



INTERIM REPORT

**(THREE MONTHS)
31 MARCH 2020**

INTERIM REPORT TO OUR STOCKHOLDERS

GraceKennedy Limited is pleased to report its results for the first quarter of 2020 with reported revenue and profitability for the quarter being the highest in recent times. It is important to note that the 2020 outlook for GraceKennedy, and indeed many companies globally, will be heavily influenced by the impact of the Covid-19 pandemic. In this uncertain environment, GraceKennedy's status as a provider of essential services (manufacturing, distribution, and retailing of food products, and remittance, banking and other financial services) has enabled the Group to keep its operations open. For the foreseeable future, the Group is mindful that the unpredictable length of time and effect of measures including trade restrictions, trade border closures and mandatory quarantines and how this will continue to influence the level of business activity in the countries in which we operate. GraceKennedy, being a diversified group, has so far been able to manage the impact of the system wide risk of the Covid-19 pandemic on its performance. As we navigate this period of great uncertainty we continue to adjust our structure to be nimble and agile.

We are determined that our innovative approaches to our various lines of business will benefit our stakeholders in Jamaica and globally. Our immediate focus is to protect the wellbeing of our team members and their families, ensuring continuity of our business and supporting our communities all over the world with local relief efforts. Our businesses have been impacted by the spread of this disease in a variety of ways. The Group has implemented its Business Continuity Plan, specifically as it relates to the GK Pandemic Business Guidelines segment, a Supply Chain Risk Assessment Action Plan, stringent inventory management and the adoption of a comprehensive Covid-19 action plan addressing group-wide manufacturing. The Financial Division is focused on ensuring that all business units increase accessibility of products and services outside of the traditional channels, while identifying opportunities for cost containment, revenue enhancement and improved management of liquidity and cash flows. We are committed to our We Care mantra especially in this time when our customers and communities are facing challenges. We have taken steps in all our businesses to increase our philanthropic activities in numerous ways to provide assistance to our most vulnerable, to help in the fight against this pandemic throughout Jamaica and the rest of the world.

The GraceKennedy Group stands together with the world as we fight the Covid-19 Pandemic. We have supported numerous relief efforts in our communities around the world and have adjusted some of our business practices to make the lives of our customers easier. In Jamaica, our contributions have included a donation of J\$10M towards the Private Sector Organization of Jamaica's initiative to purchase ventilators for the island's hospitals, and the provision of a 3D printer from our STEM Centre to assist with the production of face shields for the protection of our nation's healthcare workers. Through the GraceKennedy Foundation's "Feed the Future Initiative", the Group has also been providing food packages to students who have not been able to leave the University of the West Indies, Mona and the University of Technology campuses. The Group and its Foundations have increased its support of those in under-resourced communities with the provision of food products and toiletries.

Our overseas subsidiaries are also providing support to their local communities. Grace Foods Canada has donated cases of Grace Coconut Water to first responders and front line health care providers. In the USA, displaced hospital workers have been given meals and products by our team while in Belize and UK products have been donated to the Belize Mental Health Association and Brixton Soup Kitchen, and The National Health Service.

We know that some of our customers could experience challenges accessing our products and services due to measures imposed to reduce the spread of the Covid-19 virus. We have expanded existing services or introduced new services to include measures to help in this regard, including:

- Our money services business has in place digital solutions for remittances and bill payments including WU.com, Direct to Bank and BillExpress.com
- First Global Bank's Global Access online banking platform and mobile application are able to facilitate most transactions that can be done in branch

- GK Insurance’s online insurance platform, GKGOOnline, can be used to initiate and renew motor insurance coverage
- Grace Foods UK has launched a click and collect initiative which allows customers to order and schedule pick up online
- Some of our Hi-Lo Foods Stores in Jamaica have implemented curbside pickup and delivery services and we are exploring the feasibility of introducing this to other locations.

