



INTERIM REPORT

**(THREE MONTHS)
31 MARCH 2017**

INTERIM REPORT TO OUR STOCKHOLDERS

The Board of Directors presents the unaudited results of the Group for the three months ended March 31, 2017. The Group achieved revenue for the period of J\$23.7 billion, representing an increase of 7.1% or J\$1.6 billion over the corresponding period of 2016. While profitability for the quarter was ahead of plan, net profit attributable to the stockholders of the Company was 32.4% or J\$482.7 million lower than that of the corresponding period of 2016. Total net profit for the period was J\$1.1 billion, representing a decrease of J\$452.2 million or 28.3% compared with the corresponding period of 2016. As previously reported, a non-recurring gain was realised on the liquidation of some non-operating subsidiaries for the corresponding period of 2016, without this, net profit for the current period would have been marginally lower than the corresponding period of 2016 by 2.4%. This is summarized in the table below:

	3 months to 3/31/2017 \$'000	3 months to 3/31/2016 \$'000	Change \$'000	Change %
Net Profit After Tax, excluding non-recurring gain on liquidation of non-operating subsidiaries	1,143,010	1,171,716	(28,706)	-2.4%
Non-recurring gain on liquidation of non-operating subsidiaries	-	423,515		
Net Profit After Tax, as reported	1,143,010	1,595,231	(452,221)	-28.3%

The earnings per stock unit for the quarter ended was J\$1.02 (Q1 2016: J\$1.50). Shareholders' equity increased by J\$1.8 billion over the three month period to J\$43.9 billion, which resulted in a book value per share of J\$44.18. The GraceKennedy stock price increased by 6.1% for the year to March 31, 2017. On February 28, 2017, the Board of Directors approved an interim dividend of 30 cents per stock unit (Q1 2016: 26 cents) to be paid on May 18, 2017.

The Food Trading segment showed growth in revenue, primarily due to higher sales from our Jamaican foods distribution and supermarket businesses when compared to the corresponding period of 2016. However, pre-tax profit was lower than the corresponding period of 2016. Lower margins, higher marketing expenses and costs associated with the expansion and renovation of our Hi-Lo Food Stores in Jamaica contributed to the decline in pre-tax profit.

GraceKennedy Foods (USA) LLC, our distribution company in the United States of America (USA) continues to see an expansion in chain store sales with additional listings in Walmart, Winn Dixie and Publix. For the quarter, both the Grace and La Fe brands showed growth in revenue over the corresponding period of 2016. The Company also entered into an agreement with Pollo Tropical to pilot Tropical Rhythms across 47 stores along the East Coast of the United States. Pollo Tropical, owned by the Fiesta Restaurant Group® operates over 120 locations in Florida, Georgia, Tennessee, and Texas. It focuses on Caribbean cuisine and is very popular with Caribbean and Latin American demographics.

The depreciation of the pound sterling negatively affected Grace Foods UK's performance in Jamaican dollars. The Company negotiated a new contract with a key retailer, Transgourmet, Europe's second-largest cash and carry and wholesale supplies store. This is expected to strengthen our presence in Germany and extend our reach into Europe. To further drive strategic expansion in Europe and given the potential implementation of Brexit, the Company is exploring establishing operations in Germany.

Grace Foods Latin America & Caribbean (GF LACA) showed strong performance in both revenue and profit for the quarter. As part of our expansion into Latin America and the Caribbean, the first shipment of Grace Instant Porridges and Sauces was sent to Guatemala and there was a trial shipment of Grace Mackerel to Haiti.

Within our Caribbean foods business a temporary ban was imposed on the sale and importation of all corned beef from Brazil following reports of investigations into the practices of several meat and poultry suppliers in Brazil. The ban commenced on March 20 and GraceKennedy immediately initiated meetings with government representatives, industry stakeholders and our suppliers in Brazil. On March 21 we confirmed that the plant that supplies corned beef to the Company was not under investigations by the Brazilian authorities. Following further investigations from Jamaica and regional government authorities the ban was lifted in the majority of our markets. As we have always done, we will continue to ensure that our suppliers conform to internationally recognised food safety standards. The temporary ban on corned beef which lasted several weeks continues to have a negative impact on our Jamaican and Caribbean foods businesses.

