Jamaica	Investment/ Energy	Joint Venture	50.0	50.0
Telecommunications Alliance Limited	31 December	Jamaica	Dormant	Associate	49.0	49.0

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

In the prior year, the Group acquired an interest in Pelican Power Limited.

(d) **Segment reporting**

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

(e) **Foreign currency translation**

Functional and presentation currency

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

2. Significant Accounting Policies (Continued)

(e) Foreign currency translation (continued)

Transactions and balances

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

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

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

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

Group companies

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

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

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

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

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

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

(f) Fixed assets

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

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

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

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

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

Land is not depreciated.

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

2. Significant Accounting Policies (Continued)

(f) Fixed assets (continued)

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

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

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

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

(g) Intangible assets

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

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

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

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

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

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

Supplier relationships
Supplier relationships are recorded at cost and represent the value of the consideration paid to acquire rights to distribute consumer products in specified locations. These costs are amortised over the estimated useful life of the relationships, which is between 10 to 12 years.

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

(h) **Financial assets**

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss)
- those to be measured at amortised cost.

The classification depends on the business model used for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). Equity instruments held for trading are measured at fair value through profit or loss (FVPL).

The Group reclassifies debt investments only when its business model for managing those assets changes.

Measurement

Debt instruments
Measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in the income statement using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Changes in fair value are taken through OCI. The recognition of interest income and impairment gains or losses are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in the income statement using the effective interest rate method. Impairment losses are presented as a separate line item in the income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instruments
The Group measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in the income statement.

Impairment

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments and certain financial guarantee contracts.

Application of the General Model
The Group has applied the 'general model' as required under IFRS 9 for debt instruments other than trade receivables. Under this model, the Group is required to assess on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The ECL will be recognised in profit or loss before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. Under current guidance, impairment amount represents the single best outcome; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2. Significant Accounting Policies (Continued)

(h) Financial assets (continued)

ECL is calculated by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not credit impaired. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months.

Stage 2 – When a financial asset experiences a significant increase in credit risk subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

The Group uses judgement when considering the following factors that affect the determination of impairment:

Assessment of Significant Increase in Credit Risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios

The Group applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macroeconomic factors and forward looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group uses three scenarios that are probability weighted to determine ECL.

Expected Life

When measuring ECL, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Application of the Simplified Approach

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables.

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information.

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

(i) **Derivative financial instruments**

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

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

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

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

(j) **Investments in subsidiaries**

Investments in subsidiaries are stated at cost.

(k) **Impairment of non-financial assets**

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

(l) **Income taxes**

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

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

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

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

Investment tax credits are benefits received for investments in specific qualifying assets related to capitalised expenditure. Any portion of these tax credits which are received but not fully utilised in the same year are carried forward for offset against future taxes and are recognised similarly to unused tax credits as a deferred tax asset.

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

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

2. Significant Accounting Policies (Continued)

(m) Employee benefits

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

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

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

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

Past-service costs are recognised immediately in income.

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

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

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

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

2. Significant Accounting Policies (Continued)

(m) Employee benefits (continued)

Incentive plans

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

(n) Inventories

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

(o) Trade and insurance receivables

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

(p) Cash and cash equivalents

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

(q) Payables

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

(r) Insurance business provisions

Claims outstanding

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

Insurance reserves

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

Reinsurance ceded

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

Deferred policy acquisition costs

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

2. Significant Accounting Policies (Continued)

(s) Provisions

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

(t) Deposits

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

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

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

(v) Borrowings

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

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

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

(w) Borrowings costs

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

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

(x) Leases

As lessee

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

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

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

2. Significant Accounting Policies (Continued)

(x) Leases (continued)

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

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

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

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

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

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

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

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

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

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

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

(y) Share capital

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

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

(z) Revenue recognition

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

Sales of goods and services

Revenue is recognised as performance obligations are satisfied, that is, over time or at a point in time. Where a customer contract contains multiple performance obligations, the transaction price is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services being provided to the customer

Certain contracts with customers provide a right of return, free goods, volume discounts, rebates and other incentives. Accumulated experience is used to estimate and provide for customer returns and sales incentives using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability, representing amounts payable to customers, is recognised for expected returns and sales incentives. Where customer contracts entitle customers to free goods, revenue is allocated to each performance obligation, including free goods, and recognised as the performance obligations are satisfied. Contract liabilities are included in 'payables' on the statement of financial position.

Sale of goods and services – customer loyalty programme

The Group operates loyalty programmes where customers accumulate points for purchases made which entitle them to goods or services in the future. The consideration received from the sale of goods and services is allocated to the loyalty points and related goods and services using the residual value method. In its capacity as an agent, the Group recognises commission income, being the net of the consideration allocated to the loyalty points and the amounts payable to third parties with primary responsibility for satisfying the performance obligations in respect of awards. A financial liability is recognised in respect of amounts payable to third parties and no breakage is considered. The financial liability is included in 'payables' in the statement of financial position.

Interest income

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

Dividend income

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

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

(aa) Dividends

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

(ab) Investment properties

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

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

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

(ac) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

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

3. Insurance and Financial Risk Management

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

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

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

(i) Audit Committee

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

(ii) Corporate Governance Committee

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

(iii) Asset and Liability Committees/Investment Committees

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

(iv) Corporate Finance Department

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

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

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

(a) **Insurance risk**

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

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

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

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

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

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

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

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

	2020		2019	
	Policy Limit	Maximum Net Retention	Policy Limit	Maximum Net Retention
	$'000	$'000	$'000	$'000
Commercial property:				
Fire and consequential loss	1,417,090	11,337	1,311,765	10,494
Boiler and machinery	701,460	6,377	649,324	5,903
Engineering	935,279	8,503	865,765	7,871
Burglary, money and goods in transit	35,427	35,427	32,794	32,794
Glass and other	35,427	35,427	32,794	32,794
Liability	425,127	42,513	393,530	40,500
Marine, aviation and transport	85,025	4,251	78,706	3,935
Motor	60,000	15,000	60,000	15,000
Pecuniary loss:				
Fidelity	35,427	35,427	32,794	32,794
Surety/Bonds	212,564	42,513	148,042	29,608
Personal accident	35,427	35,427	32,794	32,794
Personal property	1,417,090	11,337	1,311,765	10,494

3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Sensitivity Analysis of Actuarial Liabilities

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

Actuarial Assumptions

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

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

(ii) Provision for adverse deviation assumptions

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

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

(iii) Scenario testing

The two major assumptions that determine reserve levels are:

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

These factors have been stochastically modelled using various confidence intervals to determine the impact on the net reserves. The net reserves of $4,368,497,000 were determined at the 50% confidence interval. Had the confidence interval increased/(decreased) by 10%, the net reserves would increase/(decrease) by $160,000,000/($160,000,000).

Development Claim Liabilities

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of the ultimate claims liability for accident years 2011 - 2019 has changed at successive year-ends, up to 2020. Updated unpaid claims and adjustment expenses (UCAE) and claims incurred but not reported (IBNR) estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the development calculations.

GraceKennedy Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Development Claim Liabilities (continued)

		2011 & prior $'000	2012 $'000	2012 & prior $'000	2013 $'000	2013 & prior $'000	2014 $'000	2014 & prior $'000	2015 $'000	2015 & prior $'000	2016 $'000	2016 & prior $'000	2017 $'000	2017 & prior $'000	2018 $'000	2018 & prior $'000	2019 $'000	2019 & prior $'000	2020 $'000	2020 & prior $'000
2011	UCAE, end of year	1,478,837																		
	IBNR, end of year	70,310																		
2012	Paid during year	643,219	603,312	1,246,531																
	UCAE, end of year	1,408,950	794,202	2,203,152																
	IBNR, end of year	109,052	86,623	195,675																
	Ratio: excess (deficiency)	(39.51%)																		
2013	Paid during year	404,029	440,977	845,006	693,209	1,538,215														
	UCAE, end of year	1,312,907	577,205	1,890,112	888,435	2,778,547														
	IBNR, end of year	18,241	27,885	46,126	159,518	205,644														
	Ratio: excess (deficiency)	(53.53%)		(15.94%)																
2014	Paid during year	303,219	199,473	502,692	469,743	972,435	636,060	1,608,495												
	UCAE, end of year	969,778	440,187	1,409,965	592,993	2,002,958	699,900	2,702,858												
	IBNR, end of year	12,110	9,538	21,648	38,244	59,892	154,761	214,653												
	Ratio: excess (deficiency)	(50.56%)		(15.86%)		(1.71%)														
2015	Paid during year	243,794	101,017	344,811	134,734	479,545	338,974	818,519	694,981	1,513,500										
	UCAE, end of year	619,502	311,450	930,952	474,602	1,405,554	420,123	1,825,677	761,023	2,586,700										
	IBNR, end of year	(4,039)	(13,258)	(17,297)	(252)	(17,549)	37,685	20,136	250,449	270,585										
	Ratio: excess (deficiency)	(42.64%)		(8.64%)		4.83%		8.68%												
2016	Paid during year	140,194	44,979	185,173	87,430	272,603	131,720	404,323	427,432	831,755	744,290	1,576,045								
	UCAE, end of year	401,577	249,858	651,435	355,116	1,006,551	326,083	1,332,634	455,457	1,788,091	829,456	2,617,547								
	IBNR, end of year	30,998	56,287	87,285	(2,974)	84,311	(13,925)	70,386	75,246	145,632	132,092	277,724								
	Ratio: excess (deficiency)	(39.89%)		(9.07%)		5.65%		10.00%		3.21%										
2017	Paid during year	144,449	43,539	187,988	51,185	239,173	68,158	307,331	142,373	449,704	481,137	930,841	1,042,86	1,973,706						
	UCAE, end of year	199,198	158,428	357,626	277,475	635,101	233,315	868,416	313,321	1,181,737	463,460	1,645,197	1,005,29	2,650,493						
	IBNR, end of year	39,757	70,602	110,359	2,646	113,005	(11,447)	101,558	28,314	129,872	29,172	159,044	161,322	320,366						
	Ratio: excess (deficiency)	(36.71%)		(5.62%)		9.13%		14.31%		9.25%		5.53%								
2018	Paid during year	30,954	32,865	63,819	37,392	101,211	46,130	147,341	75,248	222,589	141,648	364,237	866,959	1,231,196	1,177,14	2,408,340				
	UCAE, end of year	218,227	99,246	317,473	203,061	520,534	170,590	691,124	246,290	937,414	362,159	1,299,573	472,905	1,772,478	1,081,59	2,854,068				
	IBNR, end of year	38,090	58,535	96,625	4,322	100,947	(8,078)	92,869	31,317	124,186	(5,208)	118,978	53,171	172,149	251,493	423,642				
	Ratio: excess (deficiency)	(39.83%)		(6.03%)		9.98%		15.63%		10.21%		6.27%		(6.90%)						
2019	Paid during year	28,885	22,917	51,802	27,256	79,058	18,848	97,906	49,139	147,045	108,777	255,822	396,126	651,948	777,769	1,429,717	1,253,633	2,683,350		
	UCAE, end of year	181,184	80,041	261,225	126,421	387,646	145,225	532,871	218,088	750,959	318,812	1,069,771	417,667	1,487,438	753,754	2,241,192	575,976	2,817,168		
	IBNR, end of year	84,604	69,261	153,865	21,203	175,068	(20,513)	154,555	22,267	176,822	(26,824)	149,998	(22,106)	127,892	121,824	249,716	198,079	447,795		
	Ratio: excess (deficiency)	(42.31%)		(8.24%)		9.30%		15.58%		9.74%		4.30%		(17.76%)		(19.61%)				
2020	Paid during year	332	1,732	2,064	61,656	63,720	26,987	90,707	30,625	121,332	35,230	156,562	84,194	240,756	163,366	404,122	802,980	1,207,102	1,098,280	2,305,382
	UCAE, end of year	156,383	66,212	222,595	102,670	325,265	94,916	420,181	190,760	610,941	270,847	881,788	344,678	1,226,466	517,582	1,744,048	698,557	2,442,605	1,239,243	3,681,848
	IBNR, end of year	6,915	614	7,529	9	7,538	(886)	6,652	(35,244)	(28,592)	(40,396)	(68,988)	(23,408)	(92,396)	19,429	(72,967)	139,940	66,973	618,226	685,199
	Ratio: excess (deficiency)	(35.71%)	(8.34%)	(0.61%)	7.24%	14.87%	15.19%	21.41%	12.97%	17.59%	(3.71%)	12.95%	(43.02%)	(9.66%)	(10.88%)	(6.93%)	(112.06%)	(13.84%)		

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 $4,251,000 and $42,513,000 (2019: $3,935,000 and $40,500,000).

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

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

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

	Group	
	2020	**2019**
	$'000	**$'000**
Property	764,971	749,968
Motor	37,794	13,244
Marine	778	3,331
Liability	28,817	28,649
Pecuniary loss	6,501	79
Accident	1,095	-
	839,956	795,271

(c) Financial risk

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

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

(i) Credit risk

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

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

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Credit review process

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

(a) Trade and other receivables

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

Customer credit risks are monitored according to credit characteristics such as whether it is an individual or company, geographic location, industry, ageing profile, and previous financial difficulties. Special negotiated arrangements may extend the credit period to a maximum of 3 months. Trade and other receivables relate mainly to the Group's retail and direct customers. The Group's average credit period for the sale of goods is 1 month.

(b) Loans and leases receivable

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

Group's internal rating scale:

Group's rating	Description of the grade	
1	Low risk	– Excellent credit history
2	Standard risk	– Generally abides by credit terms
3	Past due	– Late paying with increased credit risk
4	Credit impaired	– Default

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

(c) Reinsurance

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

(d) Premium and other receivables

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

(e) Investments

External rating agency credit grades are used to assess credit quality. These published grades are continuously monitored and updated. Default probabilities and recovery rates are assigned as published by the rating agency.

The Group limits its exposure to credit risk arising from investments by adhering to the investment counterparty limits as approved by the ALCOs. Counterparty limits are reviewed and updated periodically.

Impairment of Financial Assets

The Group has four types of financial assets that are subject to the expected credit loss model:

- Trade and premium receivables
- Loans and leases receivable
- Debt investments carried at amortised cost, and
- Debt investments carried at FVOCI.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, all bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions and the identified impairment loss was immaterial.

Trade and premium receivables
The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for these assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Trade and premium receivables **(continued)**

Maximum exposure to credit risk

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Low risk	-	849	-	-
Standard risk	9,533,952	9,939,252	1,265,937	1,336,702
Past due	3,228,124	2,888,604	52,270	192,371
Credit impaired	945,193	836,970	212,136	125,539
Gross carrying amount	13,707,269	13,665,675	1,530,343	1,654,612
Loss allowance	(830,332)	(812,469)	(96,177)	(92,623)
Carrying amount	12,876,937	12,853,206	1,434,166	1,561,989

Loss allowance

The loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows for trade and premium receivables:

Group

	at 31 December 2020			at 31 December 2019		
	Gross carrying amount $'000	Loss allowance $'000	Expected loss rate	Gross carrying amount $'000	Loss allowance $'000	Expected loss rate
Less than 1 month	7,367,547	75,146	1.02%	6,574,621	2,893	0.04%
Within 1 to 3 months	3,706,649	108,649	2.93%	3,951,470	27,346	0.69%
Over 3 months	2,633,073	646,537	24.55%	3,139,584	782,230	24.92%
	13,707,269	830,332		13,665,675	812,469	

Company

	at 31 December 2020			at 31 December 2019		
	Gross carrying amount $'000	Loss allowance $'000	Expected loss rate	Gross carrying amount $'000	Loss allowance $'000	Expected loss rate
Less than 1 month	903,121	1,590	0.18%	957,974	1,103	0.12%
Within 1 to 3 months	433,853	1,498	0.35%	527,639	1,199	0.23%
Over 3 months	193,369	93,089	48.14%	168,999	90,321	53.44%
	1,530,343	96,177		1,654,612	92,623	

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit Risk (continued)

Trade and premium receivables (continued)

Loss allowance (continued)

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

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
At 1 January	812,469	662,828	92,623	63,822
Acquisition of subsidiary	87,894	-	-	-
Movement on loss allowance recognised in income statement during the year	282,729	424,854	35,640	46,513
Receivables written off during the year as uncollectible	(112,659)	(263,544)	(5,817)	(6,042)
Unused amount reversed	(240,101)	(11,669)	(26,269)	(11,670)
At 31 December	830,332	812,469	96,177	92,623

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, failure to make contractual payments for a period greater than two years, and alternative methods of debt collection have been exhausted.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited in other income.

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

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

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

Loans and Leases (including loan commitments and guarantees)
The Group applies the 'three stage' model under IFRS 9 in measuring the expected credit losses on loans and leases, and makes estimations about likelihood of defaults occurring, associated loss ratios, changes in market conditions, and expected future cash flows. This is measured using the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) for a portfolio of assets.

- Probability of Default - This represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12 month PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- Exposure at Default - This represents the expected balance at default, taking into account the repayment of principal and interest from the statement of financial position date to the default event together with any expected drawdowns of committed facilities.
- Loss Given Default – The LGD represents expected losses on the EAD given the event of default, taking into account the mitigating effect of collateral value at the time it is expected to be realised and also the time value of money.

