PRICEWATERHOUSECOOPERS

GRACEKENNEDY LIMITED

Financial Statements
31 December 2009

GraceKennedy Limited

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31 December 2009

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Independent Auditors' Report

To the Members of
GraceKennedy Limited

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of GraceKennedy Limited and its subsidiaries ("the Group"), set out on pages 1 to 94, which comprise the consolidated statement of financial position as of 31 December 2009 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the accompanying statement of financial position of GraceKennedy Limited standing alone as of 31 December 2009 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the company as of 31 December 2009, and of financial performance, changes in equity and cash flows of the Group and the company for the year then ended, so far as concerns the members of the company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

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

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

PricewaterhouseCoopers

Chartered Accountants

26 March 2010
Kingston, Jamaica

GraceKennedy Limited

Consolidated Statement of Financial Position
31 December 2009
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	Restated 2008 $'000
Assets			
Cash and deposits	5	10,608,376	7,985,647
Investment securities	6	43,420,747	46,577,490
Receivables	7	7,780,765	8,567,839
Inventories	8	5,501,746	5,582,398
Loans receivable	9	11,191,055	9,389,004
Taxation recoverable		1,001,844	652,278
Investments in associates	10	699,257	851,331
Intangible assets	11	2,491,055	2,486,997
Fixed assets	12	6,231,744	4,198,367
Deferred tax assets	13	1,202,078	967,864
Pension plan asset	14	7,438,584	7,165,149
Total Assets		**97,567,251**	**94,424,364**
Liabilities			
Deposits		11,980,676	13,942,768
Securities sold under agreements to repurchase		27,380,505	27,258,533
Bank and other loans	15	17,227,287	15,670,367
Payables	16	11,377,084	11,991,771
Taxation		437,067	278,098
Provisions	17	6,986	13,770
Deferred tax liabilities	13	2,367,502	2,036,831
Other post-employment obligations	14	1,945,132	1,659,160
Total Liabilities		**72,722,239**	**72,851,298**
Equity			
Capital and reserves attributable to the company's owners			
Share capital	18	573,976	553,879
Capital and fair value reserves	19	2,781,614	1,741,106
Retained earnings		17,305,066	14,827,191
Reserve funds	20	627,685	776,884
Other reserves		2,409,301	1,900,345
		23,697,642	19,799,405
Non- Controlling interest	21	1,147,370	1,773,661
Total equity		**24,845,012**	**21,573,066**
Total Equity and Liabilities		**97,567,251**	**94,424,364**

Approved for issue by the Board of Directors on 26 March 2010 and signed on its behalf by:

Douglas Orane — Chairman

Fay McIntosh — Chief Financial Officer

GraceKennedy Limited

Consolidated Income Statement
Year ended 31 December 2009
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	Restated 2008 $'000
Revenues	23	57,406,415	53,462,279
Expenses	24	55,232,080	52,151,282
		2,174,335	1,310,997
Other income	25	1,488,561	1,247,233
Profit from Operations		3,662,896	2,558,230
Interest income – non-financial services		474,589	395,292
Interest expense – non-financial services		(627,661)	(570,481)
Share of results of associated companies	10	144,043	95,852
Profit before Taxation		3,653,867	2,478,893
Taxation	27	(931,044)	(698,007)
NET PROFIT		2,722,823	1,780,886
Attributable to:			
Owners of GraceKennedy Limited	28	2,574,955	1,674,475
Non- Controlling interests	21	147,868	106,411
		2,722,823	1,780,886
Earnings per Stock Unit for profit attributable to the owners of the company during the year:	30		
Basic		$7.82	$5.10
Diluted		$7.79	$5.05

GraceKennedy Limited

Consolidated Statement of Comprehensive Income
Year ended 31 December 2009
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	Restated 2008 $'000
Profit for the year		2,722,823	1,780,886
Other comprehensive income:			
Foreign currency translation adjustments		560,081	178,002
Revaluation (loss)/surplus		(52,852)	468,250
Fair value gains/(losses)		1,227,905	(2,282,627)
Share of other comprehensive income of associated companies		-	12,993
Other comprehensive income for the year, net of tax		1,735,134	(1,623,382)
Total comprehensive income for the year		4,457,957	157,504
Attributable to:			
Owners of GraceKennedy Limited		4,255,966	(41,704)
Non- Controlling interests	21	201,991	199,208
		4,457,957	157,504

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

GraceKennedy Limited

Consolidated Statement of Changes in Equity
Year ended 31 December 2009
(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	Reserve Fund $'000	Other Reserves $'000	$'000	$'000
Balance at 1 January 2008		326,135	419,739	3,564,283	13,564,901	776,884	1,712,710	1,574,453	21,612,970
Total comprehensive income for 2008		-	-	(1,869,727)	1,674,475	-	153,548	199,208	157,504
Transactions with owners									
Issue of shares	18 (a)	1,947	66,989	-	-	-	-	-	66,989
Sale of treasury shares	18 (b)	1,072	67,151	12,678	-	-	-	-	79,829
Employee share option scheme:	18 (h)								
Value of services received		-	-	-	-	-	34,087	-	34,087
Transfers between reserves:									
To capital reserves		-	-	33,872	(33,872)	-	-	-	-
Dividends paid	29	-	-	-	(378,313)	-	-	-	(378,313)
Total transactions with owners		3,019	134,140	46,550	(412,185)	-	34,087	-	(197,408)
Balance at 31 December 2008 (Restated)		329,154	553,879	1,741,106	14,827,191	776,884	1,900,345	1,773,661	21,573,066
Balance at 1 January 2009		329,154	553,879	1,741,106	14,827,191	776,884	1,900,345	1,773,661	21,573,066
Total comprehensive income for 2009		-	-	1,173,067	2,574,955	-	507,944	201,991	4,457,957
Transactions with owners									
Issue of shares	18 (a)	479	20,097	-	-	-	-	-	20,097
Employee share option scheme:	18 (h)								
Value of services received		-	-	-	-	-	1,012	-	1,012
Transfers between reserves:									
To capital reserves		-	-	22,972	(22,972)	-	-	-	-
To retained earnings		-	-	(155,531)	304,730	(149,199)	-	-	-
Decrease in non-controlling interests	21	-	-	-	-	-	-	(277,376)	(277,376)
Dividends paid by subsidiary to non-controlling interests	21	-	-	-	-	-	-	(550,906)	(550,906)
Dividends paid	29	-	-	-	(378,838)	-	-	-	(378,838)
Total transactions with owners		479	20,097	(132,559)	(97,080)	(149,199)	1,012	(828,282)	(1,186,011)
Balance at 31 December 2009		329,633	573,976	2,781,614	17,305,066	627,685	2,409,301	1,147,370	24,845,012

GraceKennedy Limited

Consolidated Statement of Cash Flows
Year ended 31 December 2009
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	Restated 2008 $'000
SOURCES/(USES) OF CASH:			
Operating Activities	31	(2,259,201)	3,699,153
Financing Activities			
Loans received		12,835,608	10,104,271
Loans repaid		(12,704,210)	(4,129,912)
Dividends paid by subsidiary to non-controlling interests	21	(550,906)	-
Sale of treasury shares	18	-	67,151
Issue of shares	18	20,097	66,989
Interest paid – non financial services		(518,138)	(597,947)
Dividends	29	(378,838)	(378,313)
		(1,296,387)	5,132,239
Investing Activities			
Additions to fixed assets *	12	(2,681,711)	(1,098,098)
Proceeds from disposal of fixed assets		158,027	10,493
Additions to investments		(4,684,200)	(9,994,305)
Proceeds from sale of investments		12,283,827	2,523,095
Additions to intangibles	11	(186,770)	(606,319)
Interest received – non financial services		423,272	396,586
		5,312,445	(8,768,548)
Increase in cash and cash equivalents		1,756,857	62,844
Cash and cash equivalents at beginning of year		6,691,504	6,251,787
Exchange and translation gains on net foreign cash balances		350,307	376,873
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	8,798,668	6,691,504

* The principal non-cash transaction was the acquisition of fixed assets under finance lease of $9,333,000 (2008: $16,122,000), (Note 12).

GraceKennedy Limited

Company Statement of Financial Position
31 December 2009
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	2008 $'000
Assets			
Cash and deposits	5	2,331,079	827,500
Investment securities	6	3,045,149	2,835,494
Receivables	7	918,331	983,197
Inventories	8	1,119,822	1,157,587
Loans receivable	9	800,520	204,502
Subsidiaries	34	3,201,811	1,347,618
Taxation recoverable		95,701	57,538
Investments in associates	10	185,173	219,950
Investments in subsidiaries		10,178,042	9,407,102
Intangible assets	11	56,909	63,911
Fixed assets	12	130,343	657,385
Pension plan asset	14	6,812,290	5,966,851
Total Assets		**28,875,170**	**23,728,635**
Liabilities			
Bank and other loans	15	7,231,098	4,521,148
Payables	16	1,394,659	1,738,160
Provisions	17	6,221	6,221
Deferred tax liabilities	13	2,060,751	1,777,888
Other post-employment obligations	14	809,473	693,325
Total Liabilities		**11,502,202**	**8,736,742**
Equity			
Share capital	18	573,976	553,879
Capital and fair value reserves	19	57,868	62,373
Other reserves		133,413	230,071
Retained earnings		16,607,711	14,145,570
Total equity		**17,372,968**	**14,991,893**
Total Equity and Liabilities		**28,875,170**	**23,728,635**

Approved for issue by the Board of Directors on 26 March 2010 and signed on its behalf by:

Douglas Orane — Chairman

Fay McIntosh — Chief Financial Officer

GraceKennedy Limited

Company Income Statement
Year ended 31 December 2009
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	2008 $'000
Turnover	23	10,927,313	10,062,660
Cost of goods sold	24	(8,572,246)	(8,007,874)
Gross Profit		2,355,067	2,054,786
Other income	25	3,544,300	3,965,633
Administration expenses		(2,905,508)	(2,731,845)
Profit from Operations		2,993,859	3,288,574
Interest income		700,062	432,549
Interest expense		(516,732)	(403,845)
Profit before Taxation		3,177,189	3,317,278
Taxation	27	(336,210)	(277,445)
NET PROFIT	28	**2,840,979**	**3,039,833**

GraceKennedy Limited

Company Statement of Comprehensive Income
Year ended 31 December 2009
(expressed in Jamaican dollars unless otherwise indicated)

	2009 $'000	2008 $'000
Profit for the year	2,840,979	3,039,833
Other comprehensive income:		
Revaluation gain	2,330	6,568
Fair value losses	(6,835)	(207,898)
Other comprehensive income for the year, net of tax	(4,505)	(201,330)
Total comprehensive income for the year	2,836,474	2,838,503

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

GraceKennedy Limited

Company Statement of Changes in Equity
Year ended 31 December 2009
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Stock Units '000	Share Capital $'000	Capital and Fair Value Reserves $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2008		326,135	419,739	251,025	195,984	11,484,050	12,350,798
Total comprehensive income for 2008		-	-	(201,330)	-	3,039,833	2,838,503
Transactions with owners							
Issue of shares	18 (a)	1,947	66,989	-	-	-	66,989
Sale of treasury shares	18 (b)	1,072	67,151	12,678	-	-	79,829
Employee share option scheme:	18 (h)						
Value of services received		-	-	-	34,087	-	34,087
Dividends paid	29	-	-	-	-	(378,313)	(378,313)
Total transactions with owners		3,019	134,140	12,678	34,087	(378,313)	(197,408)
Balance at 31 December 2008		329,154	553,879	62,373	230,071	14,145,570	14,991,893
Balance at 1 January 2009		329,154	553,879	62,373	230,071	14,145,570	14,991,893
Total comprehensive income for 2009		-	-	(4,505)	-	2,840,979	2,836,474
Transactions with owners							
Issue of shares	18 (a)	479	20,097	-	-	-	20,097
Sale of treasury shares	18 (b)	-	-	-	-	-	-
Employee share option scheme:	18 (h)						
Value of services received		-	-	-	(96,658)	-	(96,658)
Dividends paid	29	-	-	-	-	(378,838)	(378,838)
Total transactions with owners		479	20,097	-	(96,658)	(378,838)	(455,399)
Balance at 31 December 2009		329,633	573,976	57,868	133,413	16,607,711	17,372,968

GraceKennedy Limited

Company Statement of Cash Flows
Year ended 31 December 2009
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 $'000	2008 $'000
SOURCES/(USES) OF CASH:			
Operating Activities	31	663,790	91,240
Financing Activities			
Loans received		4,155,931	2,064,223
Loans repaid		(2,476,605)	(2,621,999)
Sale of treasury shares	18	-	67,151
Issue of shares	18	20,097	66,989
Interest paid		(499,844)	(439,792)
Dividends	29	(378,838)	(378,313)
		820,741	(1,241,741)
Investing Activities			
Additions to fixed assets *	12	(495,330)	(584,997)
Proceeds from disposal of fixed assets		7,285	151
Additions to investments		(1,139,378)	(840,257)
Loans receivable, net		86,133	(174,364)
Proceeds from sale of investments		324,486	9,413
Additions to intangibles		(62,932)	(40,315)
Interest received		608,940	429,632
		(670,796)	(1,200,737)
Increase/(decrease) in cash and cash equivalents		813,735	(2,351,238)
Cash and cash equivalents at beginning of year		(18,507)	2,349,319
Exchange and translation gains/(losses) on net foreign cash balances		116,022	(16,588)
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	911,250	(18,507)

* The principal non-cash transaction was the acquisition of fixed assets under finance lease of $6,274,000 (2008: $10,884,000), (Note 12).

GraceKennedy Limited

1. Identification

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

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

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

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

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

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

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

Insurance -
General insurance and insurance brokerage.

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

2. Significant Accounting Policies

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

(a) Basis of preparation

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

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

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

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

- IFRS 7 'Financial instruments – Disclosures' (amendment). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on results/earnings per share.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

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

- IAS 1 (revised). 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the consolidated statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the consolidated statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The balance sheet is now referred to as the 'statement of financial position', the cash flow statement referred to as the 'statement of cash flows', equity holders referred to as 'owners' and minority interest referred to as 'non-controlling interests'. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on results/earnings per share.

- IFRS 2 (amendment), 'Share-based payment' deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features are included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's financial statements.

- IFRS 8, Operating Segments. IFRS 8 replaces IAS 14, Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. As the Group previously reported segments in a manner similar to that reported internally, there have been no major changes to the format and content of the segment disclosures, with the main change relating to geographical information to conform with the requirements of the new standard.

- IAS 23 (Amendment), Borrowing costs. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs was removed. The Group elected to early adopt this standard and has applied IAS 23 (Amended) from 1 January 2008. The Group previously recognised all borrowing costs as an expense immediately. The change in accounting policy had no material impact on earnings per share.

- IAS 38 (Amendment), Intangible assets. An asset may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. Deletion of wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. This amendment does not have any impact on the current year's financial statements.

- IAS 36 (Amendment), Impairment of assets. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment does not have any impact on the current year's financial statements.

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective for annual periods beginning on or after 1 July 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group or company's financial statements.

