



**INTERIM REPORT**

**(SIX MONTHS)  
30 JUNE 2020**



## INTERIM REPORT TO OUR STOCKHOLDERS

GraceKennedy Limited is pleased to present financial results for the six months ended June 30, 2020. The Group realized revenues of J\$56.5 billion, representing an increase of J\$5.0 billion or 9.8% over the corresponding period of the prior year. Profit before tax was J\$4.5 billion, reflecting a 53.2% improvement over the same period in 2019. Net Profit after tax of J\$3.1 billion was recorded, a commendable 34.3% increase over the comparable period of 2019. Net profit attributable to stockholders also reflected a double-digit increase of 36.5% over the prior year. Earnings per stock unit for the period was J\$2.77 (2019: J\$2.03).

The Group registered Profit before other income of J\$3.1 billion, an increase of 85.6% over the preceding year's reporting period, and Profit from Operations reflected an increase of 60.5% to J\$4.56 billion over prior year. In addition to increased revenue and improved margin management, this strong operating performance is attributed to increased focus on operational efficiency and cost containment. These measures will continue for the remainder of the year given the magnitude of the spread of the COVID-19 virus and its continued impact on the economies in which we operate, and our consumers.

Our results reflect strong performance for the half year. The outlook for the remainder of 2020 is unclear, however, given the uncertainty created by the unprecedented COVID-19 virus, globally. Spikes in the number of confirmed cases in certain markets, particularly the USA, and the ongoing impact on the international supply chain, contribute to that uncertainty. Jamaica has been lauded internationally for the country's management of the COVID-19 pandemic and we have seen the cautious re-opening of the island's borders and gradual lifting of business restrictions.

GraceKennedy remains a premier provider of essential services through our financial institutions in the Caribbean region, our supermarkets in Jamaica and global food and beverages distribution. It is anticipated that the second half of the year could see reduced consumer spending as the effect of diminished disposable incomes becomes more acute. GraceKennedy prides itself on embodying our "We Care" tenet and as business activities cautiously resume, our priority remains the safety and well-being of our staff and customers. We remain proactive in our operations as we continue to execute initiatives under our COVID-19 action plan and Business Continuity protocols, and inventory and liquidity management. Providing broader access to our customers through digital platforms locally and in our overseas markets remains a priority and we are seeing positive results from this effort.

We have increased our support for communities wherever we are located globally. In collaboration with our Grace and Staff Foundation, we donated J\$5 million towards the purchase of 200 tablets and several laptops for students and teachers in need in Jamaica, to enable access to remote learning platforms while schools have been closed.

## Performance of Business Segments

The Food Trading segment recorded increased revenue and improved profitability for the reporting period when compared to the corresponding period of 2019. Both the local and international food businesses reported noteworthy results for the first half of 2020.

Our Jamaican foods distribution company continues to realize positive results from a strong product mix and improved margins, evidenced by noted growth in both revenue and pre-tax profits. During the reporting period, our core products delivered significant growth over the prior year period. Our chain of retail supermarkets in Jamaica, Hi-Lo Foods Stores, recorded improved performance over the corresponding period of 2019, and continues to provide a premier shopping experience for its patrons, including its curbside and home delivery options. Our factories continued to deliver results influenced by strong demand for key products. This performance was further supported by a bolstered supplier base for raw materials such as pepper and escallions, as the first crop from our Agro Park was harvested. We also made strides in operational efficiency as we commissioned our first onsite liquified natural gas plant at our meat processing factory in Westmoreland, which will reduce our heavy fuel dependency and produce environmental benefits.

GraceKennedy Foods (USA) LLC had a strong half year performance with significant improvement over the same period in the prior year. Our Grace Brand continues to record encouraging growth when compared with the same period in 2019, buoyed by the sales of Grace Jamaican Patties, among other key products. Grace Foods Canada remains a reliable performer in the GraceKennedy Group with improved performance. GraceFoods UK achieved better margins from the successful implementation of strategic initiatives including improved revenue performance of Nurishment.