The 'three stage' model is used to categorise financial assets according to credit quality as follows:

- Stage 1 – financial assets that are not credit impaired on initial recognition or are deemed to have low credit risk. These assets generally abide by the contractual credit terms. The ECL is measured using a 12 month PD, which represents the probability that the financial asset will default within the next 12 months.
- Stage 2 – financial assets with a significant increase in credit risk (SICR) since initial recognition, but are not credit impaired. The ECL is measured using a lifetime PD.
- Stage 3 – credit impaired financial assets. The ECL is measured using a lifetime PD.

Transfer between stages
Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment. This assessment is done on a case-by-case basis.

The Group considers forward looking information in determining the PDs of financial assets. Forward looking information having significant impact on the ECL is described in further detail under that heading.

Significant Increase in Credit Risk (SICR)
The Group considers a financial asset to have experienced a significant increase in credit risk when one or more of the following qualitative or backstop criteria have been met:

Qualitative Criteria

- Deterioration in the Borrower's Risk Rating (BRR) below established threshold
- Material misrepresentation or inaccurate warranty
- Failure to comply with provisions of any statute under which the borrower conducts business
- Borrower enters into a scheme of arrangement
- Actual or expected restructuring
- Previous arrears in excess of 60 days within the last six months
- Early signs of cash flow/liquidity problems
- Expected significant adverse change in operating results of the borrower

However, the assessment of significant increase in credit risk and the above criteria will differ for different types of lending arrangements.

Loan commitments are assessed along with the category of loan the Group is committed to provide.

The assessment of SICR is performed for individual loans, taking into consideration the sector grouping of the individual exposures, and incorporates forward-looking information. This assessment is performed on a quarterly basis.

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

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

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

Loans and Leases (continued)

Significant Increase in Credit Risk (continued)

Backstop
Irrespective of the above qualitative assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Group has monitoring procedures in place to assess whether the criteria used to identify SICR continues to be appropriate.

The Group utilised the low credit risk exemption for financial assets.

Credit Impaired Assets
The Group defines a financial instrument as credit impaired, when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria
The borrower meets unlikeliness to pay criteria as outlined below, which indicates the borrower is in significant financial difficulty:

- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Concessions have been made by the lender relating to the borrower's financial difficulty.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of 'credit impaired' used for internal credit risk management purposes.

Measuring the ECL – Inputs, Assumptions and Estimation Techniques
The ECL is determined by projecting the PD, LGD, and EAD, which are multiplied together and discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12 month PD is calculated by observing the rate of historical default within the first year of a portfolio of loans, and adjusted for the expected impact of forward looking economic information.

The lifetime PD is calculated by observing the rate of historical default over the life of a portfolio of loans, and adjusted for the impact of forward looking economic information.

The EAD for amortising and bullet repayment loans is based on the contractual repayments over a 12 month or lifetime basis.

The EAD for revolving products, such as credit cards, revolving loans and overdrafts is estimated by taking the current drawn balance and the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

Forward looking economic information is also included in determining the 12-month and lifetime EAD and LGD.

Forward Looking Information
The assessment of SICR and the calculation of ECL both incorporate forward-looking information that is available without undue cost or effort. The Group uses external information including economic data and forecasts published by governmental bodies and the central bank. The information published however does not cover the Group's credit risk exposure period and judgement was applied when incorporating these forecasts into our models. The Group started with historical data of approximately 3 years in which a relationship between macro-economic indicators and default rates was developed. Judgement was applied in cases where a strong relationship between these key economic variables and expected credit losses was not identified based on the historical data used.

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and Leases (continued)

Forward Looking Information (continued)
These economic variables and their associated impact on the PD, EAD and LGD vary by financial asset. Forecasts of these economic variables are reviewed on a quarterly basis. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group also assesses other possible scenarios along with scenario weightings. The Group uses a total of three scenarios for each portfolio of loans (base, upside, downside). The scenario weightings are determined using judgment. The base case is the single most-likely expected outcome. The Group measures ECL as a probability weighted ECL.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The most significant period end assumptions used in determining the ECL as at the reporting date are set out below.

Economic factor	Scenarios	Range
Gross Domestic Product (GDP)	Base	-10% to 0.5%
	Upside	-8% to 2.5%
	Downside	-12% to -2%
Unemployment Rate	Base	7% to 14%
	Upside	5% to 12%
	Downside	9% to 16%

The underlying models and their calibration, including how they react to forward-looking economic conditions was based on how the relationship of the Group's existing portfolio to these variables and remains subject to review and refinement as the Group builds data

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Sensitivity Analysis
Forward looking indicators having the most significant impact on the ECL are GDP growth and unemployment rate. Set out below are the changes to the ECL as at 31 December 2020 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions.

Forward Looking Indicator	Change in basis points:	Effect on ECL $'000	Forward Looking Indicator	Change in basis points:	Effect on ECL $'000
GDP growth	+ 100bp	(4,712)	Unemployment rate	+ 100bp	152
GDP growth	- 100bp	4,712	Unemployment rate	- 100bp	(152)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and Leases (continued)

Portfolio Segmentation
Expected credit loss provisions are modelled on a collective basis, by grouping exposures on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes.

Exposures are grouped according to product type (term loans, overdrafts, credit cards, revolvers, guarantees and loan commitments) and industry (for example, manufacturing and distribution, tourism, personal loans).

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

Stage 3 loans are assessed on an individual basis for impairment.

Maximum Exposure to Credit Risk
The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which it is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial assets such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial assets the Group measures ECL over the period that it is exposed to the credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial assets do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Group does not enforce in the normal day-to-day management the contractual right to cancel these financial assets. This is because these financial assets are managed on a collective basis and are canceled only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take to mitigate ECL.

The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	Group			
	2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Low risk	10,735	-	-	10,735
Standard risk	20,093,197	7,125,653	-	27,218,850
Past due	2,146,659	2,077,650	-	4,224,309
Credit impaired	-	-	1,130,735	1,130,735
Gross carrying amount	22,250,591	9,203,303	1,130,735	32,584,629
Loss allowance	(312,239)	(399,579)	(622,480)	(1,334,298)
Carrying amount	21,938,352	8,803,724	508,255	31,250,331

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and leases (continued)

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

Collateral and other credit enhancements
The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential and commercial properties
- Charges over business assets such as premises, inventory and accounts receivable
- Charges and hypothecations over deposit balances and financial instruments such as debt securities and equities

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and Leases (continued)

Collateral and other credit enhancements (continued)
The Group also obtains guarantees from parent companies for loans to their subsidiaries and from individual owners for loans to their companies.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of reverse repurchase agreements which are secured by portfolios of financial instruments.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral held during its annual reviews of individual credit facilities as well as during its review of the adequacy of the provision for credit losses.

The fair value of collateral held in respect of credit impaired financial assets is $1,193,639,000 (2019: $1,734,093,000).

Loss Allowance
The loss allowance recognised in the period is impacted by a variety of factors. The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Group			
	2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
At 1 January	272,128	391,899	443,943	1,107,970
Movements with income statement impact:				
Transfers:				
Transfer from Stage 1 to Stage 2	(19,134)	114,258	-	95,124
Transfer from Stage 1 to Stage 3	(1,363)	-	23,962	22,599
Transfer from Stage 2 to Stage 1	865	(1,595)	-	(730)
Transfer from Stage 2 to Stage 3	-	(3,664)	24,900	21,236
New financial assets originated	64,764	9,671	-	74,435
Changes in PDs/LGDs/EADs	42,830	(84,756)	147,569	105,643
Financial assets derecognised during the period	(44,465)	(26,234)	(36,556)	(107,255)
Total net income statement charge	43,497	7,680	159,875	211,052
Other movements:				
Write-offs	(3,386)	-	18,662	15,276
At 31 December	312,239	399,579	622,480	1,334,298

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and Leases (continued)

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

Loans and leases are written off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity, and where the Group's recovery method is foreclosing on collateral, and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write off account balances that are still subject the enforcement activity, based on a reasonable expectation of amounts recoverable. The outstanding contractual amounts of such assets written off during the year was $15,276,000 (2019: $Nil).

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

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

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

Loans and Leases, Premium and Trade receivables

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

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Public sector	114,965	146,235	-	-
Professional and other services	5,600,043	5,011,342	-	-
Personal	13,257,183	13,408,679	67,919	77,622
Agriculture, fishing and mining	1,502,262	949,866	-	-
Construction and real estate	1,640,707	667,961	-	-
Electricity, gas and water	2,388,667	2,633,230	-	-
Distribution	3,481,333	3,291,057	1,014,338	1,128,795
Manufacturing	1,990,515	2,282,676	1,200,000	650,000
Transportation	1,477,383	2,418,171	-	-
Tourism and entertainment	2,333,165	2,395,397	157,396	243,305
Financial and other money services	1,625,038	1,604,890	191,349	191,349
Brokers and agents	1,820,169	1,710,527	-	-
Reinsurers and coinsurers	1,143,344	1,124,945	-	-
Supermarket chains	2,822,490	2,377,965	390,184	383,964
Wholesalers	1,435,406	1,260,841	348,413	322,699
Retail and direct customers	1,938,264	2,333,379	444,668	499,179
Other	1,315,375	1,680,015	181,110	239,757
	45,886,309	45,297,176	3,995,377	3,736,670
Loss allowance	(2,164,630)	(1,920,439)	(96,177)	(92,623)
	43,721,679	43,376,737	3,899,200	3,644,047
Interest receivable	405,589	153,472	4,931	14,146
	44,127,268	43,530,209	3,904,131	3,658,193

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Debt Investments

The Group uses external credit ratings as published by established rating agencies in its assessment of the probability of default on debt investments. The PDs and LGDs for government and corporate bonds have been developed by the rating agencies based on statistics on the default, loss and rating transition experience of government and corporate bond issuers. The loss allowance on debt investments carried at amortised cost and FVOCI is measured using lifetime PDs. The credit ratings and associated PDs are reviewed and updated on quarterly basis.

Based on available credit ratings for sovereign and corporate debts, the debt securities were classified in stage 2 as they were below investment grade as defined by reputable rating agencies.

Maximum exposure to credit risk

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Government of Jamaica:				
At amortised cost	8,395,924	6,855,945	2,679,904	2,541,020
At fair value through other comprehensive income	6,798,108	6,305,175	-	-
Corporate:				
At amortised cost	9,674,162	10,204,191	2,614,007	2,577,213
At fair value through other comprehensive income	1,955,862	1,853,342	-	-
Other government:				
At amortised cost	350,421	362,029	-	-
At fair value through other comprehensive income	746,906	931,501	-	-
Bank of Jamaica	7,420,809	8,668,500	-	-
Other	4,069,935	2,500,561	1,505,764	1,486,291
	39,412,127	37,681,244	6,799,675	6,604,524

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

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

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

Debt Investments (continued)

Debt investments at amortised cost

The movement on the loss allowance is as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	200,465	206,749	47,913	49,762
Loss allowance recognised in income statement	16,292	5,475	3,965	-
Unused amounts reversed	-	(11,759)	-	(1,849)
At 31 December	216,757	200,465	51,878	47,913

Debt investments at FVOCI

The loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

The movement on the loss allowance is as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	88,128	87,106	-	-
Loss allowance recognised in income statement	8,642	2,468	-	-
Unused amounts reversed	-	(1,446)	-	-
At 31 December	96,770	88,128	-	-

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

(c) Financial risk (continued)

(ii) Liquidity risk

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

Liquidity risk management process

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

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

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

(iii) Maintaining committed lines of credit;

(iv) Optimising cash returns on investment;

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

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

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

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

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial liabilities cash flows

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

			Group		
	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 31 December 2020:					
Deposits	36,327,626	5,405,511	12,387	-	41,745,524
Securities sold under agreements to repurchase	2,614,192	2,355,741	-	-	4,969,933
Bank and other loans	6,024,408	6,492,860	12,281,757	5,207,685	30,006,710
Trade and other payables	16,079,621	7,776,787	-	-	23,856,408
Total financial liabilities (contractual dates)	61,045,847	22,030,899	12,294,144	5,207,685	100,578,575

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

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

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

(ii) Liquidity risk (continued)

Financial liabilities cash flows (continued)

	Company				
	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 31 December 2020:					
Bank and other loans	1,983,708	2,567,532	1,520,422	2,909,003	8,980,665
Trade and other payables	3,097,157	-	-	-	3,097,157
Subsidiaries	4,337,422	-	-	-	4,337,422
Total financial liabilities (contractual dates)	9,418,287	2,567,532	1,520,422	2,909,003	16,415,244

	Company				
	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 31 December 2019:					
Bank and other loans	1,666,780	2,033,842	3,837,603	2,032,049	9,570,274
Trade and other payables	2,808,126	-	-	-	2,808,126
Subsidiaries	3,381,561	-	-	-	3,381,561
Total financial liabilities (contractual dates)	7,856,467	2,033,842	3,837,603	2,032,049	15,759,961

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

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Floating rate –				
Expiring within one year	13,681,403	10,988,721	5,346,658	5,223,528

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

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

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

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

Off-statement of financial position items

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

	Group			
	No Later Than 1 Year $'000	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
As at 31 December 2020:				
Loan commitments	1,118,227	-	-	1,118,227
Guarantees, acceptances and other financial facilities	187,650	-	-	187,650
Capital commitments	267,595	-	-	267,595
	1,573,472	-	-	1,573,472
As at 31 December 2019:				
Loan commitments	1,177,259	-	-	1,177,259
Guarantees, acceptances and other financial facilities	291,049	-	-	291,049
Capital commitments	415,953	-	-	415,953
	1,884,261	-	-	1,884,261

(iii) **Market risk**

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

Currency risk

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

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

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

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

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk

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

	Group						
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CAN$ J$'000**	**EURO J$'000**	**Other J$'000**	**Total J$'000**
As at 31 December 2020:							
Financial Assets							
Cash and deposits	15,017,714	6,071,275	255,973	86,795	64,343	2,835,006	24,331,106
Investment securities and pledged assets	14,116,035	26,543,603	34,855	13,977	-	415,865	41,124,335
Trade and other receivables	5,235,257	4,102,835	1,659,900	813,607	176,181	889,157	12,876,937
Loans receivable	26,040,041	5,200,956	-	-	-	9,334	31,250,331
Total financial assets	60,409,047	41,918,669	1,950,728	914,379	240,524	4,149,362	109,582,709
Financial Liabilities							
Deposits	22,509,687	18,687,904	249,516	98,790	65,323	-	41,611,220
Securities sold under agreements to repurchase	1,099,535	3,868,948	-	-	-	-	4,968,483
Bank and other loans	15,134,644	7,642,497	1,609,039	541,709	-	305,819	25,233,708
Trade and other payables	12,870,182	6,888,393	1,458,899	833,961	747,336	1,057,637	23,856,408
Total financial liabilities	51,614,048	37,087,742	3,317,454	1,474,460	812,659	1,363,456	95,669,819
Net financial position	8,794,999	4,830,927	(1,366,726)	(560,081)	(572,135)	2,785,906	13,912,890

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

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	Company							
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CAN$ J$'000**	**EURO J$'000**	**Other J$'000**	**Total J$'000**
As at 31 December 2020:							
Financial Assets							
Cash and deposits	5,056,419	347,394	-	-	-	-	5,403,813
Investment securities	1,849,093	5,029,023	-	-	-	-	6,878,116
Trade and other receivables	1,416,666	17,500	-	-	-	-	1,434,166
Subsidiaries	938,191	485,162	248	642	-	-	1,424,243
Loans receivable	2,307,200	162,765	-	-	-	-	2,469,965
Total financial assets	11,567,569	6,041,844	248	642	-	-	17,610,303
Financial Liabilities							
Bank and other loans	6,675,468	2,000,394	-	-	-	-	8,675,862
Trade and other payables	2,511,477	585,306	-	12	362	-	3,097,157
Subsidiaries	4,217,860	57,424	61,880	258	-	-	4,337,422
Total financial liabilities	13,404,805	2,643,124	61,880	270	362	-	16,110,441
Net financial position	(1,837,236)	3,398,720	(61,632)	372	(362)	-	1,499,862

	Company						
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CAN$ J$'000**	**EURO J$'000**	**Other J$'000**	**Total J$'000**
As at 31 December 2019:							
Financial Assets							
Cash and deposits	2,264,368	368,793	-	-	-	-	2,633,161
Investment securities	2,119,614	4,567,974	-	-	-	-	6,687,588
Trade and other receivables	1,526,936	35,053	-	-	-	-	1,561,989
Subsidiaries	1,417,168	513,492	229	-	-	-	1,930,889
Loans receivable	1,760,001	336,203	-	-	-	-	2,096,204
Total financial assets	9,088,087	5,821,515	229	-	-	-	14,909,831
Financial Liabilities							
Bank and other loans	8,021,218	1,030,129	-	-	-	-	9,051,347
Trade and other payables	1,927,647	878,770	742	-	967	-	2,808,126
Subsidiaries	3,290,899	78,532	8,977	3,153	-	-	3,381,561
Total financial liabilities	13,239,764	1,987,431	9,719	3,153	967	-	15,241,034
Net financial position	(4,151,677)	3,834,084	(9,490)	(3,153)	(967)	-	(331,203)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Foreign currency sensitivity

The following tables indicate the currencies to which the Group and company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the changes in carrying amounts of outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 6% increase (2019: 6%) and a -2% decrease (2019: -4%) in foreign currency rates to arrive at the corresponding impact on profit. The sensitivity analysis includes cash and deposits, investment securities, receivables, loans receivable, deposits, securities sold under agreements to repurchase, bank and other loans, and payables. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be assessed on an individual basis.