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 (continued)

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective for annual periods beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- IFRS 3 (revised), 'Business combinations' (effective for annual periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- IAS 38 (amendment), 'Intangible Assets'. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group or company's financial statements.

- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption'). All of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. If the subsidiary described above is a disposal group meeting the definition of a discontinued operation, the relevant disclosures should be made. The Group will apply this amendment from 1 January 2010.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group or company's financial statements.
- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of Group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

- IAS 39 (Amendment), Financial instruments: Recognition and measurement (effective for annual periods beginning on or after 1 July 2009). Clarification that it is possible for there to be movements into and out of the fair value through profit or loss category where:

  - A derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

  - Financial assets are reclassified following a change in policy by an insurance company in accordance with IFRS 4.

  The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition. There is also the removal of a segment as an example of what may be considered a party external to the reporting entity. When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used. This Group will apply this amendment from 1 January 2010.

GraceKennedy Limited

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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 (continued)

- IFRS 3 (Amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and Separate Financial Statements', IAS 28, 'Investments in Associates' and IAS 31, 'Interests in Joint Ventures' (effective for annual periods beginning on or after 1 July 2009). These amendments introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and the future reported results. Also, under the amended standards, a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. The Group is assessing the impact of the new requirements regarding acquisition accounting and consolidation and accounting for losses incurred by the subsidiary. The changes must be applied prospectively and will affect future acquisitions.

- IAS 19 (Amendment), 'Employee benefits' (effective for annual periods beginning on or after 1 July 2009). This amendment clarifies that a plan amendment that result in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service give rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets amended to state that plan administration costs be deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short term and long term employee benefits is now based on whether benefits are due to be settled within or after 12 months of employee service being rendered. There is also the deletion of guidance that states IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' requires contingent liabilities to be recognised. The Group will apply this amendment from 1 January 2010.

- IFRS 9, Financial instruments part 1: Classification and measurement (effective for annual periods beginning on or after 1 January 2013) was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

  Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

  All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment. While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

GraceKennedy Limited

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2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

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

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

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

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

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

Incorporated and Resident in Jamaica:

First Global Insurance Consultants Limited
First Global Leasing Limited
GraceKennedy Financial Group Limited and its subsidiaries -
  Allied Insurance Brokers Limited
  Jamaica International Insurance Company Limited
  First Global Holdings Limited and its subsidiaries -
    First Global Bank Limited
    First Global Financial Services Limited
Grace Foods International Limited
Grace Food Processors Limited
GK Foods & Services Limited
GraceKennedy Logistics Services Limited
GraceKennedy Remittance Services Limited and its subsidiaries –
  Grace Kennedy Currency Trading Services Limited
  GraceKennedy Payment Services Limited
Horizon Shipping Limited
Hardware and Lumber Limited (58.1%)
International Communications Limited
Port Services Limited (97.2%)

Incorporated and Resident outside of Jamaica:

First Global Insurance Brokers Limited, Turks and Caicos Islands
First Global Trinidad & Tobago Limited, Trinidad and Tobago (90.0%)
Grace Foods Limited, St. Lucia
GraceKennedy (Belize) Limited, Belize (66.6%)
GraceKennedy (Ontario) Inc., Canada and its subsidiary –
  Grace, Kennedy (Caribbean) Limited, Turks and Caicos Islands
Grace, Kennedy (Guyana) Inc., Guyana
GraceKennedy (U.K.) Limited), United Kingdom and its subsidiary –
  W T Foods 100 Limited, United Kingdom
Grace, Kennedy (U.S.A.) Inc., U.S.A. and its subsidiary –
  Grace Foods (USA) Inc., U.S.A.
GraceKennedy Trade Finance Limited, Belize

GraceKennedy Limited

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2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Incorporated and Resident outside of Jamaica (continued):
GraceKennedy (St. Lucia) Limited, St. Lucia and its subsidiary –
  GK Foods (UK) Limited, United Kingdom and its subsidiary –
    WT (Holdings) Limited, United Kingdom and its subsidiaries –
      WT Tiger 2 Limited
      WT Tiger 3 Limited
      Grace Foods UK Limited
      Enco Products Limited
      Funnybones Foodservice Limited
      Chadha Oriental Foods Limited
      WTF Services Limited
      La Mexicana Quality Foods Ltd
GraceKennedy Money Services Caribbean SRL, Barbados (75.0%)
GraceKennedy Money Services (Anguilla) Ltd., Anguilla
GraceKennedy Money Services (Antigua & Barbuda) Ltd., Antigua & Barbuda
GraceKennedy Money Services (Montserrat) Ltd., Montserrat
GraceKennedy Money Services (St. Kitts) Ltd., St. Kitts
GraceKennedy Money Services (St. Vincent and the Grenadines) Ltd., St Vincent and the Grenadines
Grace, Kennedy Remittance Services (Guyana) Limited, Guyana
GraceKennedy Remittance Services (Turks and Caicos) Limited, Turks and Caicos Islands
GraceKennedy Remittance Services (USA) Inc., U.S.A.
GraceKennedy Money Services (UK) Ltd., United Kingdom
GraceKennedy (Trinidad & Tobago) Limited, Trinidad and Tobago
Grace, Kennedy Remittance Services (Trinidad & Tobago) Limited, Trinidad and Tobago
Graken Holdings Limited, Turks and Caicos Islands and its subsidiary –
  FG Funds Management (Cayman) Limited, Cayman Islands
Knutsford Re, Turks and Caicos Islands

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

The Group liquidated the following companies during 2009:
  First Global (Cayman) Limited
  GraceKennedy Securities (USA) Inc.
  GraceKennedy Financial Services (USA) Inc.
  The Marketing and Advertising Partnership Limited
  Marlin House Trading Company Limited
  Rio Pacific Food Services (Holdings) Limited
  Rio Pacific Food Services Limited
  Enco Foods Limited
  Drenning Limited

The Group disposed of its 51% interest in Versair In-Flite Services (2006) Limited during 2009.

GraceKennedy Limited

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

(c) Associates

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

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

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

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

The Group's associated companies are as follows:

	Financial Reporting Year-end	Country of Incorporation	Group's percentage interest	
			2009	2008
Acra Financial Services Inc.	31 December	Republic of Haiti	30.0	30.0
CSGK Finance Holdings Limited	30 September	Barbados	40.0	40.0
Dairy Industries (Jamaica) Limited	31 December	Jamaica	50.0	50.0
EC Global Insurance Company Limited	31 December	St. Lucia	30.0	30.0
Fidelity Motors Limited	30 September	Jamaica	-	30.0
Trident Insurance Company Limited	30 June	Barbados	30.0	30.0
Telecommunications Alliance Limited	31 December	Jamaica	49.0	49.0

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

The Group disposed of its 30% interest in Fidelity Motors Limited during 2009.

(d) Segment reporting

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

(e) Foreign currency translation

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

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

GraceKennedy Limited

2. Significant Accounting Policies (Continued)

(e) Foreign currency translation (continued)

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

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

Group companies

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

(a) assets and liabilities for each 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 as a separate component of equity.

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

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

Increases in carrying amounts arising on revaluation are credited to the capital reserve in equity. Decreases that offset previous increases of the same asset are charged against the capital reserve; all other decreases are charged to the 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 fair value of the net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Computer software

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

Distribution channel agreements

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

Policy contracts

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

Brands

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

Customer relationships

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

Exclusive agency agreements

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

GraceKennedy Limited

2. Significant Accounting Policies (Continued)

(h) Financial assets

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

Loans receivable

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

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

The Group has elected to reclassify all financial assets reclassified to loans and receivables, to available-for-sale, once the markets for these securities become active again.

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

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

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

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

Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in a non-distributable loan loss reserve as an appropriation of retained earnings.

Available-for-sale financial assets

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

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

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

GraceKennedy Limited

2. Significant Accounting Policies (Continued)

(h) Financial assets (continued)

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

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

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

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 3.

(i) Investments in subsidiaries

Investments in subsidiaries are stated at cost.

(j) Impairment of long-lived assets

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

(k) 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 at statement of financial position date.

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

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

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

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

GraceKennedy Limited

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2. Significant Accounting Policies (Continued)

(l) Employee benefits

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

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

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

Other post-employment obligations
Some Group companies provide post-employment health care benefits, group life, gratuity and supplementary plans for their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

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

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

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

(m) 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.

GraceKennedy Limited

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2. Significant Accounting Policies (Continued)

(n) 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.

(o) Cash and cash equivalents

Cash and cash equivalents are carried in 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.

(p) Payables

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

(q) 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.

(r) 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.

(s) 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.

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2. Significant Accounting Policies (Continued)

(t) 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.

(u) Borrowings

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

(v) Leases

As lessee

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

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

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

As lessor

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

(w) Share capital

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

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

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2. Significant Accounting Policies (Continued)

(x) Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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

Interest income and expense are recorded on the accrual basis. Where collection of interest income is considered doubtful or payment is outstanding for more than 3 months, the banking regulations stipulate that interest should be taken into account on the cash basis. IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

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

Gains and losses arising from dealing in foreign currencies are recognised when realised and are shown net in the income statement.

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

(y) Dividends

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

3. Insurance and Financial Risk Management

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

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

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

(i) Central Treasury Department

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

(ii) Audit Committee

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

(iii) Corporate Governance Committee

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

(iv) Asset and Liability Committees/Investment Committees

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

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

The disclosures provided in this note are based on the Group's investment portfolio as at 31 December 2009. As described in Note 36, the Group participated in the Jamaica Debt Exchange (JDX) which resulted in significant changes to the Group's investment portfolio in February 2010.

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

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3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk

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

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

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

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

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

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

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

	2009		2008	
	Policy Limit $'000	**Maximum Net Retention $'000**	**Policy Limit $'000**	**Maximum Net Retention $'000**
Commercial property:				
Fire and consequential loss	438,075	3,983	348,975	4,230
Boiler and machinery	199,125	3,734	141,000	2,643
Engineering	265,500	4,978	211,500	3,966
Burglary, money and goods in transit	11,063	5,532	9,375	4,688
Glass and other	4,425	2,213	3,750	1,875
Liability	265,500	13,275	225,000	11,250
Marine, aviation and transport	22,500	1,875	13,200	600
Motor	5,000	5,000	5,000	5,000
Pecuniary loss:				
Fidelity	11,063	5,532	9,375	4,688
Surety/Bonds	150,000	30,000	150,000	30,000
Personal accident	19,913	9,956	11,250	5,625
Personal property	438,075	3,983	348,975	4,230

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3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Sensitivity Analysis of Actuarial Liabilities

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

Actuarial Assumptions

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

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

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

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

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3. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Development Claim Liabilities

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of the ultimate claims liability for accident years 2005 - 2008 has changed at successive year-ends, up to 2009. 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.

		2005	2005 and prior	2006	2006 and prior	2007	2007 and prior	2008	2008 and prior	2009	2009 and prior
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2005	Paid during year	411,620	511,299								
	UCAE, end of year	325,355	628,302								
	IBNR, end of year	34,829	61,100								
	Ratio: excess (deficiency)										
2006	Paid during year	134,449	150,265	566,226	716,491						
	UCAE, end of year	153,011	306,858	479,298	786,156						
	IBNR, end of year	8,508	20,744	41,046	61,790						
	Ratio: excess (deficiency)		30.68%								
2007	Paid during year	19,682	29,906	197,103	227,009	582,914	809,923				
	UCAE, end of year	133,817	268,946	286,341	555,287	438,716	994,003				
	IBNR, end of year	4,610	13,863	15,726	29,589	37,746	67,335				
	Ratio: excess (deficiency)	18.78%	32.84%	4.07%	4.25%						
2008	Paid during year	42,849	73,997	78,298	152,295	248,085	400,380	624,150	1,024,530		
	UCAE, end of year	98,010	170,828	225,159	395,987	279,103	675,090	450,997	1,126,087		
	IBNR, end of year	1,854	6,823	3,866	10,689	11,195	21,884	35,203	57,087		
	Ratio: excess (deficiency)	17.59%	37.36%	3.06%	7.31%	(13.00%)	(3.39%)				
2009	Paid during year	19,553	72,378	66,232	138,610	77,807	216,417	282,651	499,068	584,808	1,083,876
	UCAE, end of year	65,318	115,725	142,402	258,127	189,307	447,434	298,876	746,310	506,697	1,253,007
	IBNR, end of year	0	500	0	500	0	500	4,367	4,867	50,684	55,551
	Ratio: excess (deficiency)	21.75%	35.77%	6.98%	8.42%	(8.13%)	(0.32%)	(20.50%)	(5.67%)		

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3. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk

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

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

a) The retention limit or maximum exposure on insurance policies under the reinsurance treaties range between $1,875,000 and $10,000,000.

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

c) Excess of Loss reinsurance is also purchased to cover the retained risk in the event of a catastrophe as well as for Large Motor Losses.

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

	Group	
	2009	**2008**
	$'000	**$'000**
Property	793,272	292,952
Motor	6,372	3,118
Marine	2,056	-
Liability	3,541	435
Pecuniary loss	1,295	-
Accident	400	-
	806,936	296,505

(c) Financial risk

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

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

(i) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit exposures arise principally from the Group's receivables from customers, the amounts due from reinsurers, amounts due from insurance contract holders and insurance brokers, lending and investment activities. There is also credit risk in off-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.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk

(i) Credit risk (continued)

Credit review process

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

(a) Trade and other receivables

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

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

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

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

(b) Loans and leases

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

Group's internal rating scale:

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

(c) Reinsurance

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

(d) Premium and other receivables

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

(e) Investments

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

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

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

Securities lending and reverse repurchase transactions – cash or securities.