Financial Performance for Quarter Ended March 31, 2020

For the three months ended March 31, 2020, the GraceKennedy Group achieved revenues of J\$28.85 billion, representing an increase of 11.3% or J\$2.93 billion over the corresponding period of 2019. Profit before tax for the period was J\$1.99 billion, a 50.6% increase over the corresponding period of 2019. Net profit after tax for the three month period was J\$1.45 billion, representing an increase of 42.8% or J\$435 million relative to the corresponding period of 2019. Net profit attributable to stockholders was J\$1.32 billion, 46.9% or J\$421 million higher, while profit before other income for the three month period was J\$1.28 billion, 44.7% or J\$396 million higher than that of the corresponding period of 2019, indicating an improved operating margin. Earnings per stock unit for the period was J\$1.33 (2019: J\$0.90).

The Food Trading segment recorded improved revenue and profitability for the reporting period when compared to the corresponding period of 2019. Our food businesses both in Jamaica and internationally have seen improved sales as more individuals are buying our products to prepare meals at home.

Our Jamaican foods distribution business experienced growth in both revenue and pre-tax profits coupled with improved margins. Catherine’s Peak spring water reflected a significant growth in sales volumes. Hi-Lo Foods Stores, our chain of Jamaican supermarkets, showed improved performance when compared to the corresponding period of 2019. In manufacturing, Grace Agro Processors continued to broaden and strengthen its supplier base for raw materials. Given the difficulties many of our local farmers are facing in finding markets for their produce as a result of the closure or slowdown in major industries, GraceKennedy Limited committed to the Ministry of Agriculture in Jamaica that we would purchase hot peppers from farmers with whom we do not have a contractual arrangement. Increased purchases from small farmers have also been supported by growth in demand from our Hilo Foods Stores for fresh produce.

GraceKennedy Foods (USA) LLC continues to show significantly improved performance for the three month period when compared to the corresponding period of 2019. For the month of March, sales for Grace Frozen Patties showed triple digit growth closing the first quarter of 2020 with a 68% increase in volumes compared to the corresponding period of 2019. Grace Foods UK and Grace Foods Canada also reported increased revenue for the three month period when compared to the corresponding period of 2019.

The GraceKennedy Financial Group (GKFG) reported growth in revenues but a decline in pretax profit for the three month period compared to the corresponding period in 2019. In keeping with GKFG’s financial inclusion strategy the Division will be enabling the opening of bank accounts using a simplified process.

The Banking & Investments segment reported an increase in revenue for the three month period compared to the corresponding period in 2019. First Global Bank (FGB) experienced strong growth in its loan and deposit portfolios. FGB was recognized by International Banker during the quarter, and awarded the Best Innovation in Retail Banking, Jamaica 2020, for the second consecutive year. The award comes in recognition of FGB’s financial inclusion strategy focused on Agency Banking and Digital Transformation.

The Insurance segment reported an increase in revenue for the three month period compared to the corresponding period in 2019 and had strong operating performance. GraceKennedy completed its acquisition of 65% of the issued shares of Key Insurance Company Limited in March 2020. A new General Manager and Board have since been appointed and plans are underway to strategically grow this business. The acquisition of Key Insurance is part of the Group’s plans to further strengthen and expand its financial services Division and forms part of the company’s focus on mergers and acquisitions as a strategic driver for growth.

With the elevated level of credit risk due to the uncertainties surrounding Covid-19, the Group recognised additional impairment provisions in relation to loans receivable under IFRS 9. The fall in the market prices of equity instruments classified at fair value through profit or loss also negatively impacted the results of the Banking & Investments and Insurance segments.

The Money Services segment reported an increase in both revenue and pre-tax profit when compared to the corresponding three month period of 2019. The business has seen an increase of over 100% in the use of our digital remittance channels. To further expand our digital capabilities, GraceKennedy Money Services (GKMS) began the implementation of an Electronic Registration System for Jamaica, Guyana and Trinidad and significantly advanced the implementation of the Bill Express Online service for Trinidad. Both initiatives will be launched early in the second quarter of 2020. During the month of March, four of our GKMS markets experienced limited operations due to a range of lockdown measures implemented by the Governments of those territories. Full operation of these markets resumed in April.

We regret that the holding of the company's annual general meeting later this month will not be in the usual manner as shareholders will not have access to attend physically, given the restrictions placed on public gatherings in Jamaica. This decision was taken in the interest of health and safety and to comply with the Government's orders. Shareholders are encouraged to complete and submit their proxy forms to vote on the various resolutions as well as send in any questions they would like answered at the meeting which will be streamed live via the internet. We look forward to hosting our shareholders in person at the next annual general meeting, provided it is safe to do so.