	Group			
	% Change in Currency Rate 2020	Effect on Profit before Taxation 2020 $'000	% Change in Currency Rate 2019	Effect on Profit before Taxation 2019 $'000
Currency:				
USD	+6%	444,549	+6%	365,463
GBP	+6%	1,924	+6%	2,456
CAN	+6%	(360)	+6%	295
EURO	+6%	(367)	+6%	(1,021)
USD	2%	(148,183)	4%	(243,642)
GBP	2%	(641)	4%	(1,638)
CAN	2%	120	4%	(196)
EURO	2%	122	4%	681

	Company			
	% Change in Currency Rate 2020	Effect on Profit before Taxation 2020 $'000	% Change in Currency Rate 2019	Effect on Profit before Taxation 2019 $'000
Currency:				
USD	+6%	207,122	+6%	234,448
GBP	+6%	(3,697)	+6%	(569)
CAN	+6%	22	+6%	(189)
EURO	+6%	(21)	+6%	(55)
USD	2%	(69,041)	4%	(156,298)
GBP	2%	1,232	4%	379
CAN	2%	(7)	4%	126
EURO	2%	7	4%	37

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk

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

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

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

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

	Group						
	Within 1 Month $'000	**1 to 3 Months $'000**	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Non-rate Sensitive $'000**	**Total $'000**
At 31 December 2020:							
Assets							
Cash and deposits	11,262,109	3,761,664	-	-	-	9,307,333	24,331,106
Investment securities and pledged assets	1,907,663	3,184,537	4,332,947	16,766,212	8,913,518	6,019,458	41,124,335
Loans receivable	2,628,419	667,792	957,042	10,926,520	15,985,836	84,722	31,250,331
Trade and other receivables	-	-	-	-	-	12,876,937	12,876,937
Total financial assets	15,798,191	7,613,993	5,289,989	27,692,732	24,899,354	28,288,450	109,582,709
Liabilities							
Deposits	29,256,079	6,995,515	5,347,287	12,339	-	-	41,611,220
Securities sold under agreements to repurchase	1,066,533	1,546,242	2,355,708	-	-	-	4,968,483
Bank loans	2,097,678	2,992,482	6,417,951	4,972,744	8,752,853	-	25,233,708
Trade payables	-	-	-	-	-	23,856,408	23,856,408
Total financial liabilities	32,420,290	11,534,239	14,120,946	4,985,083	8,752,853	23,856,408	95,669,819
Total interest repricing gap	(16,622,099)	(3,920,246)	(8,830,957)	22,707,649	16,146,501	4,432,042	13,912,890

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

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

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

Interest rate risk (continued)

	Group						
	Within 1 Month $'000	**1 to 3 Months $'000**	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Non-rate Sensitive $'000**	**Total $'000**
At 31 December 2019:							
Assets							
Cash and deposits	5,395,452	1,001,496	-	-	-	8,230,230	14,627,178
Investment securities and pledged assets	3,827,852	1,575,853	3,680,725	11,493,073	12,515,777	6,800,391	39,893,671
Loans receivable	2,721,714	427,854	1,438,648	9,552,953	16,443,465	92,369	30,677,003
Trade and other receivables	-	-	-	-	-	12,853,206	12,853,206
Total financial assets	11,945,018	3,005,203	5,119,373	21,046,026	28,959,242	27,976,196	98,051,058
Liabilities							
Deposits	25,828,430	5,009,508	4,957,261	10,162	-	-	35,805,361
Securities sold under agreements to repurchase	2,649,494	1,442,060	2,795,292	1,005,361	-	-	7,892,207
Bank loans	1,416,863	2,312,687	4,361,239	8,101,800	7,839,665	-	24,032,254
Trade payables	-	-	-	-	-	20,979,667	20,979,667
Total financial liabilities	29,894,787	8,764,255	12,113,792	9,117,323	7,839,665	20,979,667	88,709,489
Total interest repricing gap	(17,949,769)	(5,759,052)	(6,994,419)	11,928,703	21,119,577	6,996,529	9,341,569

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	Company						
	Within 1 Month $'000	**1 to 3 Months $'000**	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Non-rate Sensitive $'000**	**Total $'000**
At 31 December 2020:							
Assets							
Cash and deposits	703,479	2,541,843	-	-	-	2,158,491	5,403,813
Investment securities	-	1,288,379	1,463,942	2,703,540	1,220,964	201,291	6,878,116
Loans receivable	-	68,334	2,328,780	-	-	72,851	2,469,965
Trade and other receivables	-	-	-	-	-	1,434,166	1,434,166
Subsidiaries	-	-	-	-	-	1,424,243	1,424,243
Total financial assets	703,479	3,898,556	3,792,722	2,703,540	1,220,964	5,291,042	17,610,303
Liabilities							
Bank loans	1,111,063	1,869,000	2,787,922	-	2,907,877	-	8,675,862
Trade payables	-	-	-	-	-	3,097,157	3,097,157
Subsidiaries	-	-	-	-	-	4,337,422	4,337,422
Total financial liabilities	1,111,063	1,869,000	2,787,922	-	2,907,877	7,434,579	16,110,441
Total interest repricing gap	(407,584)	2,029,556	1,004,800	2,703,540	(1,686,913)	(2,143,537)	1,499,862

	Company						
	Within 1 Month $'000	**1 to 3 Months $'000**	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Non-rate Sensitive $'000**	**Total $'000**
At 31 December 2019:							
Assets							
Cash and deposits	-	565,625	-	-	-	2,067,536	2,633,161
Investment securities	-	-	712,134	3,026,291	2,866,099	83,064	6,687,588
Loans receivable	-	-	1,177,402	827,035	-	91,767	2,096,204
Trade and other receivables	-	-	-	-	-	1,561,989	1,561,989
Subsidiaries	-	-	-	-	-	1,930,889	1,930,889
Total financial assets	-	565,625	1,889,536	3,853,326	2,866,099	5,735,245	14,909,831
Liabilities							
Bank loans	1,282,506	300,000	2,136,391	2,338,424	2,994,026	-	9,051,347
Trade payables	-	-	-	-	-	2,808,126	2,808,126
Subsidiaries	-	-	-	-	-	3,381,561	3,381,561
Total financial liabilities	1,282,506	300,000	2,136,391	2,338,424	2,994,026	6,189,687	15,241,034
Total interest repricing gap	(1,282,506)	265,625	(246,855)	1,514,902	(127,927)	(454,442)	(331,203)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

Interest rate sensitivity

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

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

Group

Change in basis points: 2020	Effect on Profit before Taxation 2020	Effect on Other Components of Equity 2020	Change in basis points: 2019	Effect on Profit before Taxation 2019	Effect on Other Components of Equity 2019
JMD / USD	$'000	$'000	JMD / USD	$'000	$'000
-100 / -100	168,978	490,976	-100 / -100	139,602	489,215
+100 / +100	(168,978)	(515,954)	+100 / +100	(139,602)	(424,937)

Company

Change in basis points: 2020	Effect on Profit before Taxation 2020	Effect on Other Components of Equity 2020	Change in basis points: 2019	Effect on Profit before Taxation 2019	Effect on Other Components of Equity 2019
JMD / USD	$'000	$'000	JMD / USD	$'000	$'000
-100 / -100	345	-	-100 / -100	(1,759)	-
+100 / +100	(345)	-	+100 / +100	1,759	-

Price risk

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

The impact of a +5%/-10% (2019: +10%/-10%) change in the quoted prices for these equities would be an increase/decrease in the carrying value of +$27,076,000/-$54,152,000 (2019: +$70,169,000/-$70,169,000) in income and +$58,110,000/-$116,219,000 (2019: +$150,410,000/-$150,410,000) in other comprehensive income.

3. Insurance and Financial Risk Management (Continued)

(d) Capital management

Insurance subsidiaries

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

(i) To comply with the capital requirements set by the regulators of the insurance markets within which the companies operate;

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

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

Capital adequacy is managed and monitored at the insurance subsidiaries' level by management, the Audit Committee and the Board of Directors. In addition, the companies seek to maintain internal capital adequacy at levels higher than the minimum level of regulatory capital required.

The primary measure used to assess capital adequacy for the Jamaican based general insurance subsidiary is the Minimum Capital Test (MCT). This information is required to be filed with the Financial Services Commission (FSC) on an annual basis. The minimum standard recommended by the regulators for companies is a MCT of 250% (2019: 250%).

The banking and investment subsidiaries

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

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

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

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

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

The BOJ requires the banking entity to:

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

The FSC requires the investment services entity to:

(i) Hold the minimum level of regulatory capital as a percentage of total assets of 6%; and
(ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%.

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

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

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

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

The Group complied with the regulatory capital requirements to which it is subjected, except for the MCT for Key Insurance Company Limited. Subsequent to the year-end the company has commenced measures to remediate the breach.

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

(d) **Capital management (continued)**

Companies not requiring external regulatory capital requirements

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

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

During 2020, the Group's strategy, which was unchanged from 2019, was to maintain a debt to equity ratio not exceeding 100%. The debt to equity ratios at 31 December 2020 and 2019 were as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Total borrowings (Note 15)	25,233,708	24,032,254
Owners' equity	59,910,259	52,326,410
Gearing ratio	42.1%	45.9%

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

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

Key sources of estimation uncertainty

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

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2 (g). The assessment of goodwill impairment involves the determination of the value in use. Determination of value in use involves the estimation of future cash flows from the business taking into consideration the growth rates, inflation rates and the discount rates. Any changes in these variables would impact the value in use calculations. A 1% increase in the discount rate would result in a reduction in the value in use by $2,469,021,000, which would not result in an impairment of goodwill.

(ii) Income taxes

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

(iii) Pension plan assets and post-employment obligations

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

(iv) Liabilities arising from claims made under insurance contracts

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

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

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

Key sources of estimation uncertainty (continued)

(v) Investment properties

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

(vi) Land and buildings

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

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

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

(vii) Fair value of financial instruments

In the absence of quoted market prices, the fair values of a significant portion of the Group's financial instruments were determined using generally accepted alternative methods. The values derived from applying these methods are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instruments in an arm's length transaction.

(viii) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour such as the likelihood of customers defaulting and the resulting losses.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios
- Establishing groups of similar financial assets for the purpose of measuring ECL

Further details about judgements and estimates made by the Group in the above areas is set out in Notes 2 (h) and 3 (c) (i).

(ix) Business combinations

Business combinations are accounted for using the acquisition method. The Group determines the identifiable assets and liabilities using the Purchase Price Allocation method. Under this method, the Group makes estimates about future cash flows which are derived based on factors such as revenue growth, future margins, attrition rates, and discount rates in determining the fair values of the identifiable intangible assets. A similar approach to determine the identifiable assets and liabilities is used for associates and joint ventures.

5. Cash and Deposits

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash at bank and in hand	17,292,691	11,314,720	2,861,970	2,067,536
Deposits	7,038,415	3,312,458	2,541,843	565,625
	24,331,106	14,627,178	5,403,813	2,633,161

Included in deposits is interest receivable of $47,255,000 (2019: $25,016,000) and $11,642,000 (2019: $23,613,000) for the Group and company, respectively. The weighted average effective interest rate on deposits was 3.35% (2019: 2.88%) and 4.02% (2019: 3.58%) for the Group and company, respectively, and these deposits have an average maturity of under 3 months.

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash at bank and in hand	17,292,691	11,314,720	2,861,970	2,067,536
Deposits	7,038,415	3,312,458	2,541,843	565,625
	24,331,106	14,627,178	5,403,813	2,633,161
Bank overdrafts (Note 15)	(1,011,318)	(768,263)	(308,605)	(627,868)
	23,319,788	13,858,915	5,095,208	2,005,293

6. Investment Securities and Pledged Assets

(a) Investment securities

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
At amortised cost:				
Bank of Jamaica	7,420,809	8,668,500	-	-
Government of Jamaica securities	8,395,924	6,855,945	2,679,904	2,541,020
Foreign government securities	350,421	362,029	-	-
Corporate bonds	9,674,162	10,204,191	2,614,007	2,577,213
Other debt securities	4,069,935	2,500,561	1,505,764	1,486,291
Other	5,355	5,355	335	335
	29,916,606	28,596,581	6,800,010	6,604,859
At fair value through other comprehensive income:				
Quoted equities	1,162,192	1,504,099	78,106	82,729
Government of Jamaica securities	6,798,108	6,305,175	-	-
Foreign government securities	746,906	931,501	-	-
Corporate bonds	1,955,862	1,853,342	-	-
Other	3,144	1,279	-	-
	10,666,212	10,595,396	78,106	82,729
At fair value through profit or loss:				
Quoted equities	541,517	701,694	-	-
	541,517	701,694	-	-
Total	41,124,335	39,893,671	6,878,116	6,687,588
Less: Pledged assets (Note 6b)	(7,610,387)	(9,227,048)	-	-
Investment securities in the statement of financial position	33,513,948	30,666,623	6,878,116	6,687,588

Included in investment securities is interest receivable of $389,342,000 (2019: $446,025,000) and $135,161,000 (2019: $99,313,000) for the Group and the company respectively.

Included in Government of Jamaica securities are instruments which mature between 3 months and 12 months or which the Group intends to realise within 12 months and have an effective interest rate of 6.10% (2019: 6.01%) and 6.63% (2019: 5.41%) for the Group and the company respectively.

Included in Bank of Jamaica securities is $4,022,709,000 (2019: $4,373,268,000) held at the Bank of Jamaica under Section 43 of the Banking Services Act, 2018, which requires that every licensee maintains a cash reserve with the Bank of Jamaica. A prescribed minimum of 19% (2019: 21%) of Jamaica dollar currency deposits liabilities and 27% (2019: 29%) of foreign currency deposit liabilities is required to be maintained as cash reserves by the bank in liquid assets of which 5% (2019: 7%) must be maintained as cash reserves for Jamaican dollar currency and 13% (2019: 15%) for foreign currency cash reserves. No portion of the cash reserve is available for investment, lending or other use by the Group or the banking subsidiary.

Included in investment securities for the Group is $9,530,589,000 (2019: $8,448,403,000) and company $1,624,911,000 (2019: $1,589,004,000) which matures within the next 12 months.

6. Investment Securities and Pledged Assets (Continued)

(b) Pledged assets

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

	Group			
	Asset		Related Liability	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Total in the statement of financial position (Note 6a)	7,610,387	9,227,048	6,790,021	8,974,010

There were no pledged assets in relation to the company.

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

	Group	
	2020 $'000	2019 $'000
Pledged assets with right to sell or repledge	7,610,387	9,227,048

(c) **Investments in financial assets designated at fair value through other comprehensive income**

The Group has designated at FVOCI investments in a portfolio of equity securities issued by the following exchanges:

- Jamaica Stock Exchange
- Trinidad & Tobago Stock Exchange

The Group chose this presentation alternative because the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

The fair value of these investments is $1,162,192,000 and $78,106,000 for the Group and company respectively as at 31 December 2020. Dividends of $29,011,000 and $2,491,000 were recognised during the year for the Group and company respectively. There were no transfers of the cumulative gain within equity during the year.

For debt investments at FVOCI, the Group recognised net gains of $30,448,000 in the income statement during the year, being reclassified from other comprehensive income on sale.

7. Receivables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables, less provision for impairment	8,889,177	8,086,775	1,384,924	1,474,772
Insurance receivables, less provision for impairment	2,806,559	2,906,007	-	-
Reinsurers' portion of unearned premiums	1,694,851	1,382,755	-	-
Deferred policy acquisition costs	401,559	303,414	-	-
Receivable from associates and joint ventures (Note 35e)	16,107	21,712	14,522	15,471
Prepayments	1,898,092	1,369,241	117,514	100,867
Other receivables	1,165,094	1,838,712	34,720	71,746
	16,871,439	15,908,616	1,551,680	1,662,856

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

8. Inventories

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Raw materials and spares	1,061,600	989,337	-	-
Finished goods	1,526,768	1,307,186	-	-
Merchandise	10,006,156	9,360,271	1,935,872	2,083,232
Goods in transit	1,838,611	1,658,361	695,012	680,871
	14,433,135	13,315,155	2,630,884	2,764,103

The inventory write-down recognised as an expense amounted to $289,134,000 (2019: $243,200,000) and $158,363,000 (2019: $114,832,000) for the Group and the company respectively.