The GraceKennedy Financial Group realized growth in revenues and profit compared to the corresponding period in 2019. This performance was achieved in spite of being impacted by additional impairment provisions in relation to loans receivable under IFRS 9, due to credit risk associated with COVID-19. The decline in the value of the local stock market has also perpetuated depressed market prices of equity instruments classified at fair value, reflected through the income statement.

In line with our digital expansion strategy, we launched our first GKONE e-store on Harbour Street in Downtown Kingston, Jamaica in July 2020. The new GKONE location provides cashless financial services including Banking, Remittances, Bill Payments and F/X trading.

The Money Services segment registered an increase in both revenue and pre-tax profit when compared to the corresponding half year of 2019. We continue to leverage opportunities to drive the adoption of digital channels and are seeing significant growth in transaction volumes. The business is currently focused on the relaunch of WU.com to further drive digitalization and provide our customers with other convenient offerings. Across the region, the GKMS Group participated in national COVID-19 response efforts. Over 110,000 transactions relating to the collection of government stimulus packages, were paid out across the GKMS network, representing a majority of beneficiaries under the Government's CARE program. This program was designed to help cushion the economic impact of the COVID-19 pandemic on individuals, and businesses.

The Banking and Investments segment reported growth in revenue in the first half of 2020 over the comparative period. First Global Bank sustained growth in its loan and deposit portfolios and, in collaboration with GKMS, successfully established several thousand accounts for beneficiaries of the CARE program. The Bank also continues to partner with its retail and commercial clients to provide support during the pandemic.

The Insurance segment saw an increase in revenue for the 6-month period under review and continues to achieve favourable operating performance. Canopy Insurance continues to record increased business since commencing operations in late 2019, attributed to the market's positive reaction to a modernized and seamless interface. Key Insurance Company Limited appointed a new Board of Directors on 31 March 2020 which has, since 1 April 2020 been guiding the business by supporting the development and implementation of strategic initiatives designed to increase shareholder value.

GraceKennedy Limited remains both pro-active and responsive in dealing with the challenges of the COVID-19 virus and its impact on our lines of business, the countries in which we operate, and our employees and consumers. Our efforts continue to be directed towards achieving our strategic objectives by focusing on digital channels and ease of doing business.

We remain grateful to our employees, the lifeblood of our business, for their consistent dedication to our customers which has included a particular focus on front-line workers in all our markets at this time. We also 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

July 30, 2020

**GraceKennedy Limited**  
CONSOLIDATED INCOME STATEMENT  
SIX MONTHS ENDED 30 JUNE 2020  
(Unaudited)

	3 months to 6/30/2020 \$'000	6 months to 6/30/2020 \$'000	3 months to 6/30/2019 \$'000	6 months to 6/30/2019 \$'000
Revenue from products and services	26,602,679	54,374,787	24,530,279	49,458,270
Interest revenue	1,074,183	2,156,831	1,030,386	2,031,232
<b>Revenues</b> (Note 2)	27,676,862	56,531,618	25,560,665	51,489,502
Direct and operating expenses	(25,635,265)	(52,961,723)	(24,651,794)	(49,636,367)
Net impairment losses on financial assets	(254,482)	(501,992)	(140,722)	(199,896)
<b>Expenses</b>	(25,889,747)	(53,463,715)	(24,792,516)	(49,836,263)
<b>Profit before other income</b>	1,787,115	3,067,903	768,149	1,653,239
Other income	855,123	1,496,335	876,461	1,190,712
<b>Profit from Operations</b>	2,642,238	4,564,238	1,644,610	2,843,951
Interest income – non-financial services	105,846	223,461	113,799	211,410
Interest expense – non-financial services	(270,065)	(553,437)	(242,724)	(473,299)
Share of results of associates and joint ventures	53,295	286,925	113,696	368,263
<b>Profit before Taxation</b>	2,531,314	4,521,187	1,629,381	2,950,325
Taxation	(933,454)	(1,470,720)	(374,758)	(678,575)
<b>Net Profit for the period</b>	1,597,860	3,050,467	1,254,623	2,271,750
<b>Profit attributable to:</b>				
<b>Owners of GraceKennedy Limited</b>	1,428,769	2,746,390	1,114,399	2,011,447
<b>Non-controlling interests</b>	169,091	304,077	140,224	260,303
	1,597,860	3,050,467	1,254,623	2,271,750