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

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

Impairment

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

***Impairment (*continued)**

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

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

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

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

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

Group's rating

	2009		2008	
	Loans, Leases, Premium and Trade Receivables $'000	Impairment Provision $'000	Loans, Leases, Premium and Trade Receivables $'000	Impairment Provision $'000
Low risk	645,812	-	1,336,444	-
Standard risk	17,508,410	-	15,948,500	-
Sub-Standard	879,817	666,598	616,701	446,581
	19,034,039	666,598	17,901,645	446,581

Company's rating

	2009		2008	
	Loans and Trade Receivables $'000	Impairment Provision $'000	Loans and Trade Receivables $'000	Impairment Provision $'000
Low risk	-	-	-	-
Standard risk	1,525,997	-	982,023	-
Sub-Standard	207,041	81,880	231,639	86,214
	1,733,038	81,880	1,213,662	86,214

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

	Maximum Exposure			
	Group		Company	
	2009 $'000	Restated 2008 $'000	2009 $'000	2008 $'000
Credit risk exposures relating to on-statement of financial position assets are as follows:				
Cash at bank	7,792,473	5,268,009	330,228	249,629
Deposits	2,815,903	2,717,638	2,000,851	577,871
Investment securities	43,376,702	46,522,221	3,044,386	2,834,731
Trade and other receivables	7,176,386	8,066,060	850,638	922,946
Loans, net of provision for credit losses	10,734,149	8,919,581	399	56,852
Lease receivables	456,906	469,423	-	-
	72,352,519	71,962,932	6,226,502	4,642,029

The above table represents a worst case scenario of credit risk exposure to the Group and company at 31 December 2009 and 2008, without taking account of any collateral held or other credit enhancements. For on-statement of financial position assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and leases, premiums and trade receivables

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

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Neither past due nor impaired -				
Low risk	645,812	1,336,444	-	-
Standard risk	14,917,925	13,538,771	1,498,839	824,249
	15,563,737	14,875,215	1,498,839	824,249
Past due but not impaired	2,590,485	2,409,729	27,158	157,774
Impaired	879,817	616,701	207,041	231,639
Gross	19,034,039	17,901,645	1,733,038	1,213,662
Less: provision for credit losses	(666,598)	(446,581)	(81,880)	(86,214)
Net	18,367,441	17,455,064	1,651,158	1,127,448

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

Loans and leases, premium and trade receivables that are less than 3 months past due are not considered impaired. As of 31 December 2009, loans and leases, premium and trade receivables of $2,590,485,000 (2008: $2,409,729,000) and $27,158,000 (2008: $157,774,000) for the Group and company respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these loans and leases, premium and trade receivables is as follows:

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Less than 1 month	1,499,946	1,231,004	13,792	57,815
Within 1 to 3 months	652,829	550,223	13,366	99,959
Over 3 months	437,710	628,502	-	-
	2,590,485	2,409,729	27,158	157,774

As of 31 December 2009, loans and leases, premium and trade receivables of $879,817,000 (2008: $616,701,000) and $207,041,000 (2008: $231,639,000) for the Group and company respectively were impaired. The amount of the provision was $666,598,000 (2008: $446,581,000) and $81,880,000 (2008: $86,214,000) for the Group and company respectively. There are no financial assets other than loans, leases, premium and trade receivables that are past due.

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

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

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
3 to 6 months	160,627	118,825	-	-
Over 6 months	374,574	93,145	-	-
	535,201	211,970	-	-

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	143,984	86,222	-	-
Provision for receivables impairment	260,669	99,253	-	-
Receivables written off during the year as uncollectible	-	(13,326)	-	-
Unused amounts reversed	(43,548)	(28,165)	-	-
At 31 December	361,105	143,984	-	-

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
3 to 6 months	160,665	169,372	138,359	158,622
Over 6 months	183,951	235,359	68,682	73,017
	344,616	404,731	207,041	231,639

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	302,597	364,055	86,214	81,741
Provision for receivables impairment	151,908	151,768	47,047	36,801
Receivables written off during the year as uncollectible	(87,640)	(205,807)	(45,973)	(25,488)
Unused amounts reversed	(61,372)	(7,419)	(5,408)	(6,840)
At 31 December	305,493	302,597	81,880	86,214

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
3 to 6 months	321,292	288,197	138,359	158,622
Over 6 months	558,525	328,504	68,682	73,017
	879,817	616,701	207,041	231,639

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	446,581	450,277	86,214	81,741
Provision for receivables impairment	412,577	251,021	47,047	36,801
Receivables written off during the year as uncollectible	(87,640)	(219,133)	(45,973)	(25,488)
Unused amounts reversed	(104,920)	(35,584)	(5,408)	(6,840)
At 31 December	666,598	446,581	81,880	86,214

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Loans and Leases, Premium and Trade receivables

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Public sector	1,258,004	1,454,798	-	-
Professional and other services	2,106,023	2,391,982	-	-
Personal	3,934,426	3,442,517	-	-
Agriculture, fishing and mining	99,326	161,868	-	-
Construction and real estate	622,119	225,431	-	-
Distribution	1,174,188	1,166,152	799,641	147,650
Manufacturing	732,612	366,991	-	56,204
Transportation	1,084,982	403,512	-	-
Tourism and entertainment	1,247,614	849,187	119,511	154,432
Financial and other money services	587,153	583,448	-	-
Brokers and agents	994,720	1,308,988	-	-
Supermarket chains	621,471	610,139	198,924	242,843
Wholesalers	838,284	553,409	157,814	130,704
Retail and direct customers	3,019,273	3,619,558	374,616	398,067
Other	587,451	646,917	82,532	83,762
	18,907,646	17,784,897	1,733,038	1,213,662
Less: Provision for credit losses	(666,598)	(446,581)	(81,880)	(86,214)
	18,241,048	17,338,316	1,651,158	1,127,448
Interest receivable	126,393	116,748	-	-
	18,367,441	17,455,064	1,651,158	1,127,448

GraceKennedy Limited

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Financial assets – individually impaired

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

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Loans and leases	535,201	211,970	-	-
Trade and other receivables	344,616	404,731	207,041	231,639

The fair value of collateral that the Group held as security for individually impaired loans was $335,857,000 (2008: $72,980,000).

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

Renegotiated loans and leases

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

Repossessed collateral

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

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

Debt securities

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Government of Jamaica:				
Available-for-sale securities	31,288,771	34,450,961	3,044,386	2,834,731
Loans and receivables (Note 6)	8,649,188	8,594,791	-	-
Corporate:				
Available-for-sale securities	2,568,213	2,470,331	-	-
Loans and receivables (Note 6)	609,411	644,265	-	-
Other (Note 6)	34,461	120,110	-	-
	43,150,044	46,280,458	3,044,386	2,834,731

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk

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

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the Central Treasury Department, includes:

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

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

(iii) Maintaining committed lines of credit;

(iv) Optimising cash returns on investment;

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

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

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

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial liabilities cash flows

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

	Group					
	1 to 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**No specific Maturity**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
As at 31 December 2009:						
Securities sold under agreements to repurchase	24,159,418	3,369,052	-	-	-	27,528,470
Deposits	9,355,932	2,806,796	-	-	-	12,162,728
Bank and other loans	6,926,943	3,590,332	6,860,460	1,843,008	-	19,220,743
Trade and other payables	11,377,084	-	-	-	-	11,377,084
Total financial liabilities (expected contractual dates)	51,819,377	9,766,180	6,860,460	1,843,008	-	70,289,025

	Group					
	1 to 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**No specific Maturity**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
As at 31 December 2008:						
Securities sold under agreements to repurchase	23,728,948	3,723,449	-	-	-	27,452,397
Deposits	10,105,407	4,150,547	-	-	-	14,255,954
Bank and other loans	9,817,832	2,892,614	4,316,204	-	-	17,026,650
Trade and other payables	11,991,771	-	-	-	-	11,991,771
Total financial liabilities (expected contractual dates)	55,643,958	10,766,610	4,316,204	-	-	70,726,772

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Financial liabilities cash flows (continued)

	Company					
	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No specific Maturity $'000	Total $'000
As at 31 December 2009:						
Bank and other loans	4,049,629	1,855,296	1,596,361	-	-	7,501,286
Trade and other payables	1,394,659	-	-	-	-	1,394,659
Total financial liabilities (expected contractual dates)	5,444,288	1,855,296	1,596,361	-	-	8,895,945

	Company					
As at 31 December 2008:	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No specific Maturity $'000	Total $'000
Bank and other loans	1,432,561	1,443,122	1,904,139	-	-	4,779,822
Trade and other payables	1,738,160	-	-	-	-	1,738,160
Total financial liabilities (expected contractual dates)	3,170,721	1,443,122	1,904,139	-	-	6,517,982

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	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Floating rate –				
Expiring within one year	2,464,418	4,720,462	1,184,878	3,101,054
Expiring beyond one year	1,161,263	962,600	-	721,950
Fixed rate –				
Expiring within one year	-	15,500	-	-
Expiring beyond one year	-	29,191	-	-

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

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

	Group			
At 31 December 2009	**No later than 1 year $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Loan commitments	105,998	-	-	105,998
Operating lease commitments	632,945	2,087,675	305,479	3,026,099
	738,943	2,087,675	305,479	3,132,097
At 31 December 2008				
Loan commitments	342,794	-	-	342,794
Guarantees, acceptances and other financial facilities	306,310	-	-	306,310
Operating lease commitments	471,392	1,413,693	458,489	2,343,574
Capital commitments	325,500	-	-	325,500
	1,445,996	1,413,693	458,489	3,318,178

(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 monitors 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 and the UK pound.

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

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

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

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk

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

	Group						
	Jamaican$	**US$**	**GBP**	**CAN$**	**EURO**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
At 31 December 2009:							
Financial Assets							
Cash and deposits	5,953,819	3,499,903	584,953	30,729	56,905	482,067	10,608,376
Investment securities	20,379,613	20,738,873	44,600	-	1,307,479	950,182	43,420,747
Trade and other receivables	3,537,604	2,239,316	1,018,775	203,632	-	177,059	7,176,386
Loans receivable	3,915,054	7,276,001	-	-	-	-	11,191,055
Total financial assets	33,786,090	33,754,093	1,648,328	234,361	1,364,384	1,609,308	72,396,564
Financial Liabilities							
Deposit payable	3,380,060	8,239,383	218,565	42,218	100,450	-	11,980,676
Securities sold under agreements to repurchase	13,199,240	12,732,218	57,792	-	740,747	650,508	27,380,505
Bank and other loans	6,120,248	9,351,219	1,486,213	132,709	110,445	26,453	17,227,287
Trade and other payables	6,056,190	3,601,463	1,160,187	250,562	109,969	198,713	11,377,084
Total financial liabilities	28,755,738	33,924,283	2,922,757	425,489	1,061,611	875,674	67,965,552
Net financial position	5,030,352	(170,190)	(1,274,429)	(191,128)	302,773	733,634	4,431,012

	Group (Restated)						
	Jamaican$	**US$**	**GBP**	**CAN$**	**EURO**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
At 31 December 2008:							
Financial Assets							
Cash and deposits	3,429,329	4,002,175	98,984	28,877	24,941	401,341	7,985,647
Investment securities	19,014,219	24,989,913	-	-	1,432,260	1,141,098	46,577,490
Trade and other receivables	3,492,671	3,200,545	1,004,497	154,424	2,012	211,911	8,066,060
Loans receivable	4,232,421	5,156,583	-	-	-	-	9,389,004
Total financial assets	30,168,640	37,349,216	1,103,481	183,301	1,459,213	1,754,350	72,018,201
Financial Liabilities							
Deposit payable	3,483,867	10,017,974	144,720	43,406	252,801	-	13,942,768
Securities sold under agreements to repurchase	15,234,368	10,614,915	33,818	-	843,863	531,569	27,258,533
Bank and other loans	1,845,695	12,085,244	1,429,621	150,694	115,905	43,208	15,670,367
Trade and other payables	6,670,272	3,964,025	862,476	293,396	17,371	184,231	11,991,771
Total financial liabilities	27,234,202	36,682,158	2,470,635	487,496	1,229,940	759,008	68,863,439
Net financial position	2,934,438	667,058	(1,367,154)	(304,195)	229,273	995,342	3,154,762

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	Company						
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CAN$ J$'000**	**EURO J$'000**	**Other J$'000**	**Total J$'000**
At 31 December 2009:							
Financial Assets							
Cash and deposits	442,519	1,888,560	-	-	-	-	2,331,079
Investment securities	1,860,710	1,184,439	-	-	-	-	3,045,149
Trade and other receivables	850,638	-	-	-	-	-	850,638
Loans receivable	800,520	-	-	-	-	-	800,520
Subsidiaries	1,394,957	2,087,164	-	-	-	-	3,482,121
Total financial assets	5,349,344	5,160,163	-	-	-	-	10,509,507
Financial Liabilities							
Bank and other loans	2,008,858	5,222,240	-	-	-	-	7,231,098
Trade and other payables	829,507	565,152	-	-	-	-	1,394,659
Subsidiaries	-	-	280,310	-	-	-	280,310
Total financial liabilities	2,838,365	5,787,392	280,310	-	-	-	8,906,067
Net financial position	2,510,979	(627,229)	(280,310)	-	-	-	1,603,440

	Company						
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CAN$ J$'000**	**EURO J$'000**	**Other J$'000**	**Total J$'000**
At 31 December 2008:							
Financial Assets							
Cash and deposits	428,309	399,191	-	-	-	-	827,500
Investment securities	1,155,194	1,680,300	-	-	-	-	2,835,494
Trade and other receivables	922,946	-	-	-	-	-	922,946
Loans receivable	148,049	56,453	-	-	-	-	204,502
Subsidiaries	-	2,307,865	-	-	-	-	2,307,865
Total financial assets	2,654,498	4,443,809	-	-	-	-	7,098,307
Financial Liabilities							
Bank and other loans	886,825	3,634,323	-	-	-	-	4,521,148
Trade and other payables	996,877	741,283	-	-	-	-	1,738,160
Subsidiaries	861,393	-	98,854	-	-	-	960,247
Total financial liabilities	2,745,095	4,375,606	98,854	-	-	-	7,219,555
Net financial position	(90,597)	68,203	(98,854)	-	-	-	(121,248)

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Foreign currency sensitivity

The following tables indicate the currencies to which the Group and company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 2% and 5% increase (2008: 10%) and a 2% decrease (2008: 5%) in foreign currency rates . The sensitivity of the profit was as a result of foreign exchange gains/losses on translation of foreign currency denominated loans and lease receivables, cash and deposits, debt securities classified as available for sale and foreign exchange losses/gains on translation of foreign currency denominated borrowings. Profit is less sensitive to movement in currency/US dollar exchange rates in 2009 than 2008 because of the decreased amount of foreign currency denominated investment securities. The sensitivity of the equity arose mainly from foreign exchange losses/gains on translation of foreign currency denominated subsidiaries. Equity is more sensitive to movement in foreign currency exchange rate in 2009 than 2008 because of the increase in the net assets of USD denominated foreign subsidiaries. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	Group					
	% Change in Currency Rate 2009	Effect on Net Profit 2009 $'000	Effect on Equity 2009 $'000	% Change in Currency Rate 2008	Effect on Net Profit 2008 $'000	Effect on Equity 2008 $'000
Currency:						
USD	+5%	(21,582)	89,370	+10%	64,987	162,755
GBP	+2%	1,175	66,416	+10%	(2,208)	(48,015)
CAN	+2%	(560)	3,180	+10%	(528)	10,987
EURO	+2%	3,895	-	+10%	15,935	-
USD	-2%	8,633	(35,748)	-5%	(32,493)	(81,378)
GBP	-2%	(1,633)	(66,416)	-5%	1,104	24,008
CAN	-2%	560	(3,180)	-5%	264	(5,493)
EURO	-2%	(3,895)	-	-5%	(7,968)	-

	Company			
	% Change in Currency Rate 2009	Effect on Net Profit 2009 $'000	% Change in Currency Rate 2008	Effect on Net Profit 2008 $'000
Currency:				
USD	+5%	(19,953)	+10%	5,902
GBP	+2%	(3,737)	+10%	(6,590)
CAN	+2%	-	+10%	-
EURO	+2%	-	+10%	-
USD	-2%	7,981	-5%	(2,951)
GBP	-2%	3,737	-5%	3,295
CAN	-2%	-	-5%	-
EURO	-2%	-	-5%	-