Grace Foods & Services, our Jamaican food business that distributes Grace and Grace owned brands, surpassed the corresponding period of 2016's revenue and pre-tax profit. The #GOHARD promotion, our marketing campaign for 2017, was well received by our consumers during the quarter and was the primary contributor to the Company's positive performance. World Brands Services, our Jamaican business that distributes principal brands, recorded growth in revenue but lower pre-tax profit compared to the corresponding period of 2016. During the quarter GraceKennedy and SM Jaleel & Co Ltd, the Trinidad based beverage manufacturer, mutually agreed to terminate the existing distribution relationship. This decision was in keeping with the strategic direction of World Brand Services. The Company continues to strengthen its relationship with principals and in January became the sole distributor of the entire Lucozade portfolio in Jamaica.

The Financial Group performed well showing increases over the corresponding period of 2016 in both revenue and pre-tax profit due primarily to strong performance in our Banking and Investments and Money Services segments. First Global Bank (FGB) saw growth in both its loan portfolio and non-interest income. The Bank announced the planned opening of a new branch in Portmore, Jamaica. We are excited about this as it will give our current and prospective customers in the community better access to our banking products and services. The new FGB location is part of our integrated retail strategy which will see the new branch being located in our newly renovated Hi-Lo, Portmore location.

GraceKennedy Money Services (GKMS) saw increased transaction volumes in the remittance business. On February 10, 2017, GKMS launched its mobile wallet, GK MPay. Through GK MPay customers are able to pay for goods and services and receive remittances via their mobile devices. We have been at

the forefront of creating avenues for financial inclusion and GK MPay will help to provide more Jamaicans with more convenient access to affordable financial services.

The Insurance segment experienced an increase in revenue and a decline in pre-tax profit compared to the corresponding period of 2016. As part of the segment's strategy to closer align with the GraceKennedy brand, EC Global Insurance Company Limited was renamed GK Insurance (Eastern Caribbean) Limited during the quarter. Both GK General Insurance Company Limited and GK Insurance (Eastern Caribbean) Limited reported growth in revenue. GKG Online continues to attract new business, showing significant growth over the corresponding period of 2016. This has contributed to double digit growth in GK Insurance's motor portfolio.

GraceKennedy is proud to be a part of the renewal of downtown Kingston as we look to deepen our footprints through the construction of our new Corporate Headquarters. Initial construction on the building commenced in March and we are working steadily toward our completion target of mid-2018. This represents a significant contribution to the beautification of the area while increasing the use of downtown for commercial activity. GraceKennedy continues to invest in our younger generation through sports. We are proud to have partnered with Inter-Secondary Schools Sports Association (ISSA) to stage the much anticipated Boys' and Girls' Championship from March 28 to April 1. The event was a major success, with over 3,000 athletes participating from high schools across Jamaica.

GK as part of its ongoing commitment to nation building welcomed participants to its 2017 GraceKennedy Internship Programme. These interns will be placed within Business Units across the Group for twelve months, enabling them to garner practical work experience. We see this programme as an investment in our Company and in Jamaica.

We were proud to celebrate our 95th anniversary with a week of activities which included special customer and community focused events being held in Jamaica, Belize, Miami, New York, Toronto and London. We are encouraged and optimistic about the future of this Company and remain fully committed to our strategy which is strongly rooted in our core values of Honesty, Integrity & Trust. We expect that successful execution of our strategy this year will bring us closer to achieving our vision of becoming a Global Consumer Group.