We are closely and constantly monitoring the developments with the virus and adjusting the business to service our many customers who are depending on us to help them through this difficult time as we continue to look for opportunities to make their lives safer and better. We would like to thank our employees and other front line workers for their resolute commitment and hard work, showing the true GraceKennedy spirit of We Care. Despite the uncertainties presented, we are confident that we will emerge, stronger together, from this crisis. We would like to take this opportunity to thank all our stakeholders for their continued support as we navigate this journey guided by our core principles of Honesty, Integrity and Trust.



Gordon V. Shirley, OJ
Chairman



Donald G. Wehby, CD
Group Chief Executive Officer

May 14, 2020

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT THREE MONTHS ENDED 31 MARCH 2020 (Unaudited)

	3 months to 3/31/2020 \$'000	3 months to 3/31/2019 \$'000
Revenue from products and services	27,772,108	24,927,991
Interest revenue	1,082,648	1,000,846
Revenues (Note 2)	28,854,756	25,928,837
Direct and operating expenses	(27,326,458)	(24,984,573)
Net impairment losses on financial assets	(247,510)	(59,174)
Expenses	(27,573,968)	(25,043,747)
Profit before other income	1,280,788	885,090
Other income	641,212	314,251
Profit from Operations	1,922,000	1,199,341
Interest income – non-financial services	117,615	97,611
Interest expense – non-financial services	(283,372)	(230,575)
Share of results of associates and joint ventures	233,630	254,567
Profit before Taxation	1,989,873	1,320,944
Taxation	(537,266)	(303,817)
Net Profit for the period	1,452,607	1,017,127
Profit attributable to:		
Owners of GraceKennedy Limited	1,317,621	897,048
Non-controlling interests	134,986	120,079
	1,452,607	1,017,127

**Earnings per Stock Unit for profit attributable to the
owners of the company during the period:**
(expressed in \$ per stock unit):

Basic	\$1.33	\$0.90
Diluted	\$1.32	\$0.90

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THREE MONTHS ENDED 31 MARCH 2020

(Unaudited)

	3 months to 3/31/2020 \$'000	3 months to 3/31/2019 \$'000
Profit for the period	1,452,607	1,017,127
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Losses on revaluation of land and buildings	-	(191)
Changes in fair value of equity instruments at fair value through other comprehensive income	(184,449)	228,888
Remeasurements of post-employment benefit obligations	(93,553)	(186,208)
Share of other comprehensive income of associates and joint ventures	30,909	(5,587)
	(247,093)	36,902
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Foreign currency translation adjustments	29,967	34,521
Changes in fair value of debt instruments at fair value through other comprehensive income	(879,787)	153,997
Share of other comprehensive income of associates and joint ventures	31,678	(12,507)
	(818,142)	176,011
Other comprehensive income for the period, net of tax	(1,065,235)	212,913
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	387,372	1,230,040
Total comprehensive income attributable to:		
Owners of GraceKennedy Limited	241,463	1,116,595
Non-controlling interests	145,909	113,445
	387,372	1,230,040

GraceKennedy Limited

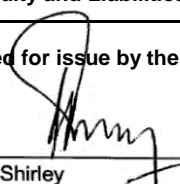
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

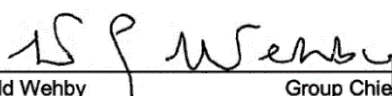
31 MARCH 2020

(Unaudited)