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

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

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

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

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

	Group						
	Within 1 Month	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 31 December 2009:							
Assets							
Cash and deposits	3,619,609	4,207,749	-	-	-	2,781,018	10,608,376
Investment securities	-	10,505,201	10,706,743	10,495,597	11,423,093	290,113	43,420,747
Loans receivable	2,038,176	1,673,514	3,016,110	4,462,448	-	807	11,191,055
Trade and other receivables	-	-	-	-	-	7,176,386	7,176,386
Total financial assets	5,657,785	16,386,464	13,722,853	14,958,045	11,423,093	10,248,324	72,396,564
Liabilities							
Deposits	3,821,794	5,534,138	2,607,031	17,713	-	-	11,980,676
Securities sold under agreements to repurchase	-	24,300,260	3,080,245	-	-	-	27,380,505
Bank loans	1,767,224	5,032,668	3,564,220	4,551,711	2,311,464	-	17,227,287
Trade payables	-	-	-	-	-	11,377,084	11,377,084
Total financial liabilities	5,589,018	34,867,066	9,251,496	4,569,424	2,311,464	11,377,084	67,965,552
Total interest repricing gap	68,767	(18,480,602)	4,471,357	10,388,621	9,111,629	(1,128,760)	4,431,012

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	Group (Restated)						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2008:							
Assets							
Cash and deposits	2,043,388	4,760,050	-	-	-	1,182,209	7,985,647
Investment securities	-	11,826,423	10,890,376	9,002,414	14,592,304	265,973	46,577,490
Loans receivable	482,616	1,604,766	1,754,855	2,601,888	2,881,050	63,829	9,389,004
Trade and other receivables	-	-	-	-	-	8,066,060	8,066,060
Total financial assets	2,526,004	18,191,239	12,645,231	11,604,302	17,473,354	9,578,071	72,018,201
Liabilities							
Deposits	3,166,523	6,830,100	3,946,145	-	-	-	13,942,768
Securities sold under agreements to repurchase	-	9,516,088	17,742,445	-	-	-	27,258,533
Bank loans	1,012,700	8,131,684	4,264,151	2,261,832	-	-	15,670,367
Trade payables	-	-	-	-	-	11,991,771	11,991,771
Total financial liabilities	4,179,223	24,477,872	25,952,741	2,261,832	-	11,991,771	68,863,439
Total interest repricing gap	(1,653,219)	(6,286,633)	(13,307,510)	9,342,470	17,473,354	(2,413,700)	3,154,762

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	Company						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2009:							
Assets							
Cash and deposits	329,866	2,000,851	-	-	-	362	2,331,079
Investment securities	-	-	1,246,876	786,506	1,011,004	763	3,045,149
Loans receivable	-	-	-	51,027	-	749,493	800,520
Trade and other receivables	-	-	-	-	-	850,638	850,638
Total financial assets	329,866	2,000,851	1,246,876	837,533	1,011,004	1,601,256	7,027,386
Liabilities							
Bank loans	1,439,422	2,548,086	2,670,500	566,185	-	6,905	7,231,098
Trade payables	-	-	-	-	-	1,394,659	1,394,659
Total financial liabilities	1,439,422	2,548,086	2,670,500	566,185	-	1,401,564	8,625,757
Total interest repricing gap	(1,109,556)	(547,235)	(1,423,624)	271,348	1,011,004	199,692	(1,598,371)

	Company						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2008:							
Assets							
Cash and deposits	303,561	523,939	-	-	-	-	827,500
Investment securities	-	-	1,854,702	178,208	801,820	764	2,835,494
Loans receivable	-	-	55,973	76,540	-	71,989	204,502
Trade and other receivables	-	-	-	-	-	922,946	922,946
Total financial assets	303,561	523,939	1,910,675	254,748	801,820	995,699	4,790,442
Liabilities							
Bank loans	865,147	925,420	2,495,605	234,976	-	-	4,521,148
Trade payables	-	-	-	-	-	1,738,160	1,738,160
Total financial liabilities	865,147	925,420	2,495,605	234,976	-	1,738,160	6,259,308
Total interest repricing gap	(561,586)	(401,481)	(584,930)	19,772	801,820	(742,461)	(1,468,866)

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3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

Interest rate sensitivity

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

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

Group

Change in basis points: 2009 JMD / USD	Effect on Net Profit 2009 $'000	Effect on Equity 2009 $'000	Change in basis points: 2008 JMD / USD	Effect on Net Profit 2008 $'000	Effect on Equity 2008 $'000
-600 / -200	262,135	1,160,724	- 500 / -500	884,198	1,669,857
+200 / +200	(213,803)	(1,373,213)	+ 500 / +500	(884,198)	(993,659)

Company

Change in basis points: 2009 JMD / USD	Effect on Net Profit 2009 $'000	Effect on Equity 2009 $'000	Change in basis points: 2008 JMD / USD	Effect on Net Profit 2008 $'000	Effect on Equity 2008 $'000
-600 / -200	26,779	162,621	- 500 / -500	66,234	311,313
+200 / +200	(49,872)	(98,357)	+ 500 / +500	(66,234)	(195,008)

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3. Insurance and Financial Risk Management (Continued)

(d) Capital management

Insurance subsidiaries

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

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

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

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

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

The primary measure used to assess capital adequacy is the Minimum Asset Test (MAT). This information is required to be filed with the Financial Services Commission on an annual basis. The minimum standard recommended by the regulators for companies is an MAT of 135% (2008: 135%). The MAT for the company as of December 31, 2009 and 2008 is set out below.

	Insurance			
	Actual 2009 $'000	**Required 2009 $'000**	**Actual 2008 $'000**	**Required 2008 $'000**
MAT	**142.67%**	**135%**	**132.70%**	**135%**

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

The banking and investment subsidiaries

The banking and investment subsidiaries' objectives when managing capital, which is a broader concept than the 'equity' on the face of 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 a going concerns so that they can continue to provide returns for stockholders and benefits for other stakeholders; and

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

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

The BOJ requires the banking entity to:

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

The FSC requires the investment services entities to:

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

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3. Insurance and Financial Risk Management (Continued)

(d) Capital management (continued)

The banking and investment subsidiaries (continued)
The regulatory capital as managed by the subsidiaries' Risk and Compliance Unit is divided into two tiers:

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

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

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

The tables below summarise the composition of regulatory capital and the ratios of the Group for the years ended 31 December.

	Banking			
	Actual 2009 $'000	**Required 2009 $'000**	**Restated Actual 2008 $'000**	**Restated Required 2008 $'000**
Tier 1 capital	3,707,347	1,459,334	2,043,045	1,618,148
Tier 2 capital	182,417	-	83,192	-
Total regulatory capital	3,889,764	1,459,334	2,126,237	1,618,148
Risk-weighted assets:				
On-statement of financial position	12,487,307	-	14,027,798	-
Off-statement of financial position	2,106,036	-	2,153,683	-
Total risk-weighted assets	14,593,343	-	16,181,481	-
Tier one capital ratio	25%	-	13%	-
Total capital ratio	27%	10%	13%	10%

	Investment			
	Actual 2009 $'000	**Required 2009 $'000**	**Actual 2008 $'000**	**Required 2008 $'000**
Tier 1 capital	2,255,096	367,709	885,609	207,945
Tier 2 capital	-	-	-	207,945
Total regulatory capital	2,255,096	367,709	885,609	415,890
Risk-weighted assets:				
On-statement of financial position	2,034,109	-	2,281,937	-
Off-statement of financial position	590,382	-	688,705	-
Total risk-weighted assets	2,624,491	-	2,970,642	-
Tier one capital ratio	100.00%	100.00%	100.00%	50.00%
Total capital ratio	85.93%	14.00%	29.81%	14.00%
Actual capital to total assets	9.42%	6.00%	5.30%	6.00%

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3. Insurance and Financial Risk Management (Continued)

(d) Capital management (continued)

Companies not requiring external regulatory capital requirements

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

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

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain a debt to equity ratio not exceeding 100%. The debt to equity ratios at 31 December 2009 and 2008 were as follows:

	The Group	
	2009 $000	**Restated 2008 $000**
Total borrowings (note 15)	17,227,287	15,670,367
Owners equity	23,697,642	19,799,405
Gearing ratio	72.7%	79.1%

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

The company and its subsidiaries complied with all externally imposed capital requirements to which they were subjected during the year.

In the prior year one of its investment subsidiaries was in breach of the capital to total assets benchmark established by the Financial Services Commission. In order to address the breach, the company injected additional capital into this subsidiary in the first quarter of 2009. Additionally one of its insurance subsidiaries was in technical breach of Section 17 (4) of the Insurance (Actuaries) (General Insurance Companies) Regulation 2002.

During the year the parent company injected additional capital of $900 million into First Global Bank Limited to bolster its capital base.

(e) Banking Act

At 31 December 2009, the Bank was in breach of Sections 13(1)(i)(i) and 13(1)(i)(ii) of the Banking Act. These sections prohibit the Bank from granting credit facilities to any one connected person in excess of 10% of the Bank's Capital Base, and to all connected persons in excess of 20% of the Bank's Capital Base, respectively.

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4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

Key sources of estimation uncertainty

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

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(g). The assessment of goodwill impairment involves the determination of the value in use. Determination of value in use involves the estimation of future cash flows from the business taking into consideration the growth rates, inflation rates and the discount rates. Any changes in these variables would impact the value in use calculations. A change in the discount rate from 11.1% to 12.1% would result in a reduction in the value in use and an increase in impairment of goodwill by $390,000,000.

(ii) Income taxes

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

(iii) Pension plan assets and post employment obligations

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

(iv) Liabilities arising from claims made under insurance contracts

The determination of the liabilities under insurance contracts represents the liability for future claims payable by the company based on contracts for the insurance business in force at the 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 company's experience.

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

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5. Cash and Deposits

	Group		Company	
	2009 $'000	Restated 2008 $'000	2009 $'000	2008 $'000
Cash at bank and in hand	7,792,473	5,268,009	330,228	249,629
Deposits	2,815,903	2,717,638	2,000,851	577,871
	10,608,376	7,985,647	2,331,079	827,500

Included in deposits is interest receivable of $317,700,000 (2008: $99,341,000) and $161,817,000 (2008: $9,306,000) for the Group and company, respectively. The weighted average effective interest rate on deposits was 9.31% (2008: 12.34%) 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	
	2009 $'000	Restated 2008 $'000	2009 $'000	2008 $'000
Cash at bank and in hand	7,792,473	5,268,009	330,228	249,629
Deposits	2,815,903	2,717,638	2,000,851	577,871
	10,608,376	7,985,647	2,331,079	827,500
Bank overdrafts (Note 15)	(1,809,708)	(1,294,143)	(1,419,829)	(846,007)
	8,798,668	6,691,504	911,250	(18,507)

6. Investment Securities

	Group		Company	
	2009 $'000	Restated 2008 $'000	2009 $'000	2008 $'000
Available-for-sale:				
Quoted equities	28,923	32,476	128	128
Government of Jamaica securities	31,288,771	34,450,961	3,044,386	2,834,731
Corporate bonds	2,568,213	2,470,331	-	-
Other debt securities	34,461	120,110	-	-
Other	226,658	241,763	635	635
	34,147,026	37,315,641	3,045,149	2,835,494
Loans and Receivables:				
Government of Jamaica securities	8,649,188	8,594,791	-	-
Corporate bonds	609,411	644,265	-	-
	9,258,599	9,239,056	-	-
Financial assets at fair value through profit or loss:				
Quoted equities	15,122	22,793	-	-
Total	43,420,747	46,577,490	3,045,149	2,835,494

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6. Investment Securities (Continued)

Included in the Government of Jamaica securities is interest receivable of $1,456,670,000 (2008: $576,313,000) and $19,222,000 (2008: $80,637,000) 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 15.81% (2008: 13.58%).

Included in Government of Jamaica securities is $1,938,464,000 (2008: $1,590,044,000) held at the Bank of Jamaica under Section 14(1) of the Banking Act, 1992, representing the required ratio of 14% (2008: 11%) for Jamaican dollar cash reserves and 11% (2008: 11%) for United States dollar cash reserves of the banking subsidiary's prescribed liabilities. It is not available for investment, lending or other use by the Group or the banking subsidiary.

Investment securities of $27,716,703,000 (2008: $28,944,183,000) have been pledged by the Group as collateral for securities sold under repurchase agreements.

Included in investment securities for the company is $608,876,000 (2008: $991,051,000) which matures in the next 12 months.

Reclassification of investment securities

On 1 October 2008, the Group reclassified the following investment securities from available-for-sale to loans and receivables, as the market for these securities became inactive. The fair value at the reclassification date became the amortised cost of the newly reclassified loans and receivables. The table below shows the carrying value and the fair value of these securities at 31 December 2009 and 2008 based on discounted cash flow techniques.

	Group			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2009 $'000	2009 $'000	2008 $'000	2008 $'000
US$ Government of Jamaica Global Bonds	7,469,714	5,877,789	7,121,084	6,277,578
Euro Government of Jamaica Global Bonds	1,245,677	1,060,627	1,473,707	1,312,811
Corporate and other bonds	673,525	496,212	644,265	444,582
	9,388,916	7,434,628	9,239,056	8,034,971

(a) Fair value losses of $448,859,000 exclusive of deferred taxation were recognised in equity in relation to the above investments reclassified during 2008.

(b) Additional fair value losses of $1,954,288,000 (2008: $1,204,085,000), exclusive of deferred taxation, would have been included in equity at the end of the year had the investments not been reclassified. This amount was estimated on the basis of the prices of the securities as at 31 December 2009 and 2008 respectively. Management does not believe that these prices are necessarily indicative of the prices that would have obtained if an active market for the securities actually existed at that date.

(c) The weighted average effective interest rate of the investments at the date of reclassification was 9.34% for US$ investments, 10.50% for Euro investments and 8.09% for Corporate and other bonds. The undiscounted cash flows to be recovered from the investments reclassified, if held to maturity, amount to $12,984,199,000 (2008: $12,787,317,000).

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7. Receivables

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Trade receivables, less provision for impairment	3,824,637	4,139,104	765,771	866,307
Insurance receivables, less provision for impairment	2,452,630	2,990,038	-	-
Receivable from associates (Note 34(e))	9,614	2,772	7,809	827
Prepayments	604,379	501,779	67,693	60,251
Other receivables	889,505	934,146	77,058	55,812
	7,780,765	8,567,839	918,331	983,197

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

8. Inventories

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Raw materials and spares	540,100	419,029	-	-
Work in process	2,426	2,515	-	-
Finished goods	946,423	912,313	-	-
Merchandise	3,215,886	3,807,305	828,502	859,952
Goods in transit	796,911	441,236	291,320	297,635
	5,501,746	5,582,398	1,119,822	1,157,587

9. Loans Receivable

(a) Loans receivable comprise:

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Finance leases, less deferred profit	456,906	469,423	-	-
Loans and receivables:				
Loans to subsidiaries (Note 34 (e))	-	-	800,121	148,130
Loans to associated companies (Note 34 (e))	-	191,144	-	55,973
Loans to others	10,733,343	8,669,670	-	-
Other receivables	806	58,767	399	399
	11,191,055	9,389,004	800,520	204,502

Loans receivable are due within 5 years from the statement of financial position date.