**Earnings per Stock Unit for profit attributable to the owners of the company during the period:**

(expressed in \$ per stock unit):

<b>Basic</b>	\$1.44	\$2.77	\$1.12	\$2.03
<b>Diluted</b>	\$1.44	\$2.76	\$1.12	\$2.02

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SIX MONTHS ENDED 30 JUNE 2020

(Unaudited)

	3 months to 6/30/2020 \$'000	6 months to 6/30/2020 \$'000	3 months to 6/30/2019 \$'000	6 months to 6/30/2019 \$'000
Profit for the period	1,597,860	3,050,467	1,254,623	2,271,750
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	(37,872)	(222,321)	371,265	600,153
Remeasurements of post-employment benefit obligations	498,395	404,842	3,748,993	3,562,785
Share of other comprehensive income of associates and joint ventures	(1,598)	29,310	-	(5,587)
	458,925	211,831	4,120,258	4,157,160
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Foreign currency translation adjustments	613,311	643,278	392,961	427,482
Changes in fair value of debt instruments at fair value through other comprehensive income	505,215	(374,571)	134,333	288,330
Share of other comprehensive income of associates and joint ventures	53,860	85,538	40,693	28,186
	1,172,386	354,245	567,987	743,998
<b>Other comprehensive income for the period, net of tax</b>	<b>1,631,311</b>	<b>566,076</b>	<b>4,688,245</b>	<b>4,901,158</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>3,229,171</b>	<b>3,616,543</b>	<b>5,942,868</b>	<b>7,172,908</b>
<b>Total comprehensive income attributable to:</b>				
Owners of GraceKennedy Limited	3,039,899	3,281,362	5,784,262	6,900,857
Non-controlling interests	189,272	335,181	158,606	272,051
	3,229,171	3,616,543	5,942,868	7,172,908

# GraceKennedy Limited

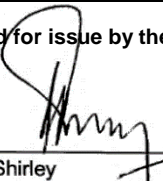
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2020

(Unaudited)

	June 30 2020 \$'000	December 31 2019 \$'000	June 30 2019 \$'000
<b>ASSETS</b>			
Cash and deposits	17,707,620	14,627,178	10,945,559
Investment securities	31,827,302	30,666,623	32,772,699
Pledged assets	8,048,099	9,227,048	7,761,518
Receivables	21,031,158	15,908,616	18,582,704
Inventories	11,808,781	13,315,155	11,922,112
Loans receivable	31,037,424	30,677,003	28,698,107
Taxation recoverable	781,632	775,786	726,004
Investments in associates and joint ventures	3,946,313	3,511,934	3,201,693
Investment properties	968,150	665,000	628,000
Intangible assets	4,448,044	4,012,945	4,111,753
Fixed assets	23,992,393	24,074,325	21,332,473
Deferred tax assets	1,835,825	1,142,161	1,377,679
Pension plan asset	5,898,657	5,821,549	7,884,105
Assets classified as held for sale	297,421	280,558	309,535
<b>Total Assets</b>	<b>163,628,819</b>	<b>154,705,881</b>	<b>150,253,941</b>
<b>LIABILITIES</b>			
Deposits	37,333,935	35,805,361	36,105,903
Securities sold under agreements to repurchase	6,133,742	7,892,207	6,249,286
Bank and other loans	24,774,030	24,032,254	22,404,695
Payables	29,397,591	24,408,190	23,242,617
Taxation	875,282	459,191	621,809
Provisions	40,772	37,779	-
Deferred tax liabilities	1,518,166	1,559,686	1,949,608
Other post-employment obligations	5,754,770	5,799,526	6,561,777
<b>Total Liabilities</b>	<b>105,828,288</b>	<b>99,994,194</b>	<b>97,135,695</b>
<b>EQUITY</b>			
<b>Capital &amp; reserves attributable to the company's owners</b>			
Share capital	399,180	457,170	524,907
Capital and fair value reserves	6,680,833	7,234,527	7,137,297
Retained earnings	41,008,278	38,501,844	37,255,040
Banking reserves	3,220,711	3,220,711	3,120,711
Other reserves	3,607,436	2,912,158	2,735,132
	54,916,438	52,326,410	50,773,087
<b>Non-Controlling Interests</b>	<b>2,884,093</b>	<b>2,385,277</b>	<b>2,345,159</b>
<b>Total Equity</b>	<b>57,800,531</b>	<b>54,711,687</b>	<b>53,118,246</b>
<b>Total Equity and Liabilities</b>	<b>163,628,819</b>	<b>154,705,881</b>	<b>150,253,941</b>