	March 31 2020 \$'000	December 31 2019 \$'000	March 31 2019 \$'000
ASSETS			
Cash and deposits	15,599,691	14,627,178	10,585,005
Investment securities	31,051,998	30,666,623	31,125,465
Pledged assets	7,414,698	9,227,048	8,548,389
Receivables	20,047,038	15,908,616	17,824,063
Inventories	11,814,022	13,315,155	12,009,726
Loans receivable	30,279,064	30,677,003	26,604,905
Taxation recoverable	860,376	775,786	769,974
Investments in associates and joint ventures	3,796,255	3,511,934	3,202,050
Investment properties	968,150	665,000	628,000
Intangible assets	4,369,731	4,012,945	4,013,254
Fixed assets	24,056,581	24,074,325	20,916,017
Deferred tax assets	1,604,757	1,142,161	1,576,931
Pension plan asset	6,921,270	5,821,549	2,844,238
Assets classified as held for sale	286,509	280,558	296,501
Total Assets	159,070,140	154,705,881	140,944,518
LIABILITIES			
Deposits	37,520,935	35,805,361	33,593,089
Securities sold under agreements to repurchase	6,048,839	7,892,207	6,833,068
Bank and other loans	24,853,491	24,032,254	23,889,025
Payables	26,232,668	24,408,190	21,153,786
Taxation	519,464	459,191	534,327
Provisions	39,212	37,779	-
Deferred tax liabilities	1,418,562	1,559,686	789,029
Other post-employment obligations	7,231,679	5,799,526	6,214,733
Total Liabilities	103,864,850	99,994,194	93,007,057
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	431,529	457,170	548,995
Capital and fair value reserves	6,214,066	7,234,527	6,697,283
Retained earnings	39,725,901	38,501,844	33,062,776
Banking reserves	3,220,711	3,220,711	3,120,711
Other reserves	2,918,262	2,912,158	2,319,286
	52,510,469	52,326,410	45,749,051
Non-Controlling Interests	2,694,821	2,385,277	2,188,410
Total Equity	55,205,290	54,711,687	47,937,461
Total Equity and Liabilities	159,070,140	154,705,881	140,944,518

Approved for issue by the Board of Directors on 14 May 2020 and signed on its behalf by:


 Gordon Shirley Chairman


 Donald Wehby Group Chief Executive Officer

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

THREE MONTHS ENDED 31 MARCH 2020

(Unaudited)

	Attributable to owners of the company							Non-controlling interests	Total Equity
	No. of Shares '000	Share Capital \$'000	Capital and Fair Value Reserve \$'000	Retained Earnings \$'000	Banking Reserves \$'000	Other Reserves \$'000	Total \$'000		
Balance at 1 January 2019	991,865	490,354	6,346,838	32,306,560	3,118,867	2,351,808	44,614,427	2,074,965	46,689,392
Profit for the period	-	-	-	897,048	-	-	897,048	120,079	1,017,127
Other comprehensive income for the period	-	-	377,107	(186,208)	-	28,648	219,547	(6,634)	212,913
Total comprehensive income for the period	-	-	377,107	710,840	-	28,648	1,116,595	113,445	1,230,040
Transactions with owners:									
Sale of treasury shares	48	2,876	-	-	-	-	2,876	-	2,876
Share-based payments charged	-	-	-	-	-	33,384	33,384	-	33,384
Share-based payments exercised	-	-	-	-	-	(18,231)	(18,231)	-	(18,231)
Transfer of treasury shares to employees	1,282	55,765	20,558	-	-	(76,323)	-	-	-
Total transactions with owners	1,330	58,641	20,558	-	-	(61,170)	18,029	-	18,029
Transfers between reserves:									
From capital reserves	-	-	(47,220)	47,220	-	-	-	-	-
To banking reserves	-	-	-	(1,844)	1,844	-	-	-	-
Balance at 31 March 2019	993,195	548,995	6,697,283	33,062,776	3,120,711	2,319,286	45,749,051	2,188,410	47,937,461
Balance at 1 January 2020	992,106	457,170	7,234,527	38,501,844	3,220,711	2,912,158	52,326,410	2,385,277	54,711,687
Profit for the period	-	-	-	1,317,621	-	-	1,317,621	134,986	1,452,607
Other comprehensive income for the period	-	-	(1,033,327)	(93,553)	-	50,722	(1,076,158)	10,923	(1,065,235)
Total comprehensive income for the period	-	-	(1,033,327)	1,224,068	-	50,722	241,463	145,909	387,372
Transactions with owners:									
Sale of treasury shares	5	351	-	-	-	-	351	-	351
Purchase of treasury shares	(1,283)	(79,998)	-	-	-	-	(79,998)	-	(79,998)
Transfer of non-controlling interests	-	-	-	-	-	-	-	163,888	163,888
Share-based payments charged	-	-	-	-	-	43,000	43,000	-	43,000
Share-based payments exercised	-	-	-	-	-	(20,923)	(20,923)	(87)	(21,010)
Transfer of treasury shares to employees	912	54,006	12,855	-	-	(66,695)	166	(166)	-
Total transactions with owners	(366)	(25,641)	12,855	-	-	(44,618)	(57,404)	163,635	106,231
Transfers between reserves:									
To capital reserves	-	-	11	(11)	-	-	-	-	-
Balance at 31 March 2020	991,740	431,529	6,214,066	39,725,901	3,220,711	2,918,262	52,510,469	2,694,821	55,205,290