Included in loans receivable is interest receivable of $126,393,000 (2008: $116,748,000) for the Group.

Included in loans receivable for the company is $25,513,000 (2008: $25,513,000) which matures in the next 12 months.

9. Loans Receivable (Continued)

(b) Finance lease receivables

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Gross receivables from finance leases:				
Not later than 1 year	278,827	277,745	-	-
Later than 1 year and not later than 5 years	290,120	287,758	-	-
	568,947	565,503	-	-
Unearned future finance income on finance leases	(112,041)	(96,080)	-	-
Net investment in finance leases	456,906	469,423	-	-
The net investment in finance leases is analysed as follows:				
Not later than 1 year	218,213	221,407	-	-
Later than 1 year and not later than 5 years	238,693	248,016	-	-
Total	456,906	469,423	-	-

10. Investments in Associates

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
At beginning of year	851,331	763,442	219,950	219,950
Share of results before tax	208,349	142,916	-	-
Share of tax	(64,306)	(47,064)	-	-
Share of results after tax	144,043	95,852	-	-
Disposals	(73,996)	-	(34,777)	-
Movement in other reserves	(222,121)	(7,963)	-	-
At end of year	699,257	851,331	185,173	219,950

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

	2009 $'000	**2008 $'000**
Assets	9,768,163	8,033,871
Liabilities	7,907,568	5,853,165
Revenue	5,138,664	5,372,054
Net Profit	324,157	233,929

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11. Intangible Assets

	Brands and Customer Relationships $'000	Distribution Channel and Exclusive Agency Agreements $'000	Goodwill $'000	Computer Software $'000	Policy Contracts $'000	Total $'000
				Group		
Cost						
At 1 January 2008	924,127	156,125	1,013,710	774,202	589,088	3,457,252
Additions	362,394	-	-	243,925	-	606,319
Exchange differences	(91,658)	(666)	(79,982)	-	-	(172,306)
At 31 December 2008	1,194,863	155,459	933,728	1,018,127	589,088	3,891,265
Additions	-	-	-	186,770	-	186,770
Exchange differences	244,300	2,086	130,962	126	-	377,474
At 31 December 2009	1,439,163	157,545	1,064,690	1,205,023	589,088	4,455,509
Accumulated Amortisation						
At 1 January 2008	68,887	132,473	99,117	566,112	78,546	945,135
Amortisation charge for the year	71,293	12,231	-	147,059	39,272	269,855
Impairment charge	-	-	189,278	-	-	189,278
At 31 December 2008	140,180	144,704	288,395	713,171	117,818	1,404,268
Amortisation charge for the year	97,613	12,841	-	214,034	39,272	363,760
Impairment charge	-	-	196,426	-	-	196,426
At 31 December 2009	237,793	157,545	484,821	927,205	157,090	1,964,454
Net Book Amount						
31 December 2009	1,201,370	-	579,869	277,818	431,998	2,491,055
31 December 2008	1,054,683	10,755	645,333	304,956	471,270	2,486,997

In the prior year, one of the insurance subsidiaries acquired a portfolio of insurance contracts in the Turks and Caicos Islands.

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

The Group recognised an impairment charge of $196,426,000 (2008: $189,278,000) for goodwill in subsidiaries in the Banking and Investments, and Food Trading Divisions (2008: Retail and Trading and Food Trading Divisions).

11. Intangible Assets (Continued)

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

	2009 $000	2008 $000
Food Trading	579,869	600,241
Banking & Investments	-	45,092
	579,869	645,333

For the year ended 31 December 2009, management tested for impairment the goodwill allocated to all the CGUs.

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

Key assumptions used for value in use calculations:

	Revenue Growth Rate	EBITDA to Revenue	Capital Expenditure to Revenue	Discount Rate
Food Trading	5%	2.77%	0.64%	11.10%
Banking & Investment	5%	3.15%	0.03%	10.75%

	Computer Software $'000
	Company
Cost	
At 1 January 2008	165,782
Additions	40,315
At 31 December 2008	206,097
Additions	62,932
At 31 December 2009	269,029
Accumulated Amortisation	
At 1 January 2008	125,191
Amortisation charge for the year	16,995
At 31 December 2008	142,186
Amortisation charge for the year	69,934
At 31 December 2009	212,120
Net Book Amount	
31 December 2009	56,909
31 December 2008	63,911

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12. Fixed Assets

	Freehold Land and Buildings $'000	Leasehold Buildings and Improvements $'000	Plant, Equipment, Fixtures & Vehicles $'000	Capital Work in Progress $'000	Total $'000
			Group		
Cost or Valuation					
At 1 January 2008	954,707	877,918	3,949,241	149,601	5,931,467
Additions	2,399	29,094	357,332	725,395	1,114,220
Revaluation surplus	586,060	-	-	-	586,060
Transfers	3,328	1,065	60,920	(65,313)	-
Disposals	-	(95,097)	(29,912)	(15,807)	(140,816)
At 31 December 2008	1,546,494	812,980	4,337,581	793,876	7,490,931
Additions	123,636	70,462	380,273	2,116,673	2,691,044
Revaluation surplus	(34,029)	-	-	-	(34,029)
Transfers	13,618	-	88,193	(101,811)	-
Disposals	(1,998)	(83,220)	(415,364)	(17,778)	(518,360)
Exchange differences	35	3,117	35,896	-	39,048
At 31 December 2009	1,647,756	803,339	4,426,579	2,790,960	9,668,634
Accumulated Depreciation					
At 1 January 2008	21,454	441,072	2,475,529	-	2,938,055
Charge for the year	7,021	52,246	431,103	-	490,370
Revaluation adjustment	(12,228)	-	-	-	(12,228)
On disposals	-	(97,645)	(25,988)	-	(123,633)
At 31 December 2008	16,247	395,673	2,880,644	-	3,292,564
Charge for the year	14,997	99,229	386,390	-	500,616
Revaluation adjustment	(830)	-	-	-	(830)
On disposals	-	(28,712)	(326,748)	-	(355,460)
At 31 December 2009	30,414	466,190	2,940,286	-	3,436,890
Net Book Value					
31 December 2009	1,617,342	337,149	1,486,293	2,790,960	6,231,744
31 December 2008	1,530,247	417,307	1,456,937	793,876	4,198,367

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12. Fixed Assets (Continued)

	Freehold Land and Buildings $'000	Leasehold Buildings and Improvements $'000	Plant, Equipment, Fixtures & Vehicles $'000	Capital Work in Progress $'000	Total $'000
			Company		
Cost or Valuation					
At 1 January 2008	15,000	70,729	437,834	27,757	551,320
Additions	-	18,081	54,095	523,705	595,881
Disposals	-	-	(1,179)	-	(1,179)
Revaluation surplus	9,000	-	-	-	9,000
At 31 December 2008	24,000	88,810	490,750	551,462	1,155,022
Additions	-	3,180	53,585	444,839	501,604
Disposals	-	(5,106)	(36,440)	(996,301)	(1,037,847)
At 31 December 2009	24,000	86,884	507,895	-	618,779
Accumulated Depreciation					
At 1 January 2008	262	56,736	378,724	-	435,722
Charge for the year	263	9,300	54,056	-	63,619
On disposals	-	-	(1,179)	-	(1,179)
Revaluation adjustment	(525)	-	-	-	(525)
At 31 December 2008	-	66,036	431,601	-	497,637
Charge for the year	375	4,018	12,997	-	17,390
On disposals	-	(314)	(26,277)	-	(26,591)
At 31 December 2009	375	69,740	418,321	-	488,436
Net Book Value					
31 December 2009	23,625	17,144	89,574	-	130,343
31 December 2008	24,000	22,774	59,149	551,462	657,385

(a) The tables above include carrying values of $33,212,000 (2008: $48,457,000) and $19,454,000 (2008: $36,816,000) for the Group and the company, respectively, representing assets being acquired under finance leases.

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12. Fixed Assets (Continued)

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

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Cost	583,729	443,029	8,879	8,879
Accumulated depreciation	83,762	73,941	3,710	3,488
Net Book Value	499,967	369,088	5,169	5,391

(c) The Group's land and buildings were last revalued during 2008 by independent valuers. The valuations were done on the basis of open market value. The revaluation surpluses, net of applicable deferred income taxes, were credited to the capital and fair value reserves in equity (Note 19).

(d) Borrowing costs of $286,733,000 (2008: $24,935,000) arising on financing specifically entered into for the construction of a new distribution centre were capitalised during the year and are included in 'additions' in capital work in progress.

A capitalisation rate of 16.8% (2008: 17.4%) was used, representing the borrowing cost of the loans used to finance the project.

13. Deferred Income Taxes

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

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

	Group		Company	
	2009 $'000	**Restated 2008 $'000**	**2009 $'000**	**2008 $'000**
At beginning of year	(1,068,967)	(1,859,452)	(1,777,888)	(1,670,410)
Income statement credit/(charge) (Note 27)	63,327	296,207	(288,577)	(208,470)
Tax (charge)/credit relating to components of other comprehensive income (Note 27)	(225,230)	545,579	5,714	100,992
Exchange differences	65,446	(51,301)	-	-
At end of year	(1,165,424)	(1,068,967)	(2,060,751)	(1,777,888)

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 Taxpayer Audit and Assessment Department, the Group has recognised tax losses of $2,793,258,000 (2008: $2,180,928,000) to carry forward indefinitely against future taxable income. The Group also has unrecognised tax losses of $327,306,000 in respect of some subsidiaries.

Deferred income tax liabilities of $111,841,000 (2008: $182,194,000) 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 $335,523,000 (2008: $546,583,000).

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13. Deferred Income Taxes (Continued)

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

	Group					
Deferred tax liabilities	**Fixed Assets $'000**	**Fair Value Gains $'000**	**Unrealised Foreign Exchange Gains $'000**	**Pension Plan Assets $'000**	**Other $'000**	**Total $'000**
At 1 January 2008	245,867	100,344	28,935	2,182,885	200,199	2,758,230
Charged /(credited) to the income statement	30,207	(15,490)	62,252	205,497	363,991	646,457
Charged/(credited) to other comprehensive income	132,635	(84,854)	-	-	-	47,781
Exchange differences	-	-	-	-	265	265
At 31 December 2008	408,709	-	91,187	2,388,382	564,455	3,452,733
(Credited) /charged to the income statement	(21,145)	23,760	45,253	91,146	100,331	239,345
Charged/(credited) to other comprehensive income	15,496	2,548	-	-	(35,536)	(17,492)
Exchange differences	-	-	-	-	236	236
At 31 December 2009	403,060	26,308	136,440	2,479,528	629,486	3,674,822

Deferred tax assets	**Fixed Assets $'000**	**Fair Value Losses $'000**	**Unutilised Tax Losses $'000**	**Employee Benefit Obligations $'000**	**Other $'000**	**Total $'000**
At 1 January 2008	62,048	-	260,857	458,711	117,162	898,778
(Charged)/credited to the income statement	(2,352)	-	518,170	94,342	332,504	942,664
Credited to other comprehensive income	2,598	590,762	-	-	-	593,360
Exchange differences	272	-	(52,051)	-	743	(51,036)
At 31 December 2008 (Restated)	62,566	590,762	726,976	553,053	450,409	2,383,766
Credited/(charged) to the income statement	71,369	34,903	141,706	95,324	(40,630)	302,672
(Charged)/credited to other comprehensive income	-	(243,076)	-	-	354	(242,722)
Exchange differences	2,461	-	62,404	-	817	65,682
At 31 December 2009	136,396	382,589	931,086	648,377	410,950	2,509,398

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13. Deferred Income Taxes (Continued)

	Company					
Deferred tax liabilities	**Fixed Assets $'000**	**Fair Value Gains $'000**	**Unrealised Foreign Exchange Gains $'000**	**Pension Plan Asset $'000**	**Other $'000**	**Total $'000**
At 1 January 2008	20,623	66,292	-	1,794,430	19,093	1,900,438
(Credited)/charged to the income statement	(525)	-	49,862	194,520	2,712	246,569
Charged/(credited) to other comprehensive income	2,958	(66,292)	-	-	-	(63,334)
At 31 December 2008	23,056	-	49,862	1,988,950	21,805	2,083,673
(Credited)/charged to the income statement	(1,281)	-	18,634	281,813	23,927	323,093
Credited to other comprehensive income	(2,330)	-	-	-	-	(2,330)
At 31 December 2009	19,445	-	68,496	2,270,763	45,732	2,404,436

Deferred tax assets	**Fixed Assets $'000**	**Fair Value Losses $'000**	**Unutilised Tax Losses $'000**	**Employee Benefit Obligations $'000**	**Other $'000**	**Total $'000**
At 1 January 2008	11,891	-	10,182	184,242	23,713	230,028
Credited/(charged) to the income statement	1,033	-	(10,182)	46,866	382	38,099
Credited to other comprehensive income	-	37,658	-	-	-	37,658
At 31 December 2008	12,924	37,658	-	231,108	24,095	305,785
Credited/(charged) to the income statement	297	-	-	38,716	(4,497)	34,516
Credited to other comprehensive income	-	3,384	-	-	-	3,384
At 31 December 2009	13,221	41,042	-	269,824	19,598	343,685

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	
	2009 $'000	**Restated 2008 $'000**	**2009 $'000**	**2008 $'000**
Deferred tax assets	1,202,078	967,864	-	-
Deferred tax liabilities	(2,367,502)	(2,036,831)	(2,060,751)	(1,777,888)
	(1,165,424)	(1,068,967)	(2,060,751)	(1,777,888)
The gross amounts shown in the above tables include the following:				
Deferred tax assets to be recovered after more than 12 months	1,579,463	1,280,029	269,824	231,108
Deferred tax liabilities to be settled after more than 12 months	(2,873,360)	(2,797,091)	2,270,763	(1,988,950)

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14. Pensions and Other Post-Employment Obligations

The Group's pension scheme, which commenced on 1 January 1975, is funded by employee contributions at 5% of salary with the option to contribute an additional 5% and employer contributions at 0.5%, as recommended by independent actuaries. Pension at normal retirement age is based on 2% of final 3-year average salary per year of pensionable service, plus any declared bonus pensions.