9. Loans Receivable

(a) Loans receivable comprise:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Finance leases, less deferred profit	63,576	60,062	-	-
Loans and receivables:				
Loans to subsidiaries (Note 35e)	-	-	2,402,046	1,981,257
Loans to associates and joint ventures (Note 35e)	-	46,648	-	37,325
Loans to others	31,186,755	30,570,293	67,919	77,622
	31,250,331	30,677,003	2,469,965	2,096,204

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

Included in loans receivable is interest receivable of $405,589,000 (2019: $153,472,000) and $4,931,000 (2019: $14,145,000) for the Group and company, respectively.

Included in loans receivable is $4,444,019,000 (2019: $5,247,380,000) and $1,910,087,000 (2019: $1,327,804,000) which matures in the next 12 months for the Group and the company respectively.

9. Loans Receivable (Continued)

(b) Finance lease receivables:

	Group	
	2020	**2019**
	$'000	**$'000**
Gross receivables from finance leases:		
Not later than 1 year	30,906	37,582
Later than 1 year and not later than 5 years	40,932	31,080
	71,838	68,662
Unearned future finance income on finance leases	(8,262)	(8,600)
Net investment in finance leases	63,576	60,062
The net investment in finance leases is analysed as follows:		
Not later than 1 year	26,405	28,795
Later than 1 year and not later than 5 years	37,171	31,267
Total	63,576	60,062

10. Investments in Associates and Joint Ventures

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
At beginning of year	3,511,934	2,964,841	574,698	574,698
Amounts recognised in the income statement	543,532	518,887	-	-
Amounts recognised in other comprehensive income	195,847	53,037	-	-
Dividends paid	(239,989)	(227,735)	-	-
Additions	107,500	202,904	-	-
Amounts recognised in the statement of financial position	4,118,824	3,511,934	574,698	574,698

	Group	
	2020	2019
	$'000	$'000
Dairy Industries (Jamaica) Limited	1,355,149	1,238,098
CSGK Finance Holdings Limited	1,387,832	1,148,730
Catherine's Peak Bottling Company Limited	586,735	571,423
Canopy Insurance Limited	224,516	120,821
Immaterial associated companies	564,592	432,862
Amounts recognised in the statement of financial position	4,118,824	3,511,934

Dairy Industries (Jamaica) Limited (DIJL), CSGK Finance Holdings Limited (CSGK), Catherine's Peak Bottling Company Limited (CPBC), and Canopy Insurance Limited (CIL) in the opinion of the directors, are material to the Group.

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

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

CPBC has share capital consisting solely of ordinary shares, which are partially owned by the Group and held directly by the parent company. The Group owns 35% of the share capital in CPBC. CPBC is one of the main bottlers of spring water within Jamaica; and sells its products mainly through distributors including to companies within the Group.

CIL has share capital consisting solely of ordinary shares, which are held indirectly by the parent company through a banking and investment subsidiary. The Group owns 50% of the share capital in CIL. CIL provides group life and group health insurance services.

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

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

10. Investments in Associates and Joint Ventures (Continued)

The summarised information for DIJL, CSGK, CPBC and CIL that was accounted for using the equity method for the years ended 31 December 2020 and 31 December 2019 is as follows:

Summarised statement of financial position

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Cash and cash equivalents	77,937	91,285	2,965,800	4,107,850
Other current assets (excluding cash)	2,475,664	2,534,902	6,104,087	311,276
Total current net assets	2,553,601	2,626,187	9,069,887	4,419,126
Financial liabilities (excluding trade payables)	113,336	9,261	15,337,834	23,299,795
Other current liabilities (including trade payables)	551,026	765,649	1,293,088	1,366,651
Total current liabilities	664,362	774,910	16,630,922	24,666,446
Non-current				
Assets	1,168,770	927,270	19,864,930	23,119,146
Liabilities	347,711	302,352	8,834,316	-
Net assets	2,710,298	2,476,195	3,469,579	2,871,826

	Catherine's Peak Bottling Company Limited		Canopy Insurance Limited	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Cash and cash equivalents	143,061	62,786	92,783	21,274
Other current assets (excluding cash)	251,754	236,614	146,068	54,349
Total current net assets	394,815	299,400	238,851	75,623
Financial liabilities (excluding trade payables)	37,787	105,159	336,734	122,883
Other current liabilities (including trade payables)	166,164	73,628	-	35,767
Total current liabilities	203,951	178,787	336,734	158,650
Non-current				
Assets	343,962	189,497	546,916	324,670
Liabilities	282,838	101,871	-	-
Net assets	251,988	208,239	449,033	241,643

10. Investments in Associates and Joint Ventures (Continued)

Summarised income statement

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Revenue	3,802,198	4,141,263	2,165,707	2,155,143
Depreciation	(59,688)	(59,863)	(65,409)	(41,061)
Interest income - non-financial services	17,501	18,579	-	-
Interest expense - non-financial services	(12,766)	(8,086)	-	-
Profit before income tax	714,345	996,209	400,413	361,717
Taxation expense	(186,125)	(250,771)	(17,302)	(16,156)
Profit after tax	528,220	745,438	383,111	345,561
Other comprehensive income	105,883	29,978	214,642	95,917
Total comprehensive income	634,103	775,416	597,753	441,478
Dividends received by the Group from associates	200,000	200,000	-	-

	Catherine's Peak Bottling Company Limited		Canopy Insurance Limited	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Revenue	1,202,713	1,366,224	1,439,270	93,002
Depreciation	(95,520)	(14,714)	(22,323)	(5,446)
Interest income - non-financial services	9,850	96	9,080	7,081
Interest expense - non-financial services	(14,553)	(2,142)	-	-
Profit/(loss) before income tax	200,129	263,721	(71,202)	(153,151)
Taxation expense	(46,117)	(62,399)	68,592	-
Profit/(loss) after tax	154,012	201,322	(2,610)	(153,151)
Total comprehensive income	154,012	201,322	(2,610)	(153,151)
Dividends received by the Group from associates	38,592	27,734	-	-

10. Investments in Associates and Joint Ventures (Continued)

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

	Dairy Industries (Jamaica) Limited		CSGK Finance Holdings Limited	
	2020	2019	2020	2019
Summarised financial information	$'000	$'000	$'000	$'000
Opening net assets at 1 January	2,476,195	2,100,779	2,871,826	2,430,348
Profit for the period	528,220	745,438	383,111	345,561
Other comprehensive income	105,883	29,978	214,642	95,917
Dividends paid	(400,000)	(400,000)	-	-
Closing net assets	2,710,298	2,476,195	3,469,579	2,871,826
Interest in associates (%)	50	50	40	40
Interest in associates (J$)	1,355,149	1,238,098	1,387,832	1,148,730
Carrying value	1,355,149	1,238,098	1,387,832	1,148,730

	Catherine's Peak Bottling Company Limited		Canopy Insurance Limited	
	2020	2019	2020	2019
Summarised financial information	$'000	$'000	$'000	$'000
Opening net assets at 1 January	208,239	86,157	241,643	394,794
Profit/(loss) for the period	154,012	201,322	(2,610)	(153,151)
Additional investment	-	-	210,000	-
Dividends paid	(110,263)	(79,240)	-	-
Closing net assets	251,988	208,239	449,033	241,643
Interest in associates and joint ventures (%)	35	35	50	50
Interest in associates and joint ventures (J$)	88,196	72,884	224,516	120,821
Intangible assets	498,539	498,539	-	-
Carrying value	586,735	571,423	224,516	120,821

Intangible assets related to the investment in Catherine's Peak Bottling Company Limited include the entity's brand and customer relationships with estimated useful lives of 15 years and 10 years respectively, as well as goodwill.

The amounts recognised in total comprehensive income in respect of immaterial associates are as follows:

	Group	
	2020	2019
	$'000	$'000
Profit	73,579	14,057
Other comprehensive income	57,048	(319)
Total comprehensive income	130,627	13,738

11. Intangible Assets

	Brands, Customer and Supplier Relationships $'000	Goodwill $'000	Computer Software $'000	Policy Contracts $'000	Total $'000
			Group		
Cost					
At 1 January 2019	3,405,996	1,716,729	3,569,360	632,788	9,324,873
Additions	-	-	351,529	-	351,529
Retirement of asset	-	-	(44,174)	-	(44,174)
Exchange differences	76,515	58,454	3,993	-	138,962
At 31 December 2019	3,482,511	1,775,183	3,880,708	632,788	9,771,190
Additions	-	-	376,306	-	376,306
Acquisition through business combination (Note 39)	138,000	171,937	18,463	47,000	375,400
Retirement of asset	-	-	(156,950)	(26,214)	(183,164)
Exchange differences	181,304	136,738	9,193	-	327,235
At 31 December 2020	3,801,815	2,083,858	4,127,720	653,574	10,666,967
Accumulated Amortisation					
At 1 January 2019	1,609,162	308,489	2,766,088	513,091	5,196,830
Amortisation charge for the year	219,987	-	276,150	43,461	539,598
Impairment charge	-	-	37,167	-	37,167
Retirement of asset	-	-	(44,174)	-	(44,174)
Exchange differences	25,217	-	3,607	-	28,824
At 31 December 2019	1,854,366	308,489	3,038,838	556,552	5,758,245
Acquisition through business combination (Note 39)	-	-	14,478	-	14,478
Amortisation charge for the year	234,252	-	264,289	48,314	546,855
Impairment charge	-	-	3,722	26,214	29,936
Retirement of asset	-	-	(156,950)	(26,214)	(183,164)
Exchange differences	80,126	-	9,025	-	89,151
At 31 December 2020	2,168,744	308,489	3,173,402	604,866	6,255,501
Net Book Amount					
31 December 2020	1,633,071	1,775,369	954,318	48,708	4,411,466
31 December 2019	1,628,145	1,466,694	841,870	76,236	4,012,945

Impairment tests for goodwill

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

11. Intangible Assets (Continued)

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

	2020 $'000	2019 $'000
Food Trading		
- Jamaica operations	16,854	16,854
- United Kingdom operations	526,882	468,903
- United States operations	1,059,696	980,937
Insurance		
- Jamaica operations	171,937	-
	1,775,369	1,466,694

For the year ended 31 December 2020, management tested the goodwill allocated to all the CGUs for impairment.

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

Key assumptions used for value in use calculations:

	Revenue Growth Rate	EBITDA to Revenue	Capital Expenditure to Revenue	Discount Rate
Food Trading				
- Jamaica operations	8.11%	1.22%	1.55%	14.59%
- United Kingdom operations	5.28%	6.09%	1.31%	11.10%
- United States operations	5.54%	5.52%	0.54%	10.79%
Insurance				
- Jamaica operations	12.50%	4.79%	0.56%	16.80%

	Computer Software $'000
	Company
Cost	
At 1 January 2019	1,165,597
Additions	85,146
At 31 December 2019	1,250,743
Additions	99,271
Retirement of asset	(116,464)
At 31 December 2020	1,233,550
Accumulated Amortisation	
At 1 January 2019	872,351
Amortisation charge for the year	92,777
At 31 December 2019	965,128
Amortisation charge for the year	94,155
Retirement of asset	(116,464)
At 31 December 2020	942,819
Net Book Amount	
31 December 2020	290,731
31 December 2019	285,615

12. Fixed Assets

	Freehold Land and Buildings $'000	Leasehold Buildings and Improvements $'000	Plant, Equipment, Fixtures & Vehicles $'000	Right-of-Use Assets [a] $'000	Capital Work in Progress $'000	Total $'000
			Group			
Cost						
At 1 January 2019	6,417,246	2,292,858	8,796,154	-	3,887,907	21,394,165
Effect of adopting IFRS 16	-	-	(405,377)	6,642,749	-	6,237,372
Additions	208,097	572,038	912,155	2,975,546	1,229,280	5,897,116
Revaluation adjustment	2,500	-	-	-	-	2,500
Transfers	3,581,848	192,020	461,991	-	(4,235,859)	-
Disposals	(25,333)	(86,065)	(313,396)	(48,856)	(165,933)	(639,583)
Exchange differences	26,585	24,718	83,994	122,634	51	257,982
At 31 December 2019	10,210,943	2,995,569	9,535,521	9,692,073	715,446	33,149,552
Additions	232,525	63,048	800,114	971,148	478,054	2,544,889
Acquisition through business combination (Note 39)	191,049	24,623	118,326	30,533	-	364,531
Revaluation adjustment	434,333	-	-	-	-	434,333
Transfers	325,305	75,055	388,645	-	(789,005)	-
Disposals	-	(146,016)	(392,376)	(92,617)	(16,032)	(647,041)
Exchange differences	61,088	89,011	175,958	498,824	118	824,999
At 31 December 2020	11,455,243	3,101,290	10,626,188	11,099,961	388,581	36,671,263
Accumulated Depreciation						
At 1 January 2019	-	1,277,468	5,815,728	-	-	7,093,196
Effect of adopting IFRS 16	-	-	(305,889)	305,889	-	-
Charge for the year	191,050	250,199	787,651	1,065,029	-	2,293,929
On disposals	(22,357)	(98,389)	(246,500)	(12,706)	-	(379,952)
Exchange differences	(18)	16,948	52,071	(947)	-	68,054
At 31 December 2019	168,675	1,446,226	6,103,061	1,357,265	-	9,075,227
Acquisition through business combination (Note 39)	12,060	20,853	79,556	15,534	-	128,003
Charge for the year	206,606	245,702	895,655	1,289,794	-	2,637,757
Revaluation adjustment	(387,430)	-	-	-	-	(387,430)
On disposals	-	(145,870)	(360,569)	(69,391)	-	(575,830)
Exchange differences	83	34,334	121,349	77,726	-	233,492
At 31 December 2020	(6)	1,601,245	6,839,052	2,670,928	-	11,111,219
Net Book Amount						
31 December 2020	11,455,249	1,500,045	3,787,136	8,429,033	388,581	25,560,044
31 December 2019	10,042,268	1,549,343	3,432,460	8,334,808	715,446	24,074,325

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

12. Fixed Assets (Continued)

	Freehold Land and Buildings $'000	Leasehold Buildings and Improvements $'000	Plant, Equipment, Fixtures & Vehicles $'000	Right-of-Use Assets [a] $'000	Capital Work in Progress $'000	Total $'000
			Company			
Cost						
At 1 January 2019	82,000	104,309	882,789	-	4,349	1,073,447
Effect of adopting IFRS 16	-	-	(123,211)	2,836,838	-	2,713,627
Additions	-	518	248,058	526,040	25,030	799,646
Disposals	-	-	(7,617)	(48,856)	-	(56,473)
At 31 December 2019	82,000	104,827	1,000,019	3,314,022	29,379	4,530,247
Additions	-	-	157,829	116,640	-	274,469
Revaluation adjustment	12,000	-	-	-	-	12,000
Transfers	-	-	25,031	-	(25,031)	-
Disposals	-	-	(102,926)	(5,718)	(4,348)	(112,992)
At 31 December 2020	94,000	104,827	1,079,953	3,424,944	-	4,703,724
Accumulated Depreciation						
At 1 January 2019	-	86,640	690,334	-	-	776,974
Effect of adopting IFRS 16	-	-	(122,955)	122,955	-	-
Charge for the year	1,588	3,881	80,637	285,418	-	371,524
On disposals	-	-	(7,617)	(12,899)	-	(20,516)
At 31 December 2019	1,588	90,521	640,399	395,474	-	1,127,982
Charge for the year	1,587	2,051	102,658	289,035	-	395,331
Revaluation adjustment	(3,175)	-	-	-	-	(3,175)
On disposals	-	-	(102,924)	(3,798)	-	(106,722)
At 31 December 2020	-	92,572	640,133	680,711	-	1,413,416
Net Book Amount						
31 December 2020	94,000	12,255	439,820	2,744,233	-	3,290,308
31 December 2019	80,412	14,306	359,620	2,918,548	29,379	3,402,265

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

12. Fixed Assets (Continued)

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cost	8,795,021	8,047,047	44,660	44,660
Accumulated depreciation	927,739	739,707	15,266	14,149
Net Book Amount	7,867,282	7,307,340	29,394	30,511

(b) The Group's land and buildings were revalued during 2020 by independent valuers. The valuations were done on the basis of open market value, with the exception of the Distribution Centre and Group Headquarters, for which recent market transactions are not available due to the specialised nature of the assets. The revaluation surpluses, net of applicable deferred income taxes, were credited to the capital and fair value reserves in equity (Note 20).

(c) Borrowing costs of $Nil (2019: $60,056,000) arising on financing specifically entered into for the construction of a new corporate head office were capitalised during the year and are included in 'additions' in capital work in progress.

A capitalisation rate of Nil (2019: 6.15%) was used, representing the borrowing cost of the loan used to finance the project.

(d) Assets classified as held for sale

	Group	
	2020	2019
	$'000	$'000
Land and building	-	250,595
Plant and equipment	-	29,963
Net Book Amount	-	280,558

In November 2018, the Group decided to sell a property, along with some equipment located on it, previously occupied by a part of the food manufacturing business in the USA. The property was advertised and the sale completed in 2020. The assets were presented within total assets of the Food Trading segment (Note 24).