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS THREE MONTHS ENDED 31 MARCH 2020 (Unaudited)

	3/31/2020 \$'000	3/31/2019 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities (Note 3)	51,083	(2,983,806)
Financing Activities		
Loans received	2,472,645	1,979,488
Loans repaid	(2,580,483)	(1,695,689)
Purchase of treasury shares	(79,998)	-
Sale of treasury shares	351	2,876
Exercise of share based payments	(21,010)	(18,231)
Interest paid – non financial services	(289,029)	(261,933)
	(497,524)	6,511
Investing Activities		
Additions to fixed assets	(358,303)	(748,124)
Proceeds from disposal of fixed assets	81,770	5,293
Additions to investments	(2,404,255)	(1,416,659)
Cash inflow on acquisition of subsidiary	448,621	-
Proceeds from sale of investments	2,719,346	45,617
Additions to intangibles	(87,186)	(24,970)
Interest received – non financial services	136,350	193,987
	536,343	(1,944,856)
Increase/(decrease) in cash and cash equivalents	89,902	(4,922,151)
Cash and cash equivalents at beginning of year	13,858,915	12,278,198
Exchange and translation gains/(losses) on net foreign cash balances	52,695	(25,521)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14,001,512	7,330,526

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT

THREE MONTHS ENDED 31 MARCH 2020

(Unaudited)

3 months to 31 March 2020	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	23,453,203	1,535,336	1,844,271	2,021,946	-	28,854,756
Inter-segment sales	49,355	11,712	16,914	-	(77,981)	-
Total Revenue	23,502,558	1,547,048	1,861,185	2,021,946	(77,981)	28,854,756
RESULT						
Operating results	1,201,335	48,226	(858)	841,625	4,664	2,094,992
Unallocated expense	-	-	-	-	(172,992)	(172,992)
Profit from operations	-	-	-	-	-	1,922,000
Finance income	3,711	3,075	5,895	3,836	101,098	117,615
Finance expense	(202,918)	(15,028)	(2,113)	(31,446)	(31,867)	(283,372)
Share of associates and joint ventures	197,846	43,562	(7,778)	-	-	233,630
Profit before Taxation	1,199,974	79,835	(4,854)	814,015	(99,097)	1,989,873
Taxation						(537,266)
Net Profit for the period						1,452,607
Attributable to:						
Owners of GraceKennedy Limited						1,317,621
Non-controlling interests						134,986
						1,452,607

3 months to 31 March 2019	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	20,957,838	1,492,411	1,741,029	1,737,559	-	25,928,837
Inter-segment sales	46,267	11,301	15,418	-	(72,986)	-
Total Revenue	21,004,105	1,503,712	1,756,447	1,737,559	(72,986)	25,928,837
RESULT						
Operating results	751,827	163,181	124,954	643,588	8,642	1,692,192
Unallocated expense	-	-	-	-	(492,851)	(492,851)
Profit from operations	-	-	-	-	-	1,199,341
Finance income	9,306	6,933	4,790	4,482	72,100	97,611
Finance expense	(186,284)	(17,956)	(2,378)	(2,389)	(21,568)	(230,575)
Share of associates and joint ventures	252,005	13,994	(11,432)	-	-	254,567
Profit before Taxation	826,854	166,152	115,934	645,681	(433,677)	1,320,944
Taxation						(303,817)
Net Profit for the period						1,017,127
Attributable to:						
Owners of GraceKennedy Limited						897,048
Non-controlling interests						120,079
						1,017,127

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS 31 MARCH 2020

Notes

1. Accounting Policies

(a) Basis of preparation

This condensed consolidated interim financial report for the reporting period ended 31 March 2020 has been prepared in accordance with Accounting Standard IAS 34 'Interim Financial Reporting'.