Pension benefits

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

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Present value of funded obligations	6,348,877	5,924,104	2,997,034	2,857,737
Fair value of plan assets	(14,158,424)	(12,640,786)	(10,654,922)	(8,833,872)
	(7,809,547)	(6,716,682)	(7,657,888)	(5,976,135)
Unrecognised actuarial (losses)/gains	(207,085)	(1,780,109)	267,550	(749,990)
Limitation on asset due to uncertainty of obtaining economic benefit	578,048	1,331,642	578,048	759,274
Asset in the statement of financial position	(7,438,584)	(7,165,149)	(6,812,290)	(5,966,851)

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

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Beginning of year	5,924,104	3,275,165	2,857,737	1,144,593
Current service cost	543,988	345,153	192,970	104,846
Interest cost	939,871	455,825	450,446	155,968
Actuarial (gains)/losses	(756,092)	2,075,912	(380,956)	1,551,695
Benefits paid	(302,994)	(227,951)	(123,163)	(99,365)
End of year	6,348,877	5,924,104	2,997,034	2,857,737

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

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Beginning of year	12,640,786	13,227,574	8,833,872	9,253,431
Expected return on plan assets	1,611,191	1,443,263	1,209,544	1,018,439
Actuarial (losses)/gains	(28,230)	(2,028,246)	652,364	(1,411,899)
Contributions	237,671	226,146	82,305	73,266
Benefits paid	(302,994)	(227,951)	(123,163)	(99,365)
End of year	14,158,424	12,640,786	10,654,922	8,833,872

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

Pension benefits (continued)

The amounts recognised in the income statement are as follows:

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Current service cost	323,041	133,996	116,594	35,964
Interest cost	939,871	455,825	450,446	155,968
Expected return on plan assets	(1,611,191)	(1,443,263)	(1,209,544)	(1,018,439)
Net actuarial gains recognised in year	845,162	(59,089)	(48,714)	(55,937)
	496,883	(912,531)	(691,218)	(882,444)
(Increase)/reduction in income due to limitation on asset	(753,594)	311,025	(148,292)	303,267
Total, included in staff costs (Note 26)	(256,711)	(601,506)	(839,510)	(579,177)

The total credit of $256,711,000 (2008: $601,506,000) and $839,510,000 (2008: $579,177,000) for the Group and company respectively was included in administration expenses for both years.

The expected contributions to the plan by the Group for the year ended 31 December 2010 amount to $174,570,000.

The actual return on plan assets was $2,682,500,000 (2008: -$590,916,000) for the Group.

The plan assets are comprised of :

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Equity	2,261,951	2,399,683	1,702,232	1,718,217
Debt	150,697	224,068	113,407	171,507
Government securities	8,045,052	6,484,342	6,054,303	4,512,787
Other	3,700,724	3,532,693	2,784,980	2,431,361
	14,158,424	12,640,786	10,654,922	8,833,872

The pension plan assets include the company's ordinary stock units with a fair value of $610,098,000 (2008: $655,291,000), buildings occupied by Group companies with fair values of $655,377,000 (2008: $513,000,000), and repurchase agreement investments of $2,081,843,000 (2008: $1,078,713,000). There were no finance lease receivables or loan receivables from Group companies at the end of 2009 and 2008.

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

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

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

Pension benefits (continued)

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

	Group				
	2009 $'000	**2008 $'000**	**2007 $'000**	**2006 $'000**	**2005 $'000**
Fair value of plan assets	(14,158,424)	(12,640,788)	(13,227,574)	(11,246,524)	(10,771,720)
Defined benefit obligation	6,348,877	5,924,104	3,275,165	3,160,584	2,512,668
Surplus	(7,809,547)	(6,716,684)	(9,952,409)	(8,085,940)	(8,259,052)
Experience adjustments –					
Fair value of plan assets	1,033,172	(2,028,243)	791,320	(584,036)	(648,147)
Defined benefit obligation	(380,117)	(29,655)	166,624	(24,542)	282,615

	Company				
	2009 $'000	**2008 $'000**	**2007 $'000**	**2006 $'000**	**2005 $'000**
Fair value of plan assets	(10,654,922)	(8,833,874)	(9,253,431)	(7,679,844)	(4,392,071)
Defined benefit obligation	2,997,034	2,857,737	1,144,593	1,254,726	1,033,342
Surplus	(7,657,888)	(5,976,137)	(8,108,838)	(6,425,118)	(3,358,729)
Experience adjustments –					
Fair value of plan assets	826,200	(1,430,040)	768,377	2,613,147	(4,250,865)
Defined benefit obligation	(207,117)	642,908	(117,236)	(12,083)	169,563

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 12.5% per year (2008: 10.5% per year).

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

Other post-employment obligations (continued)

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

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Present value of unfunded obligations	1,818,887	1,504,127	823,956	755,673
Unrecognised actuarial gains/(losses)	126,245	155,033	(14,483)	(62,348)
Liability in the statement of financial position	1,945,132	1,659,160	809,473	693,325

Movement in the defined benefit obligation is as follows:

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Beginning of year	1,504,127	1,368,518	755,673	629,833
Current service cost	93,533	89,149	28,138	27,347
Interest cost	245,289	188,010	114,456	85,188
Actuarial losses/(gains)	109,654	(90,165)	32,417	40,279
Past service cost - vested benefits	-	28,534	(34,747)	23,190
Benefits paid	(133,716)	(79,919)	(71,981)	(50,164)
End of year	1,818,887	1,504,127	823,956	755,673

The amounts recognised in the income statement were as follows:

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Current service cost	93,533	89,149	28,138	27,347
Interest cost	245,289	188,010	114,456	85,188
Net actuarial losses recognised in year	80,866	57,253	80,282	55,037
Past service cost – vested benefits	-	28,534	(34,747)	23,190
Total, included in staff costs (Note 26)	419,688	362,946	188,129	190,762

The total charge was included in administration expenses.

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

	Group		Company	
	Increase $'000	**Decrease $'000**	**Increase $'000**	**Decrease $'000**
Effect on the aggregate of the current service cost and interest cost	90,806	68,369	32,714	25,786
Effect on the defined benefit obligation	748,782	567,519	280,898	225,258

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

Other post-employment obligations (continued)

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

	Group				
	2009 $'000	**2008 $'000**	**2007 $'000**	**2006 $'000**	**2005 $'000**
Defined benefit obligation	1,818,887	1,504,127	1,368,518	1,539,270	1,211,070
Experience adjustments	(30,187)	47,980	(180,399)	82,022	75,032

	Company				
	2009 $'000	**2008 $'000**	**2007 $'000**	**2006 $'000**	**2005 $'000**
Defined benefit obligation	823,956	755,673	629,833	697,210	573,828
Experience adjustments	(55,991)	81,881	(33,270)	53,583	61,907

Principal actuarial assumptions used in valuing post-employment benefits

The principal actuarial assumptions used were as follows:

	2009	**2008**
Discount rate	16%	16%
Long term inflation rate	10%	10%
Expected return on plan assets	11%	11%
Future salary increase65s	12.5%	12.5%
Future pension increases	10%	10%

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

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

	2009	**2008**
Male	21.33	21.33
Female	25.09	25.09

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

Plans	**2009 Years**	**2008 Years**
Gratuity Plan	17.8	18.0
Group Life Plan	18.2	18.4
Insured Group Health	18.7	19.4
Pension Plan	18.1	17.9
Self Insured Health Plan	12.7	13.3
Superannuation Plan	-	1.0

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15. Bank and Other Loans

	Group		Company	
	2009	Restated 2008	2009	2008
	$'000	$'000	$'000	$'000
Secured on assets	7,881,681	3,443,699	-	-
Unsecured	9,345,606	12,226,668	7,231,098	4,521,148
	17,227,287	15,670,367	7,231,098	4,521,148

(a) Unsecured loans of subsidiaries are supported by promissory notes or letters of comfort from the parent company. Interest rates on these loans range between 2.50% - 21.75% (2008: 3.75% - 21.75%).

(b) Bank and other loans comprise:

	Group		Company	
	2009	Restated 2008	2009	2008
	$'000	$'000	$'000	$'000
Bank overdrafts (Note 5)	1,809,708	1,294,143	1,419,829	846,007
Bank borrowings	14,353,681	7,194,249	5,380,039	3,254,126
Finance leases	264	995	62,163	52,173
Customer deposits	59,902	17,588	-	-
Other loans	1,003,732	7,163,392	369,067	368,842
Total borrowings	17,227,287	15,670,367	7,231,098	4,521,148

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Certain bank borrowings are secured on the assets of subsidiaries that have the loans. All other borrowings are unsecured. Included in bank borrowings is interest payable of $202,260,000 (2008: $82,115,000) and $26,498,000 (2008: $9,607,000) for the Group and the company, respectively.

Included in customer deposits is interest payable of $785,000 (2008: $326,000) for the Group.

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

(c) Finance lease liabilities – minimum lease payments:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Not later than 1 year	276	836	33,463	28,064
Later than 1 year and not later than 5 years	-	205	43,235	38,791
	276	1,041	76,698	66,855
Future finance charges on finance leases	(12)	(46)	(14,535)	(14,682)
Present value of finance lease liabilities	264	995	62,163	52,173

The present value of finance lease liabilities is as follows:

	Group		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Between 1 and 2 years	264	995	51,715	38,012
Between 2 and 5 years	-	-	10,448	14,161
	264	995	62,163	52,173

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16. Payables

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Trade payables	4,640,547	4,643,439	576,279	652,205
Payable to associates (Note 34(e))	159,000	334,034	62,160	277,265
Accruals	1,502,829	1,381,966	436,105	326,156
Claims outstanding	1,776,390	2,056,477	-	-
Insurance reserves	1,632,969	1,649,505	-	-
Other payables	1,665,349	1,926,350	320,115	482,534
	11,377,084	11,991,771	1,394,659	1,738,160

17. Provisions

Provisions comprise warranties as follows:

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
At beginning of year	13,770	6,810	6,221	6,221
Additional provisions	-	6,960	-	-
Utilised during year	(6,784)	-	-	-
At end of year	6,986	13,770	6,221	6,221

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

18. Share Capital

	2009	**2008**	**2009**	**2008**
Authorised -	**'000**	**'000**	**'000**	**'000**
Ordinary shares	400,000	400,000	400,000	400,000
Issued and fully paid -	**'000**	**'000**	**$'000**	**$'000**
Ordinary stock units	331,706	331,227	742,005	721,908
Treasury shares	(2,073)	(2,073)	(168,029)	(168,029)
Issued and outstanding	329,633	329,154	573,976	553,879

(a) During the year, the company issued 479,000 (2008: 1,947,000) shares to its employees for cash of $20,097,000 (2008: $66,989,000). The shares were issued under the Directors, Senior Managers and Permanent Employees Stock Option Plans.

(b) During the prior year, the company through its employee investment trust sold 1,072,000 of its own shares at a fair value of $67,151,000. The total number of treasury shares held by the company at the end of both years is 2,073,000 at a cost of $168,029,000.

18. Share Capital (Continued)

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

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

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

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

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

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

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

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

Movement on directors' stock options:

	2009		**2008**	
	Executive ’000	**Non – Executive ’000**	**Executive ’000**	**Non – Executive ’000**
At 1 January	2,812	432	3,859	600
Exercised	-	-	(1,047)	(168)
At 31 December	2,812	432	2,812	432

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18. Share Capital (Continued)

(d) At the Annual General Meeting held on 29 May 2003, the stockholders passed a resolution for 10,000,000 of the authorised but unissued shares of $1.00 each to be set aside for allocation and sale to the managers of the company. The allocation and sale of these shares will be governed by the provisions of the 2003 Stock Option Plan for the Managers of GraceKennedy Limited.

On 28 August 2003, under the rules of the Stock Option Plan, the following allocation was made:

	No. of Shares
Senior managers	5,999,931

The options were granted at a subscription price of $41.92, being the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous ten days prior to the grant date, and are exercisable over a period of six years, at the end of which time unexercised options will expire. One-third of the total of the grant to each senior manager will vest on each anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

Movement on this option:

	2009 '000	2008 '000
At 1 January	1,749	2,353
Exercised	(479)	(604)
Forfeited	(1,270)	-
At 31 December	-	1,749

(e) A second grant from the Senior Managers 2003 Stock Option Plan was allocated. The allocation and sale of these shares will be governed by the provisions of the 2003 Stock Option Plan for the Managers of GraceKennedy Limited.

On 25 November 2004, under the rules of the Stock Option Plan, the following allocation was made:

	No. of Shares
Senior managers	1,967,291

The options were granted at a subscription price of $115.97, being the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous ten days prior to the grant date, and are exercisable over a period of six years, at the end of which time unexercised options will expire.

Movement on this option:

	2009 '000	2008 '000
At 1 January	1,111	1,162
Forfeited	(305)	(51)
At 31 December	806	1,111

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18. Share Capital (Continued)

(f) At the Annual General Meeting held on 28 May 2009, the stockholders passed a resolution for 10,000,000 of the authorised but unissued shares of no par value to be set aside for allocation and sale to the permanent employees of the company. The allocation and sale of these shares will be governed by the provisions of the 2009 Stock Offer Plan for the permanent employees of GraceKennedy Limited.

On 1 October 2009, under the rules of the Stock Offer Plan, the following allocation was made:

	No. of Shares
Permanent employees	1,524,400

The options were granted at a subscription price of $66.43, being the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous ten trading days prior to the date on which the grant was approved less a 25% discount, and are exercisable over a period of two years, at the end of which time unexercised options will expire. The total of the grant to each permanent employee was fully vested at the date of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

Movement on this option:	2009 ’000	2008 ’000
At 1 January	1,492	-
Granted	-	1,524
Forfeited	(472)	(32)
At 31 December	1,020	1,492

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

	2009		2008	
	Average exercise price in $ per share	Options ’000	Average exercise price in $ per share	Options ’000
At 1 January	52.26	7,596	45.43	7,974
Granted	-	-	66.43	1,524
Forfeited	58.58	(2,047)	96.93	(83)
Exercised	41.94	(479)	32.18	(1,819)
At 31 December	50.67	5,070	52.26	7,596

Shares totalling 5,022,000 (2008: 7,524,000) 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:

		2009	2008
	Exercise price in $ per share	Options ’000	Options ’000
2009	41.92	-	1,749
2010	88.31	1,826	2,603
2011	-	-	-
2012	29.49	3,244	3,244
		5,070	7,596

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18. Share Capital (Continued)

(h) The fair value of options granted determined using the Binomial valuation model was $246,080,000. The significant inputs into the model were the share prices of $42, $118 and $70 at the grant dates, exercise prices of $41.92, $115.97 and $66.43, standard deviation of expected share price returns of 33.85%, 27.39% and 27.47%, dividend yield of 1.28%, 0.85% and 1.64%, option life of six years and two years and annual risk-free interest rate of 14% and 15.35%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of weekly share prices over the term of the options.