13. Deferred Income Taxes

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

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
At beginning of year	(417,525)	723,011	(628,399)	93,516
Acquisition through business combinations (Note 39)	393,829	-	-	-
Income statement (charge)/credit (Note 29)	(156,915)	454,766	150,770	180,744
Tax charge relating to components of other comprehensive income (Note 29)	(576,402)	(1,593,402)	(336,059)	(902,659)
Exchange differences	(4,697)	(1,900)	-	-
At end of year	(761,710)	(417,525)	(813,688)	(628,399)

13. Deferred Income Taxes (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. Subject to agreement with the taxation administration in the relevant jurisdictions, the Group has recognised tax losses of $1,799,939,000 (2019: $707,845,000) and recognised tax credits of $212,907,000 (2019: $614,196,000) to carry forward indefinitely against future taxable income. The Group also has unrecognised tax losses of $938,954,000 (2019: $1,107,727,000) in respect of some subsidiaries.

Deferred income tax liabilities of $540,693,000 (2019: $270,841,000) have not been established for the withholding taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are permanently reinvested; such unremitted earnings totalled $2,162,774,000 (2019: $1,083,363,000).

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

	Group					
Deferred tax liabilities	**Fixed Assets $'000**	**Fair Value Gains $'000**	**Unrealised Foreign Exchange Gains $'000**	**Pension Plan Assets $'000**	**Other $'000**	**Total $'000**
At 1 January 2019	568,429	336,470	5,518	817,481	621,682	2,349,580
Charged/(credited) to the income statement	32,217	58,703	8,854	(174,079)	(133,091)	(207,396)
(Credited)/charged to other comprehensive income	(17,815)	492,772	-	811,985	-	1,286,942
Exchange differences	507	-	-	-	2,789	3,296
At 31 December 2019	583,338	887,945	14,372	1,455,387	491,380	3,432,422
Acquisition through business combinations	32,325	-	-	-	1,124	33,449
Charged/(credited) to the income statement	145,819	(49,703)	16,158	(65,544)	3,900	50,630
Charged/(credited) to other comprehensive income	165,626	(22,904)	-	320,500	-	463,222
Exchange differences	1,221	-	-	-	6,809	8,030
At 31 December 2020	928,329	815,338	30,530	1,710,343	503,213	3,987,753

Deferred tax assets	**Fixed Assets $'000**	**Fair Value Losses $'000**	**Unutilised Tax Losses and Credits $'000**	**Employee Benefit Obligations $'000**	**Other $'000**	**Total $'000**
At 1 January 2019	283,543	82,310	870,121	1,643,680	192,937	3,072,591
Credited/(charged) to the income statement	25,413	-	(36,219)	143,886	114,290	247,370
Charged to other comprehensive income	-	(82,310)	-	(224,150)	-	(306,460)
Exchange differences	371	-	923	-	102	1,396
At 31 December 2019	309,327	-	834,825	1,563,416	307,329	3,014,897
Acquisition through business combinations	1,302	-	425,886	-	90	427,278
Credited/(charged) to the income statement	70,222	-	(473,548)	152,928	144,113	(106,285)
Charged to other comprehensive income	-	-	-	(113,180)	-	(113,180)
Exchange differences	579	-	792	-	1,962	3,333
At 31 December 2020	381,430	-	787,955	1,603,164	453,494	3,226,043

13. Deferred Income Taxes (Continued)

	Company					
Deferred tax liabilities	Fixed Assets $'000	Fair Value Gains $'000	Unrealised Foreign Exchange Gains $'000	Pension Plan Assets $'000	Other $'000	Total $'000
At 1 January 2019	21,165	-	2,259	817,481	9,853	850,758
(Credited)/charged to the income statement	(11,254)	-	(2,259)	(174,079)	5,361	(182,231)
Charged to other comprehensive income	-	8,135	-	811,985	-	820,120
At 31 December 2019	9,911	8,135	-	1,455,387	15,214	1,488,647
Charged/(credited) to the income statement	20,341	-	-	(65,542)	(3,901)	(49,102)
Charged/(credited) to other comprehensive income	3,257	(1,155)	-	320,498	-	322,600
At 31 December 2020	33,509	6,980	-	1,710,343	11,313	1,762,145

Deferred tax assets	Fixed Assets $'000	Fair Value Losses $'000	Unutilised Tax Losses and Credits $'000	Employee Benefit Obligations $'000	Other $'000	Total $'000
At 1 January 2019	69,804	2,155	100,886	725,126	46,303	944,274
(Charged)/credited to the income statement	(2,921)	-	(100,886)	47,344	54,976	(1,487)
Charged to other comprehensive income	-	(2,155)	-	(80,384)	-	(82,539)
At 31 December 2019	66,883	-	-	692,086	101,279	860,248
Credited to the income statement	26,480	-	-	43,053	32,135	101,668
Charged to other comprehensive income	-	-	-	(13,459)	-	(13,459)
At 31 December 2020	93,363	-	-	721,680	133,414	948,457

13. Deferred Income Taxes (Continued)

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets	1,060,528	1,142,161	-	-
Deferred tax liabilities	(1,822,238)	(1,559,686)	(813,688)	(628,399)
	(761,710)	(417,525)	(813,688)	(628,399)

The gross amounts shown in the above tables include the following:

Deferred tax assets:				
Deferred tax assets to be recovered after more than 12 months	2,772,549	2,707,568	815,043	758,969
Deferred tax assets to be recovered within 12 months	453,494	307,329	133,414	101,279
	3,226,043	3,014,897	948,457	860,248
Deferred tax liabilities:				
Deferred tax liabilities to be settled after more than 12 months	(2,638,672)	(2,038,725)	(1,743,852)	(1,465,298)
Deferred tax liabilities to be settled within 12 months	(1,349,081)	(1,393,697)	(18,293)	(23,349)
	(3,987,753)	(3,432,422)	(1,762,145)	(1,488,647)
Deferred tax liabilities net	(761,710)	(417,525)	(813,688)	(628,399)

14. Pensions and Other Post-Employment Obligations

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

Defined contribution schemes
The defined contribution pension scheme is open to Jamaican based employees hired on or after 1 April 2010. Employees contribute 5% of pensionable earnings with the option to contribute an additional voluntary contribution of 5%. The employer contributions are currently set at 10%. The Group also has other defined contribution schemes open to employees of its foreign subsidiaries which are operated in those countries. The Group's and company's contributions for the year were $452,662,000 (2019: $373,708,000) and $104,211,000 (2019: $78,066,000) respectively.

Defined benefit scheme
The Group's defined benefit pension scheme, which commenced on 1 January 1975, is funded by employee contributions at 5% of salary with the option to contribute an additional 5%, and employer contributions at 0.02%, as recommended by independent actuaries. The last valuation was carried out at 31 December 2019. Pension at normal retirement age is based on 2% per year of pensionable service of the average of the highest three years' annual salary during the last ten years of service. This scheme was closed to new members as at 31 March 2010.

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

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

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

Pension benefits

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

	Group and Company	
	2020	**2019**
	$'000	**$'000**
Present value of funded obligations	31,778,461	27,533,392
Fair value of plan assets	(38,619,833)	(40,296,662)
	(6,841,372)	(12,763,270)
Limitation on asset due to uncertainty of obtaining economic benefit	-	6,941,721
Asset in the statement of financial position	(6,841,372)	(5,821,549)

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

	Group and Company	
	2020	**2019**
	$'000	**$'000**
Beginning of year	27,533,392	32,242,442
Current service cost	592,967	837,694
Interest cost	2,033,728	2,228,733
	2,626,695	3,066,427
Remeasurements -		
Gain from change in demographic assumptions	(1,618,767)	-
Loss/(gain) from change in financial assumptions	2,618,090	(7,893,610)
Experience losses	1,252,416	1,093,087
	2,251,739	(6,800,523)
Members' contributions	243,379	216,595
Benefits paid	(876,744)	(1,191,549)
End of year	31,778,461	27,533,392

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

Pension benefits (continued)

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

	Group and Company	
	2020	2019
	$'000	$'000
Beginning of year	40,296,662	35,512,367
Interest income on plan assets	2,987,678	2,454,763
Return on plan assets, excluding amounts included in interest income	(3,928,614)	3,389,137
Members' contributions	243,379	216,595
Employers' contributions	553	503
Benefits paid	(876,744)	(1,191,549)
Administration costs	(103,081)	(85,154)
End of year	38,619,833	40,296,662

The amounts recognised in the income statement are as follows:

	Group and Company	
	2020	2019
	$'000	$'000
Current service cost	592,967	837,694
Interest income (net)	(433,321)	(226,030)
Administration costs	103,081	85,154
Total, included in staff costs (Note 28)	262,727	696,818

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately $16,846,838,000 (2019: $13,382,218,000) relating to active employees, $3,774,432,000 (2019: $3,642,404,000) relating to deferred members and $11,157,191,000 (2019: $10,508,770,000) relating to members in retirement.

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

Pension benefits (continued)

The plan assets are comprised of:

	Group and Company			
	2020 $'000	%	2019 $'000	%
Equity	16,471,528	43%	19,906,929	49%
Debt	6,159,803	16%	5,427,324	13%
Real estate	3,808,670	10%	3,532,862	9%
Government securities	9,882,158	25%	10,371,430	26%
Other	2,297,674	6%	1,058,117	3%
	38,619,833	100%	40,296,662	100%

The pension plan assets include the company's ordinary stock units with a fair value of $2,875,021,000 (2019: $3,118,948,000) and buildings occupied by Group companies with fair values of $1,412,311,000 (2019: $1,327,994,000).

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

Expected contributions by the Group to the post-employment scheme for the year ending 31 December 2021 are $567,000. The actual return on plan assets was -$940,936,000 (2019: $5,843,812,000).

The principal actuarial assumptions used were as follows:

	2020	2019
Discount rate	9.0%	7.5%
Long term inflation rate	6.0%	4.0%
Future salary increases	7.5%	5.0%
Future pension increases	6.0%	4.0%

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

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

	2020	2019
Male	25.00	27.40
Female	27.30	28.30

(expressed in Jamaican dollars unless otherwise indicated)

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

Pension benefits (continued)

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

		Group and Company					
		Impact on post-employment obligations					
	Change in Assumption	Increase in Assumption			Decrease in Assumption		
			2020	2019		2020	2019
Discount rate	1%	Decrease by	14.4%	14.3%	Increase by	18.5%	18.4%
Future salary increases	1%	Increase by	4.2%	4.0%	Decrease by	3.7%	3.5%
Expected pension increase	1%	Increase by	12.8%	13.2%	Decrease by	10.6%	10.9%

	Group and Company					
	Impact on post-employment obligations					
	Increase in Assumption by One Year			Decrease in Assumption by One Year		
		2020	2019		2020	2019
Life expectancy	Increase by	2.6%	2.2%	Decrease by	2.7%	2.3%

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

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

Other post-employment obligations

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

In addition to the assumptions used for the pension schemes, the main actuarial assumption is a long term increase in health costs of 7.0% per year (2019: 6.0% per year).

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

Other post-employment obligations (continued)

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Present value of unfunded obligations	5,949,279	5,799,526	2,886,721	2,768,342

Movement in the defined benefit obligation is as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Beginning of year	5,799,526	6,083,687	2,768,342	2,900,502
Current service cost	294,472	311,369	89,802	92,997
Interest cost	428,784	419,240	203,614	198,515
Past service cost - vested benefits	(6,389)	38,846	3,131	51,334
	716,867	769,455	296,547	342,846
Remeasurements -				
Gain from change in demographic assumptions	(119,776)	(133,233)	(22,209)	(59,649)
Gain from change in financial assumptions	(433,809)	(708,376)	(184,775)	(310,994)
Experience losses	154,369	31,176	153,148	49,107
	(399,216)	(810,433)	(53,836)	(321,536)
Benefits paid	(167,898)	(243,183)	(124,332)	(153,470)
End of year	5,949,279	5,799,526	2,886,721	2,768,342

The amounts recognised in the income statement were as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Current service cost	294,472	311,369	89,802	92,997
Interest cost	428,784	419,240	203,614	198,515
Past service cost	(6,389)	38,846	3,131	51,334
Total included in staff costs (Note 28)	716,867	769,455	296,547	342,846

The total charge was included in administration expenses.

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

Other post-employment obligations (continued)

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Gratuity Plan	941,921	744,162	541,814	423,331
Group Life Plan	1,576,445	1,263,016	811,572	663,960
Insured Group Health	1,983,153	2,147,195	701,045	762,481
Self Insured Health Plan	951,784	1,158,681	445,062	546,354
Supplementary Pension Plan	495,976	486,472	387,228	372,216
Liability in the statement of financial position	5,949,279	5,799,526	2,886,721	2,768,342

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

		Group					
		Impact on post-employment obligations					
	Change in Assumption	Increase in Assumption			Decrease in Assumption		
			2020	2019		2020	2019
Discount rate	1%	Decrease by	14.9%	16.0%	Increase by	19.3%	21.0%
Medical inflation rate	1%	Increase by	19.6%	21.1%	Decrease by	15.3%	16.3%

		Company					
		Impact on post-employment obligations					
	Change in Assumption	Increase in Assumption			Decrease in Assumption		
			2020	2019		2020	2019
Discount rate	1%	Decrease by	13.5%	14.4%	Increase by	17.1%	18.7%
Medical inflation rate	1%	Increase by	17.3%	18.8%	Decrease by	13.8%	14.7%

Risks associated with pension plans and post-employment plans

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

Asset volatility

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

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

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

(expressed in Jamaican dollars unless otherwise indicated)

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

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

Changes in bond yields

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

Inflation risk

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

Life expectancy

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

The Board of Trustees is ultimately responsible for the establishment and oversight of the plan's risk management framework, including monitoring the overall risk management process, as well as approving policies covering specific areas, such as limits for specific asset classes, foreign exchange risk, credit risk and investment of excess liquidity. The Board is responsible for monitoring the investment portfolio and investment strategies for the plan. A large portion of assets in 2020 consists of money market instruments, bonds and equities.

Funding levels are monitored on an annual basis and the current agreed contribution rate by the Group is 0.02% of pensionable salaries. The next triennial valuation is due to be completed for the plan's financial position as at 31 December 2022. The Group considers that the contribution rates set at the last valuation date to be sufficient to prevent a deficit. Regular contributions, which are based on service costs, will be assessed following the upcoming valuation to determine if any increase is required.

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

Plans	Years
Gratuity Plan	9.0
Group Life Plan	19.3
Insured Group Health	20.3
Pension Plan	17.0
Self Insured Health Plan	12.3
Superannuation Plan	6.8

15. Bank and other Loans

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Secured on assets	6,533,477	6,810,286	-	-
Unsecured	18,700,231	17,221,968	8,675,862	9,051,347
	25,233,708	24,032,254	8,675,862	9,051,347

(a) Unsecured loans of subsidiaries are supported by letters of comfort from the parent company. Interest rates on these loans range between 1.6% - 7.2% (2019: 2.8% - 8.0%).

(b) Bank and other loans comprise:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Bank overdrafts (Note 5)	1,011,318	768,263	308,605	627,868
Bank borrowings	9,846,994	10,144,467	4,722,078	4,643,870
Lease liabilities (Note 16)	9,037,559	8,508,531	2,895,174	2,994,026
Other loans	5,337,837	4,610,993	750,005	785,583
Total borrowings	25,233,708	24,032,254	8,675,862	9,051,347

Certain bank borrowings are secured on the assets of subsidiaries that have the loans. All other borrowings are unsecured. Included in bank borrowings and other loans is interest payable of $75,117,000 (2019: $64,496,000) and $10,639,000 (2019: $23,875,000) for the Group and the company, respectively.

Included in bank borrowings and other loans is $10,230,234,000 (2019: $8,324,762,000) and $4,262,011,000 (2019: $3,796,655,000) for the Group and the company respectively, which matures in the next 12 months.

The fair value of current borrowings approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.51% (2019: 6.54%) and are within level 2 of the fair value hierarchy.

16. Leases

(a) Amounts recognised in the statement of financial position

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Properties	7,873,135	7,680,710	2,744,233	2,918,420
Equipment	207,151	221,058	-	128
Motor Vehicles	348,747	433,040	-	-
Total right-of-use assets	8,429,033	8,334,808	2,744,233	2,918,548
Current	1,059,538	967,591	215,144	232,106
Non-current	7,978,021	7,540,940	2,680,030	2,761,920
Total lease liabilities	9,037,559	8,508,531	2,895,174	2,994,026

Additions to the right-of-use assets were $971,148,000 (2019: $2,975,546,000) and $116,640,000 (2019: $526,040,000) for the Group and company respectively.