These financial statements are presented in Jamaican dollars unless otherwise indicated.

The accounting policies followed in these interim financial statements are consistent with those of the previous financial year and corresponding interim reporting period.

(b) Segment reporting

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

- *Food Trading* – Merchandising of general goods and food products, both locally and internationally; processing and distribution of food products; and the operation of a chain of supermarkets.
- *Banking and Investment* – Commercial banking; stock brokerage; corporate finance; advisory services; and lease financing.
- *Insurance* – General insurance, health insurance and insurance brokerage.
- *Money Services* – Operation of money transfer services; cambio operations and bill payment services.

2. Revenues

Revenues for the Group can be disaggregated as follows:

	2020	2019
	\$'000	\$'000
Timing of revenue recognition from contracts with customers		
Goods and services transferred at a point in time	26,214,003	23,483,194
Services transferred over time	31,534	30,307
Revenue from insurance contracts	1,526,571	1,414,490
Interest revenue	1,082,648	1,000,846
	<u>28,854,756</u>	<u>25,928,837</u>

3. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	3/31/2020	3/31/2019
	\$'000	\$'000
Net profit	1,452,607	1,017,127
Items not affecting cash:		
Depreciation	614,098	524,618
Amortisation	130,358	136,429
Impairment charge	3,158	-
Change in value of investments	200,903	(22,780)
Gain on disposal of fixed assets	(1,529)	(2,874)
Share-based payments	43,000	33,384
Exchange (gain)/loss on foreign balances	(137,345)	115,396
Interest income – non financial services	(117,615)	(97,611)
Interest income – financial services	(1,153,388)	(1,067,476)
Interest expense – non financial services	283,372	230,575
Interest expense – financial services	170,987	187,382
Taxation expense	537,266	303,817
Unremitted equity income in associates and joint ventures	(221,734)	(254,567)
Pension plan surplus	64,267	177,410
Other post-employment obligations	143,428	131,046
	2,011,833	1,411,876
Changes in working capital components:		
Inventories	1,501,133	774,335
Receivables	(2,609,964)	(2,597,641)
Loans receivable, net	527,039	(165,672)
Payables	(1,348,558)	(2,047,900)
Deposits	1,364,221	(553,887)
Securities sold under repurchase agreements	(1,919,335)	(350,973)
Provisions	1,433	-
	(472,198)	(3,529,862)
Interest received – financial services	1,192,083	1,096,186
Interest paid – financial services	(191,972)	(152,751)
Translation (losses)/gains	(42,023)	55,474
Taxation paid	(434,807)	(452,853)
Net cash provided by/(used in) operating activities	51,083	(2,983,806)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

Amounts represent bank and other loans, excluding bank overdrafts

	3/31/2020	3/31/2019
	\$'000	\$'000
At beginning of year	23,263,991	13,982,712
Effect of adopting IFRS 16	-	6,384,074
Lease liability to acquire right-of-use asset	22,809	-
Loans received	2,472,645	1,979,488
Loans repaid	(2,580,483)	(1,695,689)
Foreign exchange adjustments	82,028	15,737
Net interest movements	(5,678)	(31,776)
At end of period	23,255,312	20,634,546

4. Contingent Liability

By letter dated 17 May 2018, the Guyana Revenue Authority (GRA) indicated that GraceKennedy Remittance Services Guyana ('GKRS Guyana') was "incorrectly" classified as a non-commercial company rather than a commercial company. Based on this, the GRA asserted that GKRS Guyana had wrongly paid corporation taxes at the lower non-commercial company rate. GKRS Guyana's tax liability was assessed by the GRA to be the equivalent of J\$225,116,000, excluding penalties and interest if applicable. GKRS Guyana lodged objections to the GRA's assessment on the basis that the GRA wrongly assessed GKRS Guyana as a commercial company and that GKRS Guyana had filed (and the GRA had accepted), returns for a period of over 20 years as a non-commercial company. By letter dated 26 September 2018, received on 4 October 2018, the GRA indicated that it would maintain its assessments despite the objection.