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

	$'000
Fair value of options granted	246,080
Expensed in 2003	(19,906)
Expensed in 2004	(53,899)
Expensed in 2005	(75,224)
Expensed in 2006	(35,844)
Expensed in 2007	(11,111)
Expensed in 2008	(34,087)
Expensed in 2009	(1,012)
Amount to be expensed in future periods	14,997

19. Capital and Fair Value Reserves

	Group							
	Capital Reserve	Loan Loss Reserve	Fair Value Reserves	Total	Capital Reserve	Loan Loss Reserve	Fair Value Reserves	Total
	2009				2008			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Realised gains on disposal of assets	93,262	-	-	93,262	93,262	-	-	93,262
Capital distributions received	46,750	-	-	46,750	46,750	-	-	46,750
Realised gain on sale of shares	141,982	-	-	141,982	141,982	-	-	141,982
Profits capitalised by Group companies	2,302,248	-	-	2,302,248	2,457,309	-	-	2,457,309
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	-	827,645	827,645	-	-	882,395	882,395
Fair value losses, net of deferred taxes	-	-	(780,014)	(780,014)	-	-	(2,007,831)	(2,007,831)
Loan loss reserve	-	106,164	-	106,164	-	83,192	-	83,192
Other	43,577	-	-	43,577	44,047	-	-	44,047
	2,627,819	106,164	47,631	2,781,614	2,783,350	83,192	(1,125,436)	1,741,106

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19. Capital and Fair Value Reserves (Continued)

	Company					
	Capital Reserve	Fair Value Reserves	Total	Capital Reserve	Fair Value Reserves	Total
	2009			2008		
	$'000	$'000	$'000	$'000	$'000	$'000
Capital distributions received	24,507	-	24,507	24,507	-	24,507
Bonus shares issued	(41,803)	-	(41,803)	(41,803)	-	(41,803)
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	15,858	15,858	-	13,528	13,528
Fair value gains, net of deferred taxes	-	59,306	59,306	-	66,141	66,141
	(17,296)	75,164	57,868	(17,296)	79,669	62,373

20. Reserve Funds

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

21. Non-Controlling Interests

	2009 $'000	2008 $'000
Beginning of year	1,773,661	1,574,453
Share of total comprehensive income:		
Share of net profit of subsidiaries	147,868	106,411
Revaluation surplus	1,898	68,343
Fair value gain	88	-
Other	52,137	24,454
	201,991	199,208
Dividends paid	(550,906)	-
Disposal	(277,376)	-
End of year	1,147,370	1,773,661

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22. Segment Information

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

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

Operating segments

				2009			
	Food Trading	**Retail & Trading**	**Banking & Investments**	**Insurance**	**Money Services**	**Unallocated/ Elimination**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE							
External sales	34,430,955	6,545,376	7,965,009	3,941,427	4,523,648	-	57,406,415
Inter-segment sales	180,352	5,036	255,428	352,367	-	(793,183)	-
Total Revenue	34,611,307	6,550,412	8,220,437	4,293,794	4,523,648	(793,183)	57,406,415
Operating results	774,034	70,892	4,902	429,253	1,331,128	227,632	2,837,841
Unallocated income						825,055	825,055
Profit from operations							3,662,896
Finance income	23,891	23,696	86,725	51,266	78,043	210,968	474,589
Finance expense	(159,815)	(186,369)	(37,590)	(7,803)	(889)	(235,195)	(627,661)
Share of results of associates	85,646	8,951	50,912	(977)	(489)	-	144,043
Profit before taxation	723,756	(82,830)	104,949	471,739	1,407,793	1,028,460	3,653,867
Taxation							(931,044)
Net Profit							2,722,823
Operating assets	23,786,822	2,546,183	54,583,992	7,767,629	4,531,558	(5,990,696)	87,225,488
Investment in associates	365,940	-	228,632	94,062	10,623	-	699,257
Unallocated assets						9,642,506	9,642,506
Total assets	24,152,762	2,546,183	54,812,624	7,861,691	4,542,181	3,651,810	97,567,251
Operating liabilities	16,528,948	1,800,867	49,643,598	4,574,934	1,468,956	(6,044,765)	67,972,538
Unallocated liabilities						4,749,701	4,749,701
Total liabilities	16,528,948	1,800,867	49,643,598	4,574,934	1,468,956	(1,295,064)	72,722,239
Other segment items							
Additions to non-current assets [b]	2,466,758	36,127	273,505	46,873	54,551	-	2,877,814
Depreciation	(283,539)	(66,907)	(71,313)	(33,598)	(45,259)	-	(500,616)
Amortisation	(165,998)	(32,920)	(72,114)	(75,642)	(17,086)	-	(363,760)
Impairment	(151,334)	-	(45,092)	-	-	-	(196,426)

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22. Segment Information (Continued)

Operating segments (continued)

	2008 (Restated)						
	Food Trading	**Retail & Trading**	**Banking & Investments**	**Insurance**	**Money Services**	**Unallocated/ Elimination**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE							
External sales	32,022,862	7,846,722	6,098,197	3,724,874	3,769,624	-	53,462,279
Inter-segment sales	88,094	17,542	77,774	306,073	-	(489,483)	-
Total Revenue	32,110,956	7,864,264	6,175,971	4,030,947	3,769,624	(489,483)	53,462,279
Operating results	765,060	(315,827)	(58,131)	388,441	1,057,903	75,851	1,913,297
Unallocated income						644,933	644,933
Profit from operations							2,558,230
Finance income	39,470	25,737	86,916	56,284	96,013	90,872	395,292
Finance expense	(238,076)	(161,452)	(30,438)	(3,055)	(4,288)	(133,172)	(570,481)
Share of results of associates	46,480	11,158	27,666	13,545	(2,997)	-	95,852
Profit before taxation	612,934	(440,384)	26,013	455,215	1,146,631	678,484	2,478,893
Taxation							(698,007)
Net Profit							1,780,886
Operating assets	17,423,990	3,484,019	56,128,832	8,462,918	5,204,990	(5,917,007)	84,787,742
Investment in associates	475,795	71,045	192,008	101,370	11,113	-	851,331
Unallocated assets						8,785,291	8,785,291
Total assets	17,899,785	3,555,064	56,320,840	8,564,288	5,216,103	2,868,284	94,424,364
Operating liabilities	11,865,303	2,027,829	54,247,289	5,373,427	1,398,307	(6,034,946)	68,877,209
Unallocated liabilities						3,974,089	3,974,089
Total liabilities	11,865,303	2,027,829	54,247,289	5,373,427	1,398,307	(2,060,857)	72,851,298
Other segment items							
Additions to non-current assets [(b)]	930,899	127,451	182,079	49,079	68,637	-	1,358,145
Depreciation	(294,217)	(73,292)	(44,071)	(31,304)	(47,486)	-	(490,370)
Amortisation	(103,702)	(54,561)	(43,162)	(50,513)	(17,917)	-	(269,855)
Impairment	(36,104)	(153,174)	-	-	-	-	(189,278)

22. Segment Information (Continued)

Operating segments (continued)

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

	Profit before taxation		Assets		Liabilities	
	2009 $'000	**Restated 2008 $'000**	**2009 $'000**	**Restated 2008 $'000**	**2009 $'000**	**Restated 2008 $'000**
Total for reportable segments	2,625,407	1,800,409	93,915,441	91,556,080	74,017,303	74,912,155
Inter-segment eliminations	-	-	(5,990,696)	(5,917,007)	(6,044,765)	(6,034,946)
Unallocated amounts:						
Corporate central office results	800,336	379,103	-	-	-	-
Post-employment benefits	229,136	333,468	-	-	-	-
Share-based payments	(1,012)	(34,087)	-	-	-	-
Taxation recoverable	-	-	1,001,844	652,278	-	-
Deferred tax assets	-	-	1,202,078	967,864	-	-
Pension plan asset	-	-	7,438,584	7,165,149	-	-
Taxation	-	-	-	-	437,067	278,098
Deferred tax liabilities	-	-	-	-	2,367,502	2,036,831
Other post-employment obligations	-	-	-	-	1,945,132	1,659,160
Total unallocated	1,028,460	678,484	9,642,506	8,785,291	4,749,701	3,974,089
Total per financial statements	3,653,867	2,478,893	97,567,251	94,424,364	72,722,239	72,851,298

Geographical information

	Revenue [(a)]		Non-current assets [(b)]	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Jamaica	39,761,869	36,719,709	6,785,295	4,983,670
United Kingdom	7,703,977	8,390,928	1,823,196	1,857,578
United States of America	3,826,831	2,917,160	426	1,186
Canada	2,526,835	2,042,925	6,315	939
Other Caribbean countries	3,163,993	2,839,412	806,824	693,322
Other countries	422,910	552,145	-	-
Total	57,406,415	53,462,279	9,422,056	7,536,695

[(a)] Revenue is attributed to countries on the basis of the customer's location.
[(b)] For the purposes of segment information, non-current assets exclude financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

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23. Revenues

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Sales of products and services	45,499,979	43,639,208	10,927,313	10,062,660
Financial services income	4,846,632	4,651,209	-	-
Interest income on investments classified as –				
Available-for-sale securities	5,511,292	4,222,355	-	-
Loans and receivables	1,548,512	949,507	-	-
	57,406,415	53,462,279	10,927,313	10,062,660

24. Expense by Nature

	Group		Company	
	2009 $'000	Restated 2008 $'000	2009 $'000	2008 $'000
Auditors' remuneration	107,507	85,712	12,927	11,924
Advertising and marketing	1,762,883	1,097,436	778,581	377,362
Amortisation of intangibles	363,760	269,855	69,934	16,995
Cost of inventory recognised as expense	30,154,921	30,129,332	8,572,246	8,007,874
Depreciation	500,616	490,370	17,390	63,619
Impairment	196,426	189,278	-	-
Insurance	401,196	356,197	73,915	58,372
Interest expense and other financial services expenses	7,789,894	6,562,502	-	-
Legal, professional and other fees	537,300	427,415	271,086	277,427
Loss on trading of investment securities	841,839	925,665	-	-
Occupancy costs - Lease rental charges, utilities, etc.	1,246,421	1,202,860	205,355	188,741
Repairs and maintenance expenditure	331,048	350,091	15,321	19,372
Staff costs (Note 26)	6,526,743	5,980,198	595,710	913,544
Transportation	681,797	700,466	155,690	144,857
Other expenses	3,789,729	3,383,905	709,599	659,632
	55,232,080	52,151,282	11,477,754	10,739,719

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25. Other Income

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Dividends	25,786	4,159	1,685,307	264,478
Net foreign exchange gains	611,728	545,410	166,119	202,207
Change in value of investments	(35,209)	-	-	-
(Loss)/gain on disposal of investments	(17,150)	8,282	50,024	2,016,075
(Loss)/gain on disposal of fixed assets	(4,874)	(6,690)	136	151
Fees and commissions	175,452	148,331	1,565,028	1,410,934
Interest income – available-for-sale securities	497,444	357,918	-	-
Rebates, reimbursements and recoveries	169,986	128,923	75,643	68,274
Miscellaneous	65,398	60,900	2,043	3,514
	1,488,561	1,247,233	3,544,300	3,965,633

26. Staff Costs

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Wages and salaries	5,144,800	5,004,887	1,106,402	1,052,955
Pension (Note 14)	(256,711)	(601,506)	(839,510)	(579,177)
Other post-employment benefits (Note 14)	419,688	362,946	188,129	190,762
Share options granted to employees	1,012	34,087	(96,685)	34,087
Other benefits	1,217,954	1,179,784	237,374	214,917
	6,526,743	5,980,198	595,710	913,544

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27. Taxation

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

	Group		Company	
		Restated		
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current tax	994,371	994,214	47,633	68,975
Deferred tax (Note 13)	(63,327)	(296,207)	288,577	208,470
	931,044	698,007	336,210	277,445

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	
		Restated		
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Profit before tax	3,653,867	2,478,893	3,177,189	3,317,278
Tax calculated at a tax rate of 33⅓%	1,217,956	826,298	1,059,063	1,105,759
Adjusted for the effects of:				
Different tax rates in other countries	(99,367)	(55,958)	-	-
Income not subject to tax	(205,626)	(52,621)	(680,874)	(822,866)
Expenses not deductible for tax purposes	95,770	75,667	(30,653)	12,316
Adjustment to prior year provision	(54,204)	1,158	(21,498)	-
Share of profits of associates included net of tax	(48,014)	(31,951)	-	-
Recognition/utilisation of previously unrecognised tax losses	(12,758)	(69,872)	-	(20,186)
Other	37,287	5,286	10,172	2,422
Tax expense	931,044	698,007	336,210	277,445

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27. Taxation (Continued)

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

Group

	2009			2008		
	Before tax $'000	Tax (charge) credit $'000	After tax $'000	Before tax $'000	Tax (charge) credit $'000	After tax $'000
Foreign currency translation adjustments	560,081	-	560,081	178,002	-	178,002
Revaluation surplus	(33,290)	(19,562)	(52,852)	598,287	(130,037)	468,250
Fair value gains/(losses)	1,433,573	(205,668)	1,227,905	(2,958,243)	675,616	(2,282,627)
Share of other comprehensive income of associated companies	-	-	-	12,993	-	12,993
Other comprehensive income	1,960,364	(225,230)	1,735,134	(2,168,961)	545,579	(1,623,382)
Deferred tax (Note 13)		(225,230)			545,579	

Company

	2009			2008		
	Before tax $'000	Tax (charge) credit $'000	After tax $'000	Before tax $'000	Tax (charge) credit $'000	After tax $'000
Revaluation surplus	-	2,330	2,330	9,526	(2,958)	6,568
Fair value losses	(10,219)	3,384	(6,835)	(311,848)	103,950	(207,898)
Other comprehensive income	(10,219)	5,714	(4,505)	(302,322)	100,992	(201,330)
Deferred tax (Note 13)		5,714			100,992	

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28. Net Profit Attributable to the owners of GraceKennedy Limited

Dealt with as follows in the financial statements of:

	2009 $'000	Restated 2008 $'000
The company	2,840,979	3,039,833
Intra-group dividends and gain on disposal of subsidiaries within the Group eliminated on consolidation	(1,691,526)	(2,007,793)
Adjusted company profit	1,149,453	1,032,040
The subsidiaries	1,281,459	546,583
The associates	144,043	95,852
	2,574,955	1,674,475

29. Dividends

	2009 $'000	2008 $'000
Paid,		
Interim – 50 cents per stock unit (2008: 50 cents)	164,577	164,363
Final – 65 cents per stock unit (2008: 65 cents)	214,261	213,950
	378,838	378,313

30. Earnings Per Stock Unit

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

	2009	Restated 2008
Net profit attributable to owners ($'000)	2,574,955	1,674,475
Weighted average number of stock units outstanding ('000)	329,253	328,445
Basic earnings per stock unit ($)	7.82	5.10

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) 3,244,001 (2008: 3,244,001) ordinary stock units for the full year in respect of the Stock Option Plan for directors (Note 18),
(b) Nil (2008: 1,749,311) ordinary stock units for the full year in respect of the Stock Option Plan for managers (Note 18),
(c) 806,241 (2008: 1,110,555) ordinary stock units for the full year in respect of the Stock Option Plan for managers (Note 18), and
(d) 1,019,600 (2008: 1,492,400) ordinary stock units for the full year in respect of the Stock Option Plan for permanent employees (Note 18).