(b) Amounts recognised in the income statement

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Depreciation charge of right-of-use assets				
Properties	1,027,266	855,913	289,035	285,290
Equipment	105,346	34,550	-	128
Motor Vehicles	157,182	174,566	-	-
	1,289,794	1,065,029	289,035	285,418
Interest expense	439,237	359,235	181,893	181,314
Expense relating to short term leases	40,144	94,712	12,785	9,154

(c) Extension and termination options

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

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

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

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

As at 31 December 2020, potential undiscounted future cash outflows of $4,209,993,000 (2019: $3,477,594,000) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

17. Payables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	7,524,877	9,038,244	803,494	1,199,504
Payable to associates (Note 35 (e))	328,923	179,725	145,570	85,695
Accruals	4,466,552	3,017,627	1,244,153	754,168
Claims outstanding	5,148,076	3,425,831	-	-
Insurance reserves	4,355,433	3,428,523	-	-
Customer loyalty programme	386,951	348,625	190,475	156,988
Contract liabilities	569,364	525,236	3,343	17,352
Other payables	5,431,665	4,444,379	710,122	594,419
	28,211,841	24,408,190	3,097,157	2,808,126

All payables balances are due within the next 12 months.

18. Provisions

Provisions comprise restoration costs as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of year	37,779	-	-	-
Additional provisions	1,790	37,779	-	-
Exchange differences	3,033	-	-	-
At end of year	42,602	37,779	-	-

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

19. Share Capital

	Group and Company			
	2020	**2019**	**2020**	**2019**
	Units ('000)	**Units ('000)**	**$'000**	**$'000**
Authorised -				
Ordinary shares	1,200,000	1,200,000		
Issued and fully paid -				
Ordinary stock units	995,013	995,005	627,348	627,008
Treasury shares	(5,352)	(2,899)	(321,855)	(169,838)
Issued and outstanding	989,661	992,106	305,493	457,170

(a) During the year, the company issued 8,000 (2019: 113,000) shares to its employees for cash of $340,000 (2019: $3,150,000) and transferred Nil (2019: 5,000) units to employees at a fair value of $Nil (2019: $312,000). The shares were issued under the Long Term Incentive Scheme.

(b) During the year, the company through its employee investment trust sold 92,000 (2019: 178,000) units of its own shares at a fair value of $5,333,000 (2019: $10,885,000), purchased 3,545,000 (2019: 1,957,000) units at a fair value of $216,811,000 (2019: $131,150,000) and transferred 1,000,000 (2019: 1,902,000) units to employees at a fair value of $71,931,000 (2019: $116,673,000). The total number of treasury shares held by the company at the end of the year was 5,352,000 (2019: 2,899,000) at a cost of $321,855,000 (2019: $169,838,000).

(c) In 2016, the company commenced operating a Long Term Incentive (LTI) Scheme administered by a committee of the Group's Board of Directors. The scheme is governed by the provisions of the 2009 Stock Offer Plan and includes the offer of restricted stock grants and stock options to executive directors and other senior executives. Participating executives are eligible to receive awards of restricted stock grants once certain predetermined Group performance objectives are met. These awards are earned annually following achievement of the performance objectives and are subject to a two year holding period from the end of the performance year after which the stock grants will vest and the executive will be entitled to receive the stock units. The stock option portion of the LTI scheme is granted annually and vesting is dependent on a time-based criterion.

The following allocation of stock options were made to executive directors and other senior executives:

	27 Feb. 2020	**25 Jun. 2019**	**10 May 2018**	**11 May 2017**	**12 May 2016**
Number of shares	3,786,693	1,650,497	1,759,004	1,967,156	2,551,665
Subscription price	$67.79	$61.72	$47.77	$42.09	$28.00

The subscription price that the options were granted at is the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous three days prior to the grant date. The total of the grant to each executive director and other senior executive will fully vest on the third anniversary of the grant. After vesting executives will have up to five years to exercise the stock options.

19. Share Capital (Continued)

(c) Long term incentive scheme (continued)

	2020 Offer	2019 Offer	2018 Offer	2017 Offer	2016 Offer	Total
				2020		
Movement on this option:	'000	'000	'000	'000	'000	'000
At 1 January	-	1,650	1,509	1,620	594	5,373
Granted	3,787	-	-	-	-	3,787
Exercised	-	-	(35)	(787)	(242)	(1,064)
Forfeited	(36)	-	-	-	-	(36)
At 31 December	3,751	1,650	1,474	833	352	8,060

	2019 Offer	2018 Offer	2017 Offer	2016 Offer	Total
			2019		
Movement on this option:	'000	'000	'000	'000	'000
At 1 January	-	1,751	1,907	2,468	6,126
Granted	1,650	-	-	-	1,650
Exercised	-	(162)	(204)	(1,874)	(2,240)
Forfeited	-	(80)	(83)	-	(163)
At 31 December	1,650	1,509	1,620	594	5,373

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

	2020		2019	
	Average exercise price	Options	Average exercise price	Options
Movement on this option:	in $ per share	'000	in $ per share	'000
At 1 January	48.16	5,373	38.04	6,126
Granted	67.79	3,787	61.72	1,650
Exercised	39.07	(1,064)	30.72	(2,240)
Forfeited	67.79	(36)	44.86	(163)
At 31 December	58.49	8,060	48.16	5,373

Shares totalling 2,711,000 (2019: 2,275,000) are exercisable at the statement of financial position date.

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

		2020	2019
	Exercise price in $ per share	Options '000	Options '000
2023	28.00	352	594
2024	42.09	833	1,620
2025	47.77	1,474	1,509
2026	61.72	1,650	1,650
2027	67.79	3,751	-
		8,060	5,373

19. Share Capital (Continued)

(e) The fair value of options granted determined using the Black-Scholes valuation model was $181,265,000. The significant inputs into the model were the weighted average share prices and exercise prices ranging from $28.00 to $67.79 at the grant dates, standard deviation of expected share price returns ranging from 24.5% to 29.3%, option life of eight years and risk-free interest rates ranging between 1.45% to 6.40%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the term of the options. The fair value of potential restricted stock grants to be earned is $502,252,000 and the fair value of restricted stock grants earned and vested is $81,734,000.

The expense recognised in the income statement for share-based payments was $173,327,000 (2019: $132,888,000).

20. Capital and Fair Value Reserves

	Group							
	Capital Reserve	Loan Loss Reserve	Fair Value Reserves	Total	Capital Reserve	Loan Loss Reserve	Fair Value Reserves	Total
	2020				2019			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Realised gains on disposal of assets	102,738	-	-	102,738	102,738	-	-	102,738
Capital distributions received	46,164	-	-	46,164	46,164	-	-	46,164
Realised gain on sale of shares	162,332	-	-	162,332	149,863	-	-	149,863
Profits capitalised by Group companies	2,034,599	-	-	2,034,599	2,149,885	-	-	2,149,885
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	-	3,752,441	3,752,441	-	-	3,039,825	3,039,825
Fair value gains, net of deferred taxes	-	-	1,408,203	1,408,203	-	-	1,463,563	1,463,563
Loan loss reserve	-	235,074	-	235,074	-	235,032	-	235,032
Catastrophe reserve	12,270	-	-	12,270	12,270	-	-	12,270
Other	35,245	-	-	35,245	35,187	-	-	35,187
	2,393,348	235,074	5,160,644	7,789,066	2,496,107	235,032	4,503,388	7,234,527

	Company					
	Capital Reserve	Fair Value Reserves	Total	Capital Reserve	Fair Value Reserves	Total
	2020			2019		
	$'000	$'000	$'000	$'000	$'000	$'000
Capital distributions received	24,507	-	24,507	24,507	-	24,507
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	53,946	53,946	-	42,028	42,028
Fair value gains, net of deferred taxes	-	183,902	183,902	-	174,899	174,899
	24,507	237,848	262,355	24,507	216,927	241,434

21. Banking Reserves

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

22. Other Reserves

	Group			Company
	Foreign Currency Translation $'000	Share-based Payments $'000	Total $'000	Share-based Payments $'000
At 1 January 2019	2,126,865	224,943	2,351,808	130,728
Equity holders' share of other comprehensive income	571,054	-	571,054	-
Share-based payment expense	-	131,521	131,521	93,863
Transfer of treasury shares to employees	-	(115,453)	(115,453)	(105,699)
Exercised directly through equity	-	(26,460)	(26,460)	(20,111)
Transfer of shares to employees	-	(312)	(312)	(312)
At 31 December 2019	2,697,919	214,239	2,912,158	98,469
Equity holders' share of other comprehensive income	1,113,659	-	1,113,659	-
Share-based payment expense	-	171,781	171,781	121,988
Transfer of treasury shares to employees	-	(71,765)	(71,765)	(58,148)
Exercised directly through equity	-	(27,711)	(27,711)	(13,485)
At 31 December 2020	3,811,578	286,544	4,098,122	148,824

(a) The reserve for foreign currency translation represents foreign exchange differences arising on translation of the Group's foreign operations to the presentation currency, Jamaican dollars.

(b) The reserve for share-based payments represents stock options and restricted stock units granted under the various equity compensation plans as described in Note 19.

23. Non-Controlling Interests

	2020 $'000	2019 $'000
Beginning of year	2,385,277	2,074,965
Share of total comprehensive income:		
Share of net profit of subsidiaries	638,871	612,527
Revaluation surplus	17,470	-
Remeasurement of post-employment benefit obligations	7,136	15,025
Other	39,650	17,785
	703,127	645,337
Addition of non-controlling interest (Note 39)	170,092	-
Employee share option scheme: value of services received	1,546	1,367
Share-based payments exercised	(88)	(637)
Transfer of treasury shares to employees	(166)	(1,220)
Dividends paid	(390,720)	(334,535)
End of year	2,869,068	2,385,277

23. Non-Controlling Interests (Continued)

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

The total non-controlling interest for the period is $2,869,068,000 of which $2,673,629,000 is for GraceKennedy Money Services Caribbean SRL. The non-controlling interest in respect of other subsidiaries is not material.

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

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

Summarised statement of financial position

	GraceKennedy Money Services Caribbean SRL	
	2020	**2019**
	$'000	**$'000**
Current		
Assets	10,776,700	9,584,316
Liabilities	(2,151,627)	(2,376,636)
Total current net assets	8,625,073	7,207,680
Non-current		
Assets	4,543,605	4,600,224
Liabilities	(2,474,163)	(2,485,684)
Total non-current net assets	2,069,442	2,114,540
Net assets	10,694,515	9,322,220

23. Non-Controlling Interests (Continued)

Summarised income statement

	GraceKennedy Money Services Caribbean SRL	
	2020	2019
	$'000	$'000
Revenue	9,007,889	7,906,423
Profit before income tax	3,995,164	3,057,387
Taxation expense	(1,302,326)	(624,840)
Profit after tax	2,692,838	2,432,547
Other comprehensive income	185,154	124,882
Total comprehensive income	2,877,992	2,557,429
Total comprehensive income allocated to non-controlling interest	719,498	639,357
Dividends paid to non-controlling interest	(390,720)	(332,599)

Summarised cash flows

	GraceKennedy Money Services Caribbean SRL	
	2020	2019
	$'000	$'000
Cash flows from operating activities		
Cash generated from operations	3,439,389	3,778,794
Interest paid	(133,911)	(68,024)
Income tax paid	(748,054)	(763,304)
Net cash generated from operating activities	2,557,424	2,947,466
Net cash used in investing activities	(447,353)	(768,127)
Net cash used in financing activities	(1,608,385)	(850,985)
Net increase in cash and cash equivalents	501,686	1,328,354
Cash and cash equivalents at the beginning of year	6,579,835	5,182,992
Exchange gains on cash and cash equivalents	166,059	68,489
Cash and cash equivalents at end of year	7,247,580	6,579,835

The information above represents amounts before intercompany eliminations.

24. Segment Information

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

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

Operating segments

	2020					
	Food Trading	Banking & Investments	Insurance	Money Services	Unallocated/ Elimination	Group
	$'000	$'000	$'000	$'000	$'000	$'000
REVENUE						
External sales	90,826,927	6,313,420	9,337,685	8,959,309	-	115,437,341
Inter-segment sales	217,182	72,468	603,134	-	(892,784)	-
Total Revenue	91,044,109	6,385,888	9,940,819	8,959,309	(892,784)	115,437,341
Operating results	4,259,896	697,960	982,549	4,051,206	58,881	10,050,492
Unallocated expense	-	-	-	-	(221,958)	(221,958)
Profit from operations	-	-	-	-	-	9,828,534
Finance income	9,073	9,879	26,350	24,381	398,183	467,866
Finance expense	(750,783)	(75,084)	(8,769)	(133,636)	(162,685)	(1,130,957)
Share of results of associates and joint ventures	362,136	182,701	(1,305)	-	-	543,532
Profit before taxation	3,880,322	815,456	998,825	3,941,951	72,421	9,706,975
Taxation						(2,852,049)
Net Profit						6,856,926
Operating assets	60,827,519	71,352,829	20,476,911	14,475,450	(8,225,119)	158,907,590
Investment in associates and joint ventures	2,178,355	1,705,820	224,516	10,133	-	4,118,824
Unallocated assets	-	-	-	-	8,669,569	8,669,569
Total assets	63,005,874	73,058,649	20,701,427	14,485,583	444,450	171,695,983
Operating liabilities	31,942,531	59,361,129	13,315,311	3,659,921	(8,211,038)	100,067,854
Unallocated liabilities	-	-	-	-	8,848,802	8,848,802
Total liabilities	31,942,531	59,361,129	13,315,311	3,659,921	637,764	108,916,656
Other segment items						
Additions to non-current assets [(b)]	1,851,428	553,084	41,648	475,035	-	2,921,195
Depreciation	(1,953,609)	(307,640)	(124,546)	(251,962)	-	(2,637,757)
Amortisation	(303,968)	(66,357)	(110,917)	(65,613)	-	(546,855)
Impairment	(3,722)	-	(26,214)	-	-	(29,936)

24. Segment Information (Continued)

Operating segments (continued)

	2019					
	Food Trading	**Banking & Investments**	**Insurance**	**Money Services**	**Unallocated/ Elimination**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE						
External sales	81,441,465	6,158,222	7,583,783	7,906,423	-	103,089,893
Inter-segment sales	201,762	46,126	484,769	-	(732,657)	-
Total Revenue	81,643,227	6,204,348	8,068,552	7,906,423	(732,657)	103,089,893
Operating results	2,256,301	794,326	891,570	3,163,098	20,361	7,125,656
Unallocated expense	-	-	-	-	(866,443)	(866,443)
Profit from operations	-	-	-	-	-	6,259,213
Finance income	20,743	19,265	18,936	17,348	361,106	437,398
Finance expense	(741,975)	(69,121)	(9,115)	(96,799)	(170,893)	(1,087,903)
Share of results of associates and joint ventures	441,830	153,632	(76,575)	-	-	518,887
Profit before taxation	1,976,899	898,102	824,816	3,083,647	(655,869)	6,127,595
Taxation						(1,027,679)
Net Profit						5,099,916
Operating assets	54,693,481	65,672,735	16,505,733	13,342,521	(6,760,019)	143,454,451
Investment in associates and joint ventures	1,987,681	1,393,299	120,821	10,133	-	3,511,934
Unallocated assets	-	-	-	-	7,739,496	7,739,496
Total assets	56,681,162	67,066,034	16,626,554	13,352,654	979,477	154,705,881
Operating liabilities	30,659,134	53,774,996	10,086,773	4,391,572	(6,736,684)	92,175,791
Unallocated liabilities	-	-	-	-	7,818,403	7,818,403
Total liabilities	30,659,134	53,774,996	10,086,773	4,391,572	1,081,719	99,994,194
Other segment items						
Additions to non-current assets [b]	4,760,868	421,347	118,441	947,989	-	6,248,645
Depreciation	(1,761,558)	(264,328)	(103,907)	(164,136)	-	(2,293,929)
Amortisation	(301,576)	(48,523)	(110,012)	(79,487)	-	(539,598)
Impairment	(30,978)	-	-	(37,167)	-	(68,145)

24. Segment Information (Continued)

Operating segments (continued)

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

	Profit before Taxation		Assets		Liabilities	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Total for reportable segments	9,636,554	6,783,464	171,251,533	153,726,404	108,278,892	98,912,475
Inter-segment eliminations	-	-	(8,225,119)	(6,760,019)	(8,211,038)	(6,736,684)
Unallocated amounts:						
Corporate central office results	1,056,891	699,606	-	-	-	-
Post-employment benefits	(811,143)	(1,222,587)	-	-	-	-
Share-based payments	(173,327)	(132,888)	-	-	-	-
Taxation recoverable	-	-	767,669	775,786	-	-
Deferred tax assets	-	-	1,060,528	1,142,161	-	-
Pension plan asset	-	-	6,841,372	5,821,549	-	-
Taxation	-	-	-	-	1,077,285	459,191
Deferred tax liabilities	-	-	-	-	1,822,238	1,559,686
Other post-employment obligations	-	-	-	-	5,949,279	5,799,526
Total unallocated	72,421	(655,869)	8,669,569	7,739,496	8,848,802	7,818,403
Total per financial statements	9,708,975	6,127,595	171,695,983	154,705,881	108,916,656	99,994,194

Geographical information

	Revenue [a]		Non-current Assets [b]	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Jamaica	61,635,395	57,413,374	23,657,554	21,651,482
United Kingdom	13,081,436	11,245,227	2,394,042	2,282,849
United States of America	23,653,182	19,474,217	6,875,221	6,797,678
Canada	7,836,764	6,285,511	167,054	142,060
Other Caribbean countries	7,682,177	6,878,529	1,922,197	1,670,693
Other European countries	1,322,933	1,656,214	-	-
Other countries	225,454	136,821	-	-
Total	115,437,341	103,089,893	35,016,068	32,544,762