Approved for issue by the Board of Directors on 30 July 2020 and signed on its behalf by:

  
 \_\_\_\_\_  
 Gordon Shirley Chairman

  
 \_\_\_\_\_  
 Donald Wehby Group Chief Executive Officer

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 JUNE 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	-	-	-	2,011,447	-	-	2,011,447	260,303	2,271,750
Other comprehensive income for the period	-	-	882,705	3,562,785	-	443,920	4,889,410	11,748	4,901,158
Total comprehensive income for the period	-	-	882,705	5,574,232	-	443,920	6,900,857	272,051	7,172,908
Transactions with owners:									
Issue of shares	25	690	-	-	-	-	690	-	690
Sale of treasury shares	154	9,232	-	-	-	-	9,232	-	9,232
Purchase of treasury shares	(776)	(48,416)	-	-	-	-	(48,416)	-	(48,416)
Share-based payments charged	-	-	-	-	-	66,444	66,444	-	66,444
Share-based payments exercised	-	-	-	-	-	(26,460)	(26,460)	(637)	(27,097)
Transfer of shares to employees	5	312	-	-	-	(312)	-	-	-
Transfer of treasury shares to employees	1,685	72,735	28,753	-	-	(100,268)	1,220	(1,220)	-
Dividends paid	-	-	-	(744,907)	-	-	(744,907)	-	(744,907)
Total transactions with owners	1,093	34,553	28,753	(744,907)	-	(60,596)	(742,197)	(1,857)	(744,054)
Transfers between reserves:									
From capital reserves	-	-	(120,999)	120,999	-	-	-	-	-
To banking reserves	-	-	-	(1,844)	1,844	-	-	-	-
Balance at 30 June 2019	992,958	524,907	7,137,297	37,255,040	3,120,711	2,735,132	50,773,087	2,345,159	53,118,246
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	-	-	-	2,746,390	-	-	2,746,390	304,077	3,050,467
Other comprehensive income for the period	-	-	(566,570)	404,842	-	696,700	534,972	31,104	566,076
Total comprehensive income for the period	-	-	(566,570)	3,151,232	-	696,700	3,281,362	335,181	3,616,543
Transactions with owners:									
Sale of treasury shares	5	351	-	-	-	-	351	-	351
Purchase of treasury shares	(1,837)	(112,620)	-	-	-	-	(112,620)	-	(112,620)
Transfer of non-controlling interests	-	-	-	-	-	-	-	163,888	163,888
Share-based payments charged	-	-	-	-	-	86,663	86,663	-	86,663
Share-based payments exercised	-	-	-	-	-	(21,126)	(21,126)	(87)	(21,213)
Transfer of treasury shares to employees	916	54,279	12,846	-	-	(66,959)	166	(166)	-
Dividends paid	-	-	-	(644,768)	-	-	(644,768)	-	(644,768)
Total transactions with owners	(916)	(57,990)	12,846	(644,768)	-	(1,422)	(691,334)	163,635	(527,699)
Transfers between reserves:									
To capital reserves	-	-	30	(30)	-	-	-	-	-
Balance at 30 June 2020	991,190	399,180	6,680,833	41,008,278	3,220,711	3,607,436	54,916,438	2,884,093	57,800,531



# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 30 JUNE 2020

(Unaudited)

	6/30/2020 \$'000	6/30/2019 \$'000
<b>SOURCES/(USES) OF CASH:</b>		
<b>Operating Activities</b> (Note 3)	3,571,272	584,322
<b>Financing Activities</b>		
Loans received	8,536,396	3,436,491
Loans repaid	(7,922,057)	(3,585,174)
Purchase of treasury shares	(112,620)	(48,416)
Sale of treasury shares	351	9,232
Issue of shares	-	690
Exercise of share based payments	(21,213)	(27,097)
Interest paid – non financial services	(547,602)	(495,906)
Dividends	(644,768)	(744,907)
	(711,513)	(1,455,087)
<b>Investing Activities</b>		
Additions to fixed assets	(613,509)	(1,583,417)
Proceeds from disposal of fixed assets	105,009	23,784
Additions to assets held for sale	-	(30,390)
Additions to investments	(4,311,645)	(1,683,574)
Cash inflow on acquisition of subsidiary	448,621	-
Cash outflow on purchase of interest in associates and joint ventures	(105,000)	-
Proceeds from sale of investments	4,735,595	716,308
Additions to intangibles	(185,091)	(177,116)
Interest received – non financial services	208,657	307,786
	282,637	(2,426,619)
Increase/(decrease) in cash and cash equivalents	3,142,396	(3,297,384)
Cash and cash equivalents at beginning of year	13,858,915	12,278,198
Exchange and translation gains on net foreign cash balances	320,035	148,709
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>17,321,346</b>	<b>9,129,523</b>

# GraceKennedy Limited

## FINANCIAL INFORMATION BY OPERATING SEGMENT

SIX MONTHS ENDED 30 JUNE 2020

(Unaudited)

6 months to 30 June 2020	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>						
External sales	44,839,049	3,055,580	4,547,754	4,089,235	-	56,531,618
Inter-segment sales	105,906	23,850	35,120	-	(164,876)	-
<b>Total Revenue</b>	<b>44,944,955</b>	<b>3,079,430</b>	<b>4,582,874</b>	<b>4,089,235</b>	<b>(164,876)</b>	<b>56,531,618</b>
<b>RESULT</b>						
Operating results	2,018,450	223,156	498,696	1,866,807	20,873	4,627,982
Unallocated expense	-	-	-	-	(63,744)	(63,744)
Profit from operations	-	-	-	-	-	4,564,238
Finance income	5,495	5,077	12,495	10,059	190,335	223,461
Finance expense	(388,759)	(35,172)	(4,175)	(63,290)	(62,041)	(553,437)
Share of associates and joint ventures	231,493	70,690	(15,258)	-	-	286,925
Profit before Taxation	1,866,679	263,751	491,758	1,813,576	85,423	4,521,187
Taxation						(1,470,720)
<b>Net Profit for the period</b>						<b>3,050,467</b>
Attributable to:						
Owners of GraceKennedy Limited						2,746,390
Non-controlling interests						304,077
						<b>3,050,467</b>