	2009	Restated 2008
Net profit attributable to owners ($'000)	2,574,955	1,674,475
Weighted average number of stock units outstanding ('000)	329,253	328,445
Adjustment for share options ('000)	1,141	2,856
	330,394	331,301
Diluted earnings per stock unit ($)	7.79	5.05

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31. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

		Group		Company	
	Note	2009 $'000	Restated 2008 $'000	2009 $'000	2008 $'000
Net profit		2,722,823	1,780,886	2,840,979	3,039,833
Items not affecting cash:					
Depreciation	12	500,616	490,370	17,390	63,619
Amortisation	11	363,760	269,855	69,934	16,995
Impairment charge	11	196,426	189,278	-	-
Change in value of investments		35,209	-	-	-
Loss/(gain) on disposal of fixed assets		4,874	6,690	(136)	(151)
Loss/(gain) on disposal of investments		17,150	(8,282)	(50,024)	(2,016,075)
Share options – value of employee services expensed	18	1,012	34,087	(96,658)	34,087
Exchange (gain)/loss on foreign balances		404,571	(595,959)	325,425	372,568
Interest income – non financial services		(474,589)	(395,292)	(700,062)	(432,549)
Interest income – financial services		(6,664,954)	(5,457,326)	-	-
Interest expense – non financial services		627,661	570,481	516,732	403,845
Interest expense – financial services		3,936,438	3,587,607	-	-
Taxation expense	27	931,044	698,007	336,210	277,445
Unremitted equity income in associates		78,078	(74,897)	-	-
Pension plan surplus		(273,435)	(616,496)	(845,439)	(583,562)
Other post-employment obligations		285,972	283,028	116,148	140,599
		2,692,656	762,037	2,530,499	1,316,654
Changes in non-cash working capital components:					
Inventories		80,652	(564,627)	37,765	(254,846)
Receivables		787,074	(648,705)	64,866	(161,517)
Loans receivables, net		(1,684,997)	(3,622,533)	-	-
Payables		(614,687)	2,253,846	(343,501)	460,218
Deposits		(2,857,786)	1,125,530	-	-
Securities sold under repurchase agreements		(1,510,131)	3,478,133	-	-
Subsidiaries		-	-	(1,540,044)	(1,239,260)
Provisions		(6,784)	6,960	-	-
Total (used in)/provided by operating activities		(3,114,003)	2,790,641	749,585	121,249

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31. Cash Flows from Operating Activities (Continued)

Reconciliation of net profit to cash generated from operating activities:

	Group		Company	
	2009 $'000	Restated 2008 $'000	2009 $'000	2008 $'000
Total (used in)/provided by operating activities	(3,114,003)	2,790,641	749,585	121,249
Interest received – financial services	5,709,527	5,710,591	-	-
Interest paid – financial services	(3,620,045)	(3,728,131)	-	-
Translation gains	(49,712)	281,358	-	-
Taxation paid	(1,184,968)	(1,355,306)	(85,795)	(30,009)
Cash (used in)/provided by operating activities	(2,259,201)	3,699,153	663,790	91,240

32. Commitments

(a) Future lease payments under operating leases at 31 December 2009 were as follows:

		$'000
In financial year	2010	632,945
	2011	611,027
	2012	607,742
	2013 and beyond	1,174,385

(b) At 31 December 2009, the Group had $Nil (2008: $325,500,000) in authorised capital expenditure for which it had established contracts.

33. Contingent Liabilities

(a) In 2000, a suit was filed jointly against a subsidiary, GraceKennedy Remittance Services Limited ("GKRS"), and a software developer by Paymaster (Jamaica) Limited (Paymaster), a bills payment company. The suit claims damages arising out of the use by the subsidiary of certain software, to which Paymaster alleges it owns the copyright. The matter arose when GKRS implemented the use of this software under an agreement with the developer. The developer has expressly stated that he is and always has been the owner of the software. GKRS has denied all claims made by Paymaster.

An injunction was obtained by Paymaster in 2000 to prevent further use of the software by GKRS, until the matter has been decided in court. In compliance with the injunction GKRS ceased use of the software in question, and wrote off the costs related to its acquisition.

The matter was dormant until a Case Management Conference was held in May 2006 and orders made concerning the timetable for the case through to trial date of July 7-18, 2008. The trial was held between October 12-20, 2009 and judgment of the court is awaited. The amount being claimed in the suit is approximately $1.7 billion. GKRS has denied all claims made by Paymaster. No provision has been made in these financial statements in respect of this action.

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

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34. Related Party Transactions and Balances

The following transactions were carried out with related parties:

	Group		Company	
(a) Sales of goods and services	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**
Sales of goods	2,039	358	465,320	392,555
Sales of services	98,170	95,700	1,581,558	1,429,276

	Group		Company	
(b) Purchases of goods and services	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**
Purchases of goods	1,578,666	1,631,102	4,209,171	3,796,020
Purchases of services	-	280	36,806	37,468

	Group		Company	
(c) Interest	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**
Interest income	8,832	12,937	394,280	122,414
Interest expense	14,246	5,229	65,790	105,235

(d) Key management compensation

Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation paid to key management for services is shown below:

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Salaries and other short-term employee benefits	214,741	196,196	172,990	196,196
Fees paid to non-executive directors	15,314	13,958	15,314	13,958
Post-employment benefits	(4,044)	(167,368)	(4,174)	(167,368)
Share-based payments	1,012	941	1,012	941
	227,023	43,727	185,142	43,727

The following amounts are in respect of directors' emoluments:

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Fees	15,314	13,958	15,314	13,958
Management remuneration	157,535	128,645	142,501	128,645
	172,849	142,603	157,815	142,603

34. Related Party Transactions and Balances (Continued)

(e) Year-end balances with related parties

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Receivable from subsidiaries	-	-	3,201,811	1,347,618
Receivable from associates (Note 7)	9,614	2,772	7,809	827
Loans receivable from subsidiaries (Note 9)	-	-	800,121	148,130
Loans receivable from associates (Note 9)	-	191,144	-	55,973
Payable to associates (Note 16)	159,000	334,034	62,160	277,265
Loans & leases payable to subsidiaries	-	-	431,228	421,015
Deposits payable to associates	77,882	64,709	-	-
Securities sold under agreements to repurchase to associates	57,912	145,227	-	-

The loans receivable from associates were repaid in 2009 and bore interest at 7.5% - 12.5% (2008: 7.5% - 12.5%). Loans receivable from subsidiaries are repayable between 2012 – 2016 and bear interest at 0% - 3% (2008: 0% - 14.75%). No provision was required in 2009 and 2008 for loans made to associates or subsidiaries.

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

	Group	
	2009 $'000	**2008 $'000**
Loans receivable	4,609	9,093
Deposits	87,278	126,315
Securities sold under agreements to repurchase	168,982	196,216

The loans receivable attract interest at rates ranging between 10.00% - 23.55% (2008: 13.00%) and are repayable in the years 2011 - 2015. The related interest income was $782,000 (2008: $1,086,000). These loans are secured and are made on terms similar to those offered to other employees. No provision has been required in 2008 and 2009 for the loans made to directors and senior managers.

The related interest expense on deposits and repurchase agreements was $24,183,000 (2008: $27,423,000).

(g) 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 3,244,001 (2008: 3,244,001).

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35. Fair Values of Financial Instruments

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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).

The following tables present the Group's and company's financial instruments that are measured at fair value at 31 December 2009 grouped into Levels 1 to 3 dependent on the degree to which fair values are observable.

	Group			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Available-for-sale securities:				
Quoted equities	28,923	-	-	28,923
Government of Jamaica securities	-	31,288,771	-	31,288,771
Corporate bonds	88,170	1,365,549	1,114,494	2,568,213
Other debt securities	-	34,461	-	34,461
Other	-	226,658	-	226,658
Financial assets at fair value through profit or loss:				
Quoted equities	15,122	-	-	15,122
	132,215	32,915,439	1,114,494	34,162,148

	Company			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Available-for-sale securities:				
Quoted equities	128	-	-	128
Government of Jamaica securities	-	3,044,386	-	3,044,386
Other	-	635	-	635
	128	3,045,021	-	3,045,149

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 JSE equity investments classified as trading securities or available-for-sale.

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

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

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35. Fair Values of Financial Instruments (Continued)

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 except for certain corporate bonds as explained below.

The following table presents the changes in level 3 instruments for the year ended 31 December 2009.

	Group Total $'000
At beginning of year	979,181
Acquisitions	241,254
Foreign exchange gains recognised in the income statement	111,218
Gains and losses recognised in the income statement	(21,083)
Gains and losses recognised in other comprehensive income	(27,489)
Disposals	(168,587)
At end of year	1,114,494

There were no transfers between the levels during the year.

36. Subsequent Event

In February 2010, the Group participated in the Jamaica Debt Exchange (JDX) transaction. The JDX involved a par-for-par exchange of domestic debt instruments ("Old Notes") issued by the Government of Jamaica for new debt instruments ("New Notes") having lower interest rates and longer maturities. While the Old Notes were all callable by the Government of Jamaica, a majority of New Notes will be non-callable. Participation in the JDX was voluntary. Interest accrued on the Old Notes up to but excluding 24 February 2010 (the Final Settlement Date) were paid in cash, net of applicable withholding taxes.

(a) Debt securities

The JDX is expected to have a short term adverse impact on profitability, however the effect on the Group's statement of financial position is projected to be less than 2% of owners' equity. This therefore will not materially affect the financial position of the Group. The table below summarises the impact on coupon rates and maturities of the instruments that were exchanged.

	Group	
	Pre JDX	Post JDX
Jamaican dollar denominated instruments:		
Face value exchanged (J$13,615,097,000)		
Weighted average coupon rate (%)	17.70	11.96
Weighted average tenor to maturity (years)	3.28	6.68
United States dollar denominated and indexed instruments:		
Face value exchanged (US$86,604,000)		
Weighted average coupon rate (%)	8.28	6.87
Weighted average tenor to maturity (years)	1.10	4.29

(expressed in Jamaican dollars unless otherwise indicated)

36. Subsequent Event (Continued)

(a) Debt securities (continued)

The JDX is expected to have a short term adverse impact on profitability, however the effect on the company's statement of financial position is projected to be less than 1% of owners' equity. This therefore will not materially affect the financial position of the company. The table below summarises the impact on coupon rates and maturities of the instruments that were exchanged.

	Company	
	Pre JDX	Post JDX
Jamaican dollar denominated instruments:		
Face value exchanged (J$1,695,000,000)		
Weighted average coupon rate (%)	19.18	12.03
Weighted average tenor to maturity (years)	4.17	7.34
United States dollar denominated and indexed instruments:		
Face value exchanged (US$3,700,000)		
Weighted average coupon rate (%)	7.50	7.25
Weighted average tenor to maturity (years)	2.76	6.00

(b) Post-employment benefits

Following the JDX, there has been a reduction in interest rates and a downward shift in the Jamaica sovereign debt yield curve. This shift is expected to result in a reduction in the discount rate used to measure the Group's obligations under its defined benefit pension and other post-employment benefit plans. The Group, in conjunction with its actuaries, is in the process of determining the impact on both the accounting measurement and funding of these plans.

37. Custodial Services

One of the Group's investment subsidiaries provides custody and brokerage services to certain third parties. Assets that are held in a custodial capacity are not included in these financial statements. At the statement of financial position date, the subsidiary had investment custody accounts amounting to approximately $9,641,506,000 (2008: $10,673,019,000).

38. Fiduciary Activities

One of the Group's investment subsidiaries provides pension administration and management services. At the statement of financial position date, the subsidiary had pension assets held under management amounting to approximately $22,111,263,000 (2008: $18,050,312,000).

39. Effect of Restatement

In August 2009, the Group conducted an internal review of the treasury operations of First Global Bank Limited (FGB) and detected certain irregular transactions related to the trading of U.S. treasuries. Further investigations have confirmed that FGB suffered losses of $1.768 billion (US$19.9 million) from these irregularities.

Of the total losses recognised, $926 million relates to the prior year. The financial statements of 2008 have been restated to make this correction. The effect of the restatement on those financial statements is summarised below.

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31 December 2009
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39. Effect of Restatement (Continued)

Reconciliation of financial position at 31 December 2008

	Note	As previously stated $'000	Effect of Restatement $'000	Restated $'000
Assets				
Cash and deposits	(a)	7,698,399	287,248	7,985,647
Investment securities	(b)	46,835,527	(258,037)	46,577,490
Receivables		8,567,839	-	8,567,839
Inventories		5,582,398	-	5,582,398
Loans receivable		9,389,004	-	9,389,004
Taxation recoverable		652,278	-	652,278
Investments in associates		851,331	-	851,331
Intangible assets		2,486,997	-	2,486,997
Fixed assets		4,198,367	-	4,198,367
Deferred tax assets	(e)	659,309	308,555	967,864
Pension plan asset		7,165,149	-	7,165,149
Total Assets		**94,086,598**	**337,766**	**94,424,364**
Liabilities				
Deposits		13,942,768	-	13,942,768
Securities sold under agreements to repurchase		27,258,533	-	27,258,533
Bank and other loans	(c)	14,715,491	954,876	15,670,367
Payables		11,991,771	-	11,991,771
Taxation		278,098	-	278,098
Provisions		13,770	-	13,770
Deferred tax liabilities		2,036,831	-	2,036,831
Other post-employment obligations		1,659,160	-	1,659,160
Total Liabilities		**71,896,422**	**954,876**	**72,851,298**
Equity				
Capital and reserves attributable to the company's owners				
Share capital		553,879	-	553,879
Capital and fair value reserves		1,741,106	-	1,741,106
Retained earnings		15,444,301	(617,110)	14,827,191
Reserve funds		776,884	-	776,884
Other reserves		1,900,345	-	1,900,345
		20,416,515	(617,110)	19,799,405
Non-controlling interests		1,773,661	-	1,773,661
Total equity		**22,190,176**	**(617,110)**	**21,573,066**
Total Equity and Liabilities		**94,086,598**	**337,766**	**94,424,364**

GraceKennedy Limited

Notes to the Financial Statements
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39. Effect of Restatement (Continued)

Reconciliation of profit for the year ended 31 December 2008

	Note	As previously stated $'000	Effect of Restatement $'000	Restated $'000
Revenues		53,462,279	-	53,462,279
Expenses	(d)	51,225,617	925,665	52,151,282
		2,236,662	(925,665)	1,310,997
Other income		1,247,233	-	1,247,233
Profit from Operations		3,483,895	(925,665)	2,558,230
Interest income – non-financial services		395,292	-	395,292
Interest expense – non-financial services		(570,481)	-	(570,481)
Share of results of associated companies		95,852	-	95,852
Profit before Taxation		3,404,558	(925,665)	2,478,893
Taxation	(e)	(1,006,562)	308,555	(698,007)
NET PROFIT		2,397,996	(617,110)	1,780,886
Attributable to:				
Owners of GraceKennedy Limited		2,291,585	(617,110)	1,674,475
Non-controlling interests		106,411	-	106,411
		2,397,996	(617,110)	1,780,886
Earnings per Stock Unit for profit attributable to the owners of the company during the year -				
Basic		$6.98	($1.88)	$5.10
Diluted		$6.92	($1.87)	$5.05

(a) Cash balances previously classified under investment securities which were related to trading accounts.

(b) Reversal of unrealised fair value gains on U.S. Treasuries and trading losses not previously booked. This includes the reclassification of trading positions.

(c) Reclassification of short term loans and margin positions, including fair value losses recognised on U.S. Treasuries.

(d) Trading losses recognised from the purchase and sale of U.S. Treasuries.

(e) Tax credits arising from the trading losses recognised which can be applied against taxable profits in the future.