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

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

25. Revenues

Revenues can be disaggregated as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Timing of revenue recognition –				
Goods transferred at a point in time	90,826,927	81,441,465	23,005,986	21,566,624
Services transferred at a point in time	12,500,256	11,341,719	-	-
Services transferred over time	124,481	162,789	-	-
Revenue from insurance contracts	7,612,558	5,967,500	-	-
Interest revenue –				
Interest income on investments	1,099,227	1,102,639	-	-
Interest income on loans receivable	3,273,892	3,073,781	-	-
	115,437,341	103,089,893	23,005,986	21,566,624

26. Expense by Nature

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Auditors' remuneration	254,062	201,298	27,011	20,771
Advertising and marketing	3,040,891	2,713,810	1,154,100	1,062,031
Amortisation of intangibles	546,855	539,598	94,155	92,777
Commissions and other money services costs	1,461,679	1,646,345	-	-
Cost of inventory recognised as expense	61,032,303	55,980,741	16,695,890	16,110,487
Depreciation	2,637,757	2,293,929	395,331	371,524
Impairment	29,936	68,145	-	-
Impairment losses on financial assets (net)	523,486	488,116	79,902	43,929
Information technology	1,331,051	1,199,653	456,902	412,666
Insurance	1,019,698	789,051	145,362	119,931
Interest expense and other financial services expenses	7,015,734	6,072,112	-	-
Legal, professional and other fees	4,289,633	3,854,831	1,017,180	863,678
Occupancy costs	2,656,714	2,797,771	271,984	276,462
Repairs and maintenance expenditure	1,083,355	1,113,670	57,745	84,114
Staff costs (Note 28)	17,714,679	15,678,768	5,124,713	4,786,639
Transportation	1,929,222	2,112,972	496,967	600,214
Other expenses	2,066,360	1,800,082	345,826	327,380
	108,633,415	99,350,892	26,363,068	25,172,603

27. Other Income

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Dividend income	45,480	38,571	1,855,510	1,693,875
Net foreign exchange gains	1,427,333	634,130	627,763	236,215
Change in fair value of investment properties	60,584	37,000	-	-
Change in value of investments – fair value through profit or loss	(206,796)	170,655	-	-
Gain on disposal of investments	24,814	22,323	115,174	-
Gain on disposal of fixed assets	11,024	9,788	2,176	1,785
Loss on disposal of assets held for sale	(10,901)	-	-	-
Fees and commissions	806,197	843,957	3,432,760	3,075,549
Interest income	307,991	271,561	-	-
Rebates, reimbursements and recoveries	216,968	170,911	79,749	57,361
Rent	212,402	216,174	-	-
Miscellaneous	129,512	105,142	5,150	12,438
	3,024,608	2,520,212	6,118,282	5,077,223

28. Staff Costs

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Wages and salaries	12,880,043	10,824,538	3,484,321	2,803,397
Pension (Note 14)	262,727	696,818	262,727	696,818
Pension contributions to defined contribution scheme (Note 14)	452,662	373,708	104,211	78,066
Other post-employment benefits (Note 14)	716,867	769,455	296,547	342,846
Share-based payments	173,327	132,888	121,988	93,863
Statutory contributions	1,163,103	1,018,360	340,172	291,136
Other costs	2,065,950	1,863,001	514,747	480,513
	17,714,679	15,678,768	5,124,713	4,786,639

29. Taxation

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Current tax	2,312,298	1,582,856	358,203	100,653
Adjustment to prior year provision	382,836	(100,411)	-	-
Deferred tax (Note 13)	156,915	(454,766)	(150,770)	(180,744)
	2,852,049	1,027,679	207,433	(80,091)

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	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Profit before tax	9,708,975	6,127,595	2,891,721	1,510,650
Tax calculated at a tax rate of 25%	2,427,244	1,531,899	722,930	377,663
Adjusted for the effects of:				
Different tax rates in other countries	(5,113)	(46,744)	-	-
Different tax rate of regulated Jamaican companies	501,669	350,238	-	-
Income not subject to tax	(286,846)	(229,627)	(528,672)	(472,039)
Expenses not deductible for tax purposes	230,141	198,731	22,163	15,593
Adjustment to prior year provision	382,836	(100,411)	-	-
Share of profits of associates and joint ventures included net of tax	(135,883)	(129,722)	-	-
Recognition/utilisation of previously unrecognised tax losses	(211,967)	-	-	-
Urban renewal tax credit	(49,920)	(549,475)	-	-
Other	(112)	2,790	(8,988)	(1,308)
Tax expense/(credit)	2,852,049	1,027,679	207,433	(80,091)

29. Taxation (Continued)

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

	Group					
	2020			2019		
	Before tax $'000	Tax charge $'000	After tax $'000	Before tax $'000	Tax (charge)/ credit $'000	After tax $'000
Items that will not be reclassified to profit or loss:						
Revaluation surplus	821,764	(165,626)	656,138	2,500	17,815	20,315
Fair value (losses)/gains	(389,673)	129,506	(260,167)	927,030	(305,580)	621,450
Remeasurements of post-employment benefit obligations	1,681,213	(433,680)	1,247,533	4,058,372	(1,036,135)	3,022,237
Share of other comprehensive income of associates and joint ventures	80,936	-	80,936	14,989	-	14,989
	2,194,240	(469,800)	1,724,440	5,002,891	(1,323,900)	3,678,991
Items that may be subsequently reclassified to profit or loss:						
Foreign currency translation adjustments	1,041,404	-	1,041,404	551,187	-	551,187
Fair value gains	308,403	(106,602)	201,801	808,563	(269,502)	539,061
Share of other comprehensive income of associates and joint ventures	114,911	-	114,911	38,048	-	38,048
	1,464,718	(106,602)	1,358,116	1,397,798	(269,502)	1,128,296
Other comprehensive income	3,658,958	(576,402)	3,082,556	6,400,689	(1,593,402)	4,807,287
Deferred tax (Note 13)	-	(576,402)	-	-	(1,593,402)	-

	Company					
	2020			2019		
	Before tax $'000	Tax charge $'000	After tax $'000	Before tax $'000	Tax credit/ (charge) $'000	After tax $'000
Items that will not be reclassified to profit or loss:						
Revaluation surplus	15,175	(3,257)	11,918	-	-	-
Fair value (losses)/gains	(4,623)	1,156	(3,467)	41,160	(10,290)	30,870
Remeasurements of post-employment benefit obligations	1,335,832	(333,958)	1,001,874	3,569,475	(892,369)	2,677,106
Other comprehensive income	1,346,384	(336,059)	1,010,325	3,610,635	(902,659)	2,707,976
Deferred tax (Note 13)	-	(336,059)	-	-	(902,659)	-

29. Taxation (Continued)

(a) By letter dated 17 May 2018, the Guyana Revenue Authority (GRA) indicated that GraceKennedy Remittance Services Guyana ('GKRS Guyana') was "incorrectly" classified as a non-commercial company rather than a commercial company. Based on this, the GRA asserted that GKRS Guyana had wrongly paid corporation taxes at the lower non-commercial company rate. GKRS Guyana's tax liability for the period 2010 to 2016 was assessed by the GRA to be the equivalent of J$253,718,000, excluding penalties and interest if applicable (the "Retroactive Sum").

GKRS Guyana lodged objections to the GRA's assessment on the basis that the GRA wrongly assessed GKRS Guyana as a commercial company and that GKRS Guyana had filed (and the GRA had accepted), returns for a period of over 20 years as a non-commercial company. By letter dated 26 September 2018, received on 4 October 2018, the GRA indicated that it would maintain its assessments despite the objection.

GKRS Guyana filed an appeal on 26 October 2018 and defence in response was filed by the GRA on 21 December 2018. Oral submissions were heard in chambers before the Judge on 27 March 2019 and on 8 July 2019, the court ruled in favour of GKRS Guyana; setting aside the decision by the GRA to reclassify the company as a commercial company and therefore reversing the decision by GRA to impose corporation tax at the commercial rate.

The GRA was granted permission to file an appeal at a hearing held on 27 November 2019. The appeal was filed to the Full Court of the Supreme Court of Guyana and a cross-appeal was filed on behalf of GKRS Guyana. Submissions were filed by both parties and the matter was adjourned to 7 July 2020 for a ruling.

On 20 July 2020, the Full Court delivered its ruling, finding in favour of the GRA in respect of years of income 2010 to 2016. The effect of this ruling was to reverse the earlier decision of the single judge of the Supreme Court and affirm the GRA's stance that GRKS Guyana is liable to pay the Retroactive Sum.

GKRS Guyana, has on the advice of local counsel, appealed the judgment of the Full Court to the Court of Appeal of Guyana. The grounds for appeal include a specific failure of the GRA to explain why it departed from the customary treatment of GKRS Guyana and why it should be stripped of its legitimate expectation to be treated as a non-commercial company for the purposes of Guyanese Tax Assessment. The hearing of the appeal has been set for 26 March 2021 and Counsel for GKRS Guyana has advised that the appeal has significant merit. Notwithstanding that GKRS Guyana is considered to have a strong basis for appeal, having regard to the present ruling, a provision for the assessment has been recorded by the Group.

30. Net Profit Attributable to the Owners of GraceKennedy Limited

Dealt with as follows in the financial statements of:

	2020 $'000	2019 $'000
The company	2,684,288	1,590,741
Intra-group dividends, gain on disposal of subsidiaries within the Group and other eliminations on consolidation	(1,968,193)	(1,690,353)
Adjusted company profit/(loss)	716,095	(99,612)
The subsidiaries	4,958,428	4,068,114
The associates and joint ventures	543,532	518,887
	6,218,055	4,487,389

31. Dividends

	2020 $'000	2019 $'000
Paid,		
Interim – 40 cents per stock unit (2019 : 35 cents)	396,905	347,618
Interim – 25 cents per stock unit (2019 : 40 cents)	247,863	397,288
Interim – 40 cents per stock unit (2019 : 40 cents)	396,154	397,166
Final – 55 cents per stock unit (2019 : 40 cents)	544,682	396,977
	1,585,604	1,539,049

32. Earnings Per Stock Unit

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

	2020	2019
Net profit attributable to owners ($'000)	6,218,055	4,487,389
Weighted average number of stock units outstanding ('000)	989,655	992,033
Basic earnings per stock unit ($)	6.28	4.52

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) 2,476,000 (2019: 1,758,000) ordinary stock units for the full year in respect of stock options for directors.

(b) 5,584,000 (2019: 3,615,000) ordinary stock units for the full year in respect of the stock options for managers.

(c) 2,999,000 (2019: 2,184,000) ordinary stock units for the full year in respect of the restricted stock grants earned.

	2020	2019
Net profit attributable to owners ($'000)	6,218,055	4,487,389
Weighted average number of stock units outstanding ('000)	989,655	992,033
Adjustment for share options and restricted stock grants ('000)	3,750	3,497
	993,405	995,530
Diluted earnings per stock unit ($)	6.26	4.51

33. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Net profit		6,856,926	5,099,916	2,684,288	1,590,741
Items not affecting cash:					
Depreciation	12	2,637,757	2,293,929	395,331	371,524
Amortisation	11	546,855	539,598	94,155	92,777
Impairment charge		29,936	68,145	-	-
Change in value of investment properties		(60,584)	(37,000)	-	-
Change in value of investments		206,796	(170,655)	-	-
Gain on disposal of fixed assets		(11,024)	(9,788)	(2,176)	(1,785)
Loss on disposal of assets held for sale		10,901	-	-	-
Gain on disposal of investments		(24,814)	(22,323)	(115,174)	-
Share-based payments	19	173,327	132,888	121,988	93,863
Exchange (gain)/loss on foreign balances		(239,956)	233,608	(329,587)	(128,153)
Interest income – non financial services		(467,866)	(437,398)	(620,135)	(572,086)
Interest income – financial services		(4,681,110)	(4,447,981)	-	-
Interest expense – non financial services		1,130,957	1,087,903	489,614	532,680
Interest expense – financial services		665,499	779,520	-	-
Taxation expense	29	2,852,049	1,027,679	207,433	(80,091)
Unremitted equity income in associates and joint ventures		(303,543)	(291,153)	-	-
Pension plan surplus		262,174	696,315	262,174	696,315
Other post-employment obligations		548,969	526,272	172,214	189,376
		10,133,249	7,069,475	3,360,125	2,785,161
Changes in working capital components:					
Inventories		(1,117,979)	(531,094)	133,218	254,748
Receivables		936,254	(682,194)	114,223	293,278
Loans receivable, net		139,638	(3,943,433)	-	-
Payables		129,810	1,206,504	337,821	(785,365)
Deposits		4,403,367	803,112	-	-
Securities sold under repurchase agreements		(3,311,722)	507,522	-	-
Subsidiaries		-	-	1,462,507	290,304
Provisions		4,823	37,779	-	-
Total provided by operating activities		11,317,440	4,467,671	5,407,894	2,838,126

33. Cash Flows from Operating Activities (Continued)

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash provided by operating activities	11,317,440	4,467,671	5,407,894	2,838,126
Interest received – financial services	4,521,288	4,467,044	-	-
Interest paid – financial services	(622,604)	(738,166)	-	-
Translation gains	516,722	352,009	-	-
Taxation paid	(1,848,283)	(1,499,102)	(55,473)	(42,913)
Net cash provided by operating activities	13,884,563	7,049,456	5,352,421	2,795,213

Reconciliation of movements of liabilities to cash flows arising from financing activities:

Amounts represent bank and other loans, excluding bank overdrafts

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
At 1 January	23,263,991	13,982,712	8,423,479	4,592,950
Effect of adopting IFRS 16	-	6,237,372	-	2,713,627
Lease liability to acquire right-of-use asset	971,148	2,975,546	116,640	526,040
On acquisition through business combination (Note 39)	16,440	-	-	-
Loans received	10,791,178	6,030,765	5,320,777	4,515,827
Loans repaid	(11,676,657)	(6,306,514)	(5,462,741)	(3,963,828)
Foreign exchange adjustments	845,668	329,350	(3,905)	46,182
Net interest movements	10,622	14,760	(26,993)	(7,319)
At 31 December	24,222,390	23,263,991	8,367,257	8,423,479

34. Contingent Liabilities

(a) The company established a standby letter of credit for the equivalent of $212,564,000 in favour of the lessors for a warehouse utilised by a food trading subsidiary. The facility is priced at 2% per annum and expires after 1 year with an option to renew annually.

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

35. Related Party Transactions and Balances

The following transactions were carried out with related parties:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
(a) Sales of goods and services				
Sales of goods	3,168	3,677	542,447	510,024
Sales of services	114,218	100,772	2,830,232	2,557,482
(b) Purchase of goods and services				
Purchases of goods	5,488,372	3,699,098	9,892,038	7,622,909
Purchases of services	357,048	-	757,040	632,830
(c) Interest				
Interest income	6,995	4,688	179,107	170,647
Interest expense	19,985	1,150	203,669	214,426

Dividends received by the company from subsidiaries and associates were $1,614,427,000 (2019: $1,462,619,000) and $238,592,000 (2019: $227,734,000) respectively.

(d) Transactions with key management

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

The compensation of key management for services is shown below:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Salaries and other short-term employee benefits	583,891	483,216	421,213	319,427
Fees paid to directors	37,921	36,667	30,191	30,844
Post-employment benefits	64,875	(30,714)	59,463	(37,380)
Share-based payments	117,333	88,909	96,139	74,703
	804,020	578,078	607,006	387,594

The following amounts are in respect of directors' emoluments:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Fees	37,921	36,667	30,191	30,844
Management remuneration	152,585	145,688	152,585	145,688
Consultancy services	18,000	18,040	18,000	18,040
Share-based payments	23,075	23,581	23,075	23,581
	231,581	223,976	223,851	218,153

35. Related Party Transactions and Balances (Continued)

(d) Transactions with key management (continued)

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

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Sale of goods and services –				
Sales of goods	1,025	836	570	426
Sales of services	3,027	4,045	-	-
Purchase of goods and services –				
Purchase of services	1,706	1,024	1,706	1,024
Interest earned and incurred –				
Interest income	1,899	1,004	-	-
Interest expense	4,578	2,177	-	-

(e) Year-end balances with related parties

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Cash and deposits with subsidiaries	-	-	1,734,513	602,936
Investment securities with subsidiaries	-	-	177,583	126,326
Receivable from subsidiaries	-	-	1,424,243	1,930,889
Receivable from associates and joint ventures (Note 7)	16,107	21,712	14,522	15,471
Loans receivable from subsidiaries (Note 9)	-	-	2,402,046	1,981,257
Loans receivable from associates and joint ventures (Note 9)	-	46,648	-	37,325
Payable to subsidiaries	-	-	4,337,422	3,381,561
Payable to associates and joint ventures (Note 17)	328,923	179,725	145,570	85,695
Loans & leases payable to subsidiaries	-	-	2,712,076	3,069,224
Deposits payable to associates and joint ventures	1,117,060	945,029	-	-

(f) Loans to related parties

Loans receivable from subsidiaries are repayable in the years 2021 - 2025 and bear interest at 2.5% - 6.75% (2019: 4.25% - 7.0%). No provision was required in 2020 and 2019 for loans made to subsidiaries.