6 months to 30 June 2019	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>						
External sales	40,927,071	3,022,720	3,814,059	3,725,652	-	51,489,502
Inter-segment sales	101,313	18,394	28,314	-	(148,021)	-
<b>Total Revenue</b>	<b>41,028,384</b>	<b>3,041,114</b>	<b>3,842,373</b>	<b>3,725,652</b>	<b>(148,021)</b>	<b>51,489,502</b>
<b>RESULT</b>						
Operating results	1,134,833	344,940	514,158	1,432,000	14,039	3,439,970
Unallocated expense	-	-	-	-	(596,019)	(596,019)
Profit from operations	-	-	-	-	-	2,843,951
Finance income	12,235	11,593	10,284	10,035	167,263	211,410
Finance expense	(361,635)	(35,848)	(2,377)	(15,084)	(58,355)	(473,299)
Share of associates and joint ventures	332,530	61,647	(25,914)	-	-	368,263
Profit before Taxation	1,117,963	382,332	496,151	1,426,951	(473,072)	2,950,325
Taxation						(678,575)
<b>Net Profit for the period</b>						<b>2,271,750</b>
Attributable to:						
Owners of GraceKennedy Limited						2,011,447
Non-controlling interests						260,303
						<b>2,271,750</b>

# GraceKennedy Limited

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 30 JUNE 2020

#### Notes

#### 1. Accounting Policies

##### (a) Basis of preparation

This condensed consolidated interim financial report for the reporting period ended 30 June 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	50,675,807	46,428,402
Services transferred over time	63,277	76,459
Revenue from insurance contracts	3,635,703	2,953,409
Interest revenue	2,156,831	2,031,232
	56,531,618	51,489,502

### 3. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	6/30/2020	6/30/2019
	\$'000	\$'000
Net profit	3,050,467	2,271,750
Items not affecting cash:		
Depreciation	1,227,114	1,060,013
Amortisation	261,069	273,786
Impairment charge	4,958	-
Change in value of investments	209,984	(100,360)
(Gain)/loss on disposal of fixed assets	(5,739)	2,518
Gain on disposal of investments	(1,166)	(1,200)
Share-based payments	86,663	66,444
Exchange (gain)/loss on foreign balances	(339,491)	570,996
Interest income – non financial services	(223,461)	(211,410)
Interest income – financial services	(2,306,559)	(2,183,943)
Interest expense – non financial services	553,437	473,299
Interest expense – financial services	311,353	387,622
Taxation expense	1,470,720	678,575
Unremitted equity income in associates and joint ventures	(214,530)	(213,551)
Pension plan surplus	131,070	352,198
Other post-employment obligations	286,856	262,092
	4,502,745	3,688,829
Changes in working capital components:		
Inventories	1,506,374	861,949
Receivables	(3,594,083)	(3,356,282)
Loans receivable, net	(97,224)	(1,955,513)
Payables	1,816,364	40,931
Deposits	585,171	1,220,298
Securities sold under repurchase agreements	(2,013,422)	(1,124,735)
Provisions	2,993	-
	2,708,918	(624,523)
Interest received – financial services	2,415,414	2,082,353
Interest paid – financial services	(392,695)	(337,142)
Translation gains	284,041	291,985
Taxation paid	(1,444,406)	(828,351)
<b>Net cash provided by operating activities</b>	<b>3,571,272</b>	<b>584,322</b>

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

Amounts represent bank and other loans, excluding bank overdrafts

	6/30/2020	6/30/2019
	\$'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	41,324	-
Loans received	8,536,396	3,436,491
Loans repaid	(7,922,057)	(3,585,174)
Foreign exchange adjustments	458,292	393,606
<b>Net interest movements</b>	<b>9,810</b>	<b>(23,050)</b>
<b>At end of period</b>	<b>24,387,756</b>	<b>20,588,659</b>

#### 4. Subsequent Event

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 appealed the court's decision, however the appeal was filed outside of the prescribed time-line. The GRA 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 Guyana were filed and the matter adjourned to 7 July 2020 for a ruling.

On 20 July 2020, the court delivered its ruling, finding in favour of the GRA and reversing the decision of the judge in chambers. Having regard to the present ruling, a provision for the assessment has been made in the financial statements, however the company has indicated its intention to file an appeal to the decision and its legal counsel maintains that it has a strong case.

#### 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:

	<b>6/30/2020</b>
	<b>\$'000</b>
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 \$209,984,000, which have been recognised in profit or loss, and fair value losses of \$596,298,000 (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.