GKRS Guyana filed an appeal on 26 October 2018 and defence in response filed by the GRA on 21 December 2018. Oral submissions were heard in chambers before the Judge on 27 March 2019 and on 8 July 2019, the court ruled in favour of GKRS Guyana; setting aside the decision by the GRA to reclassify the company as a commercial company and therefore reversing the decision by GRA to impose corporation tax at the commercial rate.

The GRA is appealing the court's decision, however the appeal was filed outside of the prescribed timeline. The GRA has filed an application to extend the time for the filing of the appeal so that the appeal may be heard. The GRA was granted permission to file an appeal at a hearing held on 27 November 2019. The appeal was filed and a cross-appeal filed on behalf of GKRS Guyana. Submissions by the GRA and GKRS were filed and the matter stands adjourned to 7 July 2020 for a ruling.

5. Business Combination

On 24 March 2020, the Group acquired 65% of the share capital of Key Insurance Company Limited (Key), a general insurance entity which underwrites motor, property and casualty insurance in Jamaica. Following approval for graduation from the Junior Market on 7 April 2020, Key is now listed on the Main Market of the Jamaica Stock Exchange.

The following table summarises the consideration paid, net assets acquired and goodwill, which have been determined provisionally subject to final determination of the fair value of assets acquired:

	3/31/2020
	\$'000
Purchase consideration: Cash paid	490,616
Fair value of net assets acquired	(470,942)
Non- controlling interest	163,888
Goodwill on acquisition	183,562
Purchase consideration settled in cash	(490,616)
Cash and cash equivalents in business acquired	939,237
Cash inflow on acquisition	448,621

The goodwill is attributable to market participant synergies including cost efficiencies and the workforce in place.

The non-controlling interest is based on the proportionate fair value of the net assets acquired.

6. Impact of Covid-19

The World Health Organisation declared the novel coronavirus, Covid-19 to be a global pandemic in March 2020. The rapid spread and consequent containment measures such as closure of borders, physical distancing rules, mass quarantines, and stay at home orders for non-essential services have negatively affected economic activity and businesses worldwide.

There is an elevated level of uncertainty, which has adversely affected financial markets and business confidence. The Group is exposed to an elevated level of credit risk, liquidity risk, foreign currency risk and price risk, with the most significant exposures relating to credit and price risk.

Credit Risk

The Group's receivables mainly comprise trade and premiums receivables and loans and leases receivable. Receivables most significantly impacted by the elevated credit risk relate to loans receivable and trade receivables. The Group has recognised additional impairment provisions in relation to these assets.

Price Risk

The Group is exposed to price risk in relation to quoted equities and bonds carried at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The decline in stock market indices and bond prices has resulted in fair value losses of \$200,903,000, which have been recognised in profit or loss, and fair value losses of \$1,064,236,000 (net of tax), which have been recognised in other comprehensive income.

The nature and extent of the impact on the Group's financial position, results and cash flows continues to evolve given the rapid pace of change and the elevated level of uncertainty. The Group continues to monitor and manage the identified risks through its *Covid-19 Committee*.

Critical Accounting Estimates

Management has exercised the use of significant judgement in determining the expected credit losses (ECLs) in relation to the Group's receivables and the fair value of financial instruments.

There is a high degree of estimation uncertainty surrounding the ECL determination and fair value of financial instruments, given the rapid pace of change in the economic environment, increased level of uncertainty and the availability of information.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Measurement of the expected credit loss allowance*

The impact of Covid-19 on the Group's ECLs has been determined by taking into consideration the effect of forward looking information, including revised macroeconomic estimates, the effect of a shift in the probability weightings of scenarios, and the impact on staging based on the quality of the credit pre Covid-19.

The areas involving significant judgement are as follows:

- Determining criteria for a significant increase in credit risk (SICR)
- Determining estimates of macroeconomic variables
- Establishing the number and relative weightings of forward looking scenarios

(ii) *Fair value of financial instruments*

Considerable judgement is required in interpreting market data to arrive at estimates of fair values during the Covid-19 pandemic. Market prices are subject to a higher degree of estimation uncertainty as these may not adequately reflect all relevant market information. Consequently, the estimates arrived at may be significantly different from the actual price of the instruments in an arm's length transaction.