35. Related Party Transactions and Balances (Continued)

(f) Loans to related parties (continued)

	Company	
	2020	2019
	$'000	$'000
Loans to subsidiaries:		
At 1 January	1,981,257	1,336,805
Loans advanced during the year	1,599,024	972,548
Loan repayments received	(1,190,838)	(324,114)
Exchange differences	22,505	(13,755)
Interest charged	109,243	111,866
Interest received	(119,145)	(102,093)
At 31 December	2,402,046	1,981,257

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

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Receivables	1,044	330	169	98
Loans receivable	146,311	123,732	45,227	51,688
Payables	31,475	154	-	-
Loans payable	22,585	7,559	-	-
Deposits payable	292,345	223,146	-	-

(h) Loans to directors and other key management

The loans receivable attract interest at rates ranging between 0% - 12.5% (2019: 0% - 8.5%) and are repayable in the years 2021 - 2025. These loans are secured and are made on terms similar to those offered to other employees. No provision was required in 2020 and 2019 for the loans made to directors and senior managers.

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Loans to directors and other key management:				
At 1 January	123,732	73,869	51,688	52,833
Loans advanced during the year	31,328	68,910	-	5,316
Loan repayments received	(8,749)	(19,047)	(6,461)	(6,461)
Interest charged	1,899	1,004	-	-
Interest received	(1,899)	(1,004)	-	-
At 31 December	146,311	123,732	45,227	51,688

(i) Share options granted to directors

The outstanding number of share options granted to the directors of the company at the end of the year was 2,476,000 (2019: 1,758,000).

36. Fair Values Estimation

Financial Instruments

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

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

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

	Group			
	2020			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through other comprehensive income:				
Quoted equities	1,162,192	-	-	1,162,192
Government of Jamaica securities	-	6,798,108	-	6,798,108
Foreign governments	-	746,906	-	746,906
Corporate bonds	-	1,955,862	-	1,955,862
Other	1,530	1,614	-	3,144
Financial assets at fair value through profit or loss:				
Quoted equities	541,517	-	-	541,517
Total Assets	1,705,239	9,502,490	-	11,207,729

36. Fair Values Estimation (Continued)

Financial Instruments (continued)

	Group			
	2019			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through other comprehensive income:				
Quoted equities	1,504,099	-	-	1,504,099
Government of Jamaica securities	-	6,305,175	-	6,305,175
Foreign governments	-	931,501	-	931,501
Corporate bonds	-	1,853,342	-	1,853,342
Other	-	1,279	-	1,279
Financial assets at fair value through profit or loss:				
Quoted equities	701,694	-	-	701,694
Total Assets	2,205,793	9,091,297	-	11,297,090

	Company			
	2020			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through other comprehensive income:				
Quoted equities	78,106	-	-	78,106
Total Assets	78,106	-	-	78,106

36. Fair Values Estimation (Continued)

Financial Instruments (continued)

	Company			
	2019			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Financial assets at fair value through other comprehensive income:				
Quoted equities	82,729	-	-	82,729
Total Assets	82,729	-	-	82,729

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

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

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

Specific valuation techniques used to value financial instruments include:

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

Note that all of the resulting fair value estimates are included in level 2.

36. **Fair Values Estimation (Continued)**

Fair Value of Land and Buildings and Investment Properties

An independent valuation of the Group's land and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2020. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'capital and fair value reserves' in shareholders' equity (Note 20). The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

The carrying value of land and buildings classified as level 3 is $11,455,249,000 (2019: $10,042,268,000) and $94,000,000 (2019: $80,412,000) for the Group and company respectively.

The carrying value of investment properties classified as level 3 is $925,734,000 (2019: $665,000,000).

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

	Group headquarters	Distribution center	Other land and buildings	Total
			2020	
	$'000	$'000	$'000	$'000
At 1 January 2019	-	3,822,000	2,595,246	6,417,246
Additions and transfers in	-	646,553	3,143,392	3,789,945
Revaluation adjustment	-	-	2,500	2,500
Disposals and transfers out	-	-	(2,976)	(2,976)
Depreciation	-	(105,092)	(85,958)	(191,050)
Translation adjustment	-	-	26,603	26,603
At 31 December 2019	-	4,363,461	5,678,807	10,042,268
Separately disclosed from *'other land and buildings'*	3,039,485	-	(3,039,485)	-
Acquisition of subsidiary	-	-	178,989	178,989
Additions and transfers in	149,762	47,152	360,916	557,830
Revaluation adjustment	70,093	312,020	439,650	821,763
Depreciation	(62,140)	(112,633)	(31,833)	(206,606)
Translation adjustment	-	-	61,005	61,005
At 31 December 2020	3,197,200	4,610,000	3,648,049	11,455,249

(expressed in Jamaican dollars unless otherwise indicated)

36. Fair Values Estimation (Continued)

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

A reconciliation of the opening and closing balances for the company's land and buildings and the Group's investment properties are disclosed in Notes 12 and 38 respectively.

Valuation processes of the Group

On a biennial basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings. The most recent valuations were performed as at 31 December 2020. The Group engages external, independent and qualified valuers to determine the fair value of its investment properties on an annual basis.

Sales Comparison Approach

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

Income Approach

The projected net income of the subject properties are discounted using an appropriate capitalisation rate. The most significant inputs to this valuation are the rental rate per square foot and the capitalisation rate. Rental rates of the subject properties are adjusted to reflect the market rent for properties of similar size, location and condition. The higher the rental rate per square foot the higher the fair value. The higher the capitalisation rate the lower the fair value. The average rent per square foot ranges between $600 to $650 and the capitalisation rate ranges between 8% - 9%.

Cost Approach

The fair values of the Distribution Centre and Group Headquarters amounting to $4,610,000,000 (2019: $4,363,461,000) and $3,197,200,000 (2019: $3,039,485,000) have been determined using the cost approach due to specialised nature of the assets. The key inputs into this valuation are shown in the table below.

Unobservable inputs	Range of unobservable inputs - Distribution Centre	Range of unobservable inputs - Group Headquarters	Relationship of unobservable inputs
Certified costs of construction as at date of completion of property	US$21,500,000 - US$22,000,000	J$2,997,445,000	The higher the costs of construction the higher the fair value
Rate of increase in construction costs from date of last valuation	2020: 5% -10% 2019: 10% - 12%	2020: 4% -5% 2019: n/a	The higher the rate of increase in construction costs the higher the fair value
Professional fees - architects, quantity surveyors, engineers	2020: 7% 2019: 8%	2020: 7% 2019: n/a	The higher the professional fees the higher the fair value
Interest cost	2020: 15% 2019: 10% - 12%	2020: 15% 2019: n/a	The higher the interest cost the higher the fair value
Estimated profit margin required by developer	2020: 5.5% 2019: 5%	2020: 5.5% 2019: n/a	The higher the developer's profit the higher the fair value
Rate of obsolescence	2020: 14% 2019: 9%	2020: 10% 2019: n/a	The higher the rate of obsolescence the lower the fair value

37. Financial Instruments by Category

	Group			
	Assets at amortised cost $'000	Assets at fair value through profit or loss $'000	Assets at fair value through other comprehensive income $'000	Total $'000
As at 31 December 2020:				
Cash and deposits	24,331,106	-	-	24,331,106
Investment securities and pledged assets	29,916,606	541,517	10,666,212	41,124,335
Loans receivable	31,250,331	-	-	31,250,331
Trade and other receivables	12,876,937	-	-	12,876,937
Total financial assets	98,374,980	541,517	10,666,212	109,582,709

	Group			
	Assets at amortised cost $'000	Assets at fair value through profit or loss $'000	Assets at fair value through other comprehensive income $'000	Total $'000
As at 31 December 2019:				
Cash and deposits	14,627,178	-	-	14,627,178
Investment securities and pledged assets	28,596,581	701,694	10,595,396	39,893,671
Loans receivable	30,677,003	-	-	30,677,003
Trade and other receivables	12,853,206	-	-	12,853,206
Total financial assets	86,753,968	701,694	10,595,396	98,051,058

	Group
	Other financial liabilities at amortised cost $'000
As at 31 December 2020:	
Deposits	41,611,220
Securities sold under agreements to repurchase	4,968,483
Bank and other loans	25,233,708
Trade and other payables	23,856,408
Total financial liabilities	95,669,819

37. Financial Instruments by Category (Continued)

	Group
	Other financial liabilities at amortised cost $'000
As at 31 December 2019:	
Deposits	35,805,361
Securities sold under agreements to repurchase	7,892,207
Bank and other loans	24,032,254
Trade and other payables	20,979,667
Total financial liabilities	88,709,489

	Company		
	Assets at amortised cost $'000	Assets at fair value through other comprehensive income $'000	Total $'000
As at 31 December 2020:			
Cash and deposits	5,403,813	-	5,403,813
Investment securities and pledged assets	6,800,010	78,106	6,878,116
Loans receivable	2,469,965	-	2,469,965
Trade and other receivables	1,434,166	-	1,434,166
Subsidiaries	1,424,243	-	1,424,243
Total financial assets	17,532,197	78,106	17,610,303

	Company		
	Assets at amortised cost $'000	Assets at fair value through other comprehensive income $'000	Total $'000
As at 31 December 2019:			
Cash and deposits	2,633,161	-	2,633,161
Investment securities and pledged assets	6,604,859	82,729	6,687,588
Loans receivable	2,096,204	-	2,096,204
Trade and other receivables	1,561,989	-	1,561,989
Subsidiaries	1,930,889	-	1,930,889
Total financial assets	14,827,102	82,729	14,909,831

37. Financial Instruments by Category (Continued)

	Company
	Other financial liabilities at amortised cost
	$'000
As at 31 December 2020:	
Bank and other loans	8,675,862
Trade and other payables	3,097,157
Subsidiaries	4,337,422
Total financial liabilities	16,110,441

	Company
	Other financial liabilities at amortised cost
	$'000
As at 31 December 2019:	
Bank and other loans	9,051,347
Trade and other payables	2,808,126
Subsidiaries	3,381,561
Total financial liabilities	15,241,034

38. Investment Properties

	Group	
	2020	2019
	$'000	$'000
At 1 January	665,000	628,000
Acquisitions through business combinations (Note 39)	200,150	-
Change in fair value	60,584	37,000
At 31 December	925,734	665,000

The following amounts have been recognised in the income statement:

	Group	
	2020	2019
	$'000	$'000
Rental income arising from investment properties	40,938	43,769
Direct operating expenses arising from investment properties	25,669	11,597

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

39. Business Combinations

On 24 March 2020, the Group acquired 65.2% of the share capital of Key Insurance Company Limited (Key), a general insurance entity which underwrites motor, property and casualty insurance in Jamaica. Following approval for graduation from the Junior Market on 7 April 2020, Key is now listed on the Main Market of the Jamaica Stock Exchange.

The fair value of insurance and other receivables on acquisition date was $1,848,949,000.

Key contributed revenue of $1,146,993,000 and loss after tax of $77,948,000 to the Group since being acquired.

Had the business been consolidated from 1 January 2020, the consolidated income statement would show pro-forma revenue of $115,874,439,000 and profit after tax of $6,617,629,000. The amounts have been calculated by adjusting the results of the subsidiary to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 January 2020, together with the consequential tax effects.

Acquisition-related costs of $5,750,000 have been charged to administration expenses in the consolidated income statement for the year ended 31 December 2020.

The goodwill outlined below is attributable to savings in back office expenses in the areas of information technology, human resource management, legal and risk & compliance as well as improved profitability due to reduction in the claims ratio from improved underwriting practices and claims management.

The non-controlling interest is based on the proportionate fair value of the net assets acquired.

The following table summarises the purchase consideration, net assets acquired and goodwill:

	24 March 2020 $'000
Purchase consideration:	
Cash paid on date of acquisition	490,616
Assets and liabilities arising from the acquisition:	
Cash and cash equivalents	667,456
Fixed assets (Note 12)	236,528
Software (included in intangibles) (Note 11)	3,985
Brands (included in intangibles) (Note 11)	38,000
Exclusive agency agreements (included in intangibles) (Note 11)	100,000
Policy Contracts (included in intangibles) (Note 11)	47,000
Investment properties (Note 38)	200,150
Investment securities	372,367
Insurance and other receivables	1,848,949
Deferred policy acquisition costs	50,128
Taxation recoverable	220,640
Deferred tax assets (Note 13)	393,829
Insurance and other payables	(1,503,284)
Insurance reserves	(2,170,557)
Bank and other loans (Note 33)	(16,440)
Fair value of net assets acquired	488,771
Non-controlling interest (Note 23)	(170,092)
Goodwill (Note 11)	171,937
Purchase consideration settled in cash	490,616
Cash and cash equivalents in business acquired	(667,456)
Cash inflow on acquisition	(176,840)

There were no acquisitions in the year ended 31 December 2019.

40. Subsequent Event

On 25 February 2021, the Board of Directors approved an interim dividend in respect of 2021 of 45 cents per ordinary stock unit. The dividend is payable on 6 April 2021 to shareholders on record as at 15 March 2021.

41. Impact of Covid-19

The World Health Organisation declared the novel coronavirus, Covid-19 to be a global pandemic in March 2020. The rapid spread and consequent containment measures such as closure of borders, physical distancing rules, mass quarantines, and stay at home orders for non-essential services have negatively affected economic activity and businesses worldwide.

There is an elevated level of uncertainty, which has adversely affected financial markets and business confidence. The Group is exposed to an elevated level of credit risk, liquidity risk, foreign currency risk and price risk, with the most significant exposures relating to credit and price risk.

Credit Risk
The Group's receivables mainly comprise trade and premiums receivables and loans and leases receivable. Receivables most significantly impacted by the elevated credit risk relate to loans receivable and trade receivables. The Group has recognised additional impairment provisions in relation to loans receivable of $112,514,000.

Price Risk
The Group is exposed to price risk in relation to quoted equities and bonds carried at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The decline in stock market indices and bond prices has resulted in fair value losses of $206,796,000, which have been recognised in profit or loss, and fair value losses of $55,360,000 (net of tax), which have been recognised in other comprehensive income.

The nature and extent of the impact on the Group's financial position, results and cash flows continues to evolve given the rapid pace of change and the elevated level of uncertainty. The Group continues to monitor and manage the identified risks through its Covid-19 Committee.

Critical Accounting Estimates
Management has exercised the use of significant judgement in determining the expected credit losses (ECLs) in relation to the Group's receivables and the fair value of financial instruments.

There is a high degree of estimation uncertainty surrounding the ECL determination and fair value of financial instruments, given the rapid pace of change in the economic environment, increased level of uncertainty and the availability of information.

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) Measurement of the expected credit loss allowance

The impact of Covid-19 on the Group's ECLs has been determined by taking into consideration the effect of forward looking information, including revised macroeconomic estimates, the effect of a shift in the probability weightings of scenarios, and the impact on staging based on the quality of the credit pre Covid-19.

The areas involving significant judgement are as follows:
- Determining criteria for a significant increase in credit risk (SICR)
- Determining estimates of macroeconomic variables
- Establishing the number and relative weightings of forward looking scenarios

(ii) Fair value of financial instruments

Considerable judgement is required in interpreting market data to arrive at estimates of fair values during the Covid-19 pandemic. Market prices are subject to a higher degree of estimation uncertainty as these may not adequately reflect all relevant market information. Consequently, the estimates arrived at may be significantly different from the actual price of the instruments in an arm's length transaction.

GraceKennedy GROUP

FORM OF PROXY

I/We ....

of ....

being a member/members of **GraceKennedy Limited** hereby appoint ....

.... of ....

or failing him/her ....

of ....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, 26 May, 2021 at 2:00 p.m. at GraceKennedy Headquarters, 42 - 56 Harbour Street, Kingston, Jamaica and/or electronically via an online platform which can be accessed via our website at www.gracekennedy.com and at any adjournment thereof.

	FOR	AGAINST
RESOLUTION 1		
RESOLUTION 2		
RESOLUTION 3a		
RESOLUTION 3b		
RESOLUTION 3c		
RESOLUTION 4		
RESOLUTION 5		
RESOLUTION 6		

Unless otherwise instructed, the proxy will vote or abstain from voting as he/she thinks fit.

Dated this .... day of 2021

Place Stamp Here

J$100

....

Signature

....

Signature

....

Signature

Note:

1. In the case of a body corporate, this form should be executed under seal in accordance with the company's Articles.
2. To be valid this proxy must be deposited with the Corporate Secretary of the Company at 73 HARBOUR STREET, KINGSTON, JAMAICA not less than 48 hours before the time appointed for holding the Meeting. A Proxy need not be a member of the Company.
3. This form of proxy should bear stamp duty of $100. Adhesive stamps are to be cancelled by the person signing the proxy.

GRACEKENNEDY LIMITED

42-56 Harbour St, Kingston
Jamaica | West Indies
1 (876) 922-3440
www.gracekennedy.com