Gordon V. Shirley, O.J.
Chairman



Donald G. Wehby
Group Chief Executive Officer

May 11, 2017

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT THREE MONTHS ENDED 31 MARCH 2017 (Unaudited)

	3 months to 3/31/2017 \$'000	3 months to 3/31/2016 \$'000
Revenue	23,693,340	22,130,371
Expenses	(22,774,060)	(21,124,970)
	919,280	1,005,401
Other income (Note 3)	456,520	991,602
Profit from Operations	1,375,800	1,997,003
Interest income – non-financial services	94,439	89,767
Interest expense – non-financial services	(163,669)	(182,126)
Share of results of associated companies	259,197	251,073
Profit before Taxation	1,565,767	2,155,717
Taxation	(422,757)	(560,486)
Net Profit for the period	1,143,010	1,595,231
Profit attributable to:		
Owners of GraceKennedy Limited	1,008,315	1,491,023
Non-controlling interests	134,695	104,208
	1,143,010	1,595,231

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

(expressed in \$ per stock unit):

Basic	\$1.02	\$1.50
Diluted	\$1.01	\$1.50

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THREE MONTHS ENDED 31 MARCH 2017

(Unaudited)

	3 months to 3/31/2017 \$'000	3 months to 3/31/2016 \$'000
Profit for the period	1,143,010	1,595,231
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Losses on revaluation of land and buildings	(170)	-
Remeasurements of post-employment benefit obligations	657,746	(34,222)
Share of other comprehensive income of associated companies	1,050	543
	658,626	(33,679)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Foreign currency translation adjustments	29,609	(473,437)
Fair value gains	76,734	62,387
Share of other comprehensive income of associated companies	1,074	38,281
	107,417	(372,769)
Other comprehensive income for the period, net of tax	766,043	(406,448)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,909,053	1,188,783
Total comprehensive income attributable to:		
Owners of GraceKennedy Limited	1,777,560	1,083,650
Non-controlling interests	131,493	105,133
	1,909,053	1,188,783

GraceKennedy Limited

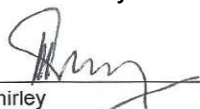
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 MARCH 2017

(Unaudited)

	March 31 2017 \$'000	December 31 2016 \$'000	March 31 2016 \$'000
ASSETS			
Cash and deposits	10,035,861	12,276,647	11,141,958
Investment securities	25,198,332	23,874,246	24,603,380
Pledged assets	15,208,923	15,419,427	8,752,857
Receivables	14,196,510	13,688,237	13,751,502
Inventories	10,635,617	11,461,283	9,305,262
Loans receivable	26,214,098	25,928,057	22,991,566
Taxation recoverable	487,749	424,239	553,861
Investments in associates	2,005,305	1,743,984	1,781,977
Investment properties	584,000	584,000	559,216
Intangible assets	3,987,730	4,024,272	4,073,846
Fixed assets	10,513,083	10,111,671	8,973,210
Deferred tax assets	766,330	801,008	1,109,318
Pension plan asset	6,961,265	6,142,078	5,248,617
Total Assets	126,794,803	126,479,149	112,846,570
LIABILITIES			
Deposits	30,146,619	30,653,888	26,744,293
Securities sold under agreements to repurchase	12,586,598	12,343,432	7,379,844
Bank and other loans	12,827,368	13,242,037	13,442,065
Payables	19,348,763	20,325,181	19,181,680
Taxation	303,115	572,331	527,998
Deferred tax liabilities	1,597,022	1,397,657	1,074,769
Other post-employment obligations	4,520,804	4,406,015	3,943,277
Total Liabilities	81,330,289	82,940,541	72,293,926
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	545,018	534,249	558,588
Capital and fair value reserves	5,852,084	5,805,054	5,146,470
Retained earnings	30,831,209	29,333,152	27,468,546
Banking reserves	2,972,208	2,772,209	2,597,200
Other reserves	3,657,819	3,619,261	3,351,086
	43,858,338	42,063,925	39,121,890
Non-Controlling Interests	1,606,176	1,474,683	1,430,754
Total Equity	45,464,514	43,538,608	40,552,644
Total Equity and Liabilities	126,794,803	126,479,149	112,846,570

Approved for issue by the Board of Directors on 11 May 2017 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 2017

(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 2016	991,920	567,789	5,132,759	25,971,707	2,588,019	3,787,167	38,047,441	1,325,621	39,373,062
Profit for the period	-	-	-	1,491,023	-	-	1,491,023	104,208	1,595,231
Other comprehensive income for the period	-	-	62,930	(34,222)	-	(436,081)	(407,373)	925	(406,448)
Total comprehensive income for the period	-	-	62,930	1,456,801	-	(436,081)	1,083,650	105,133	1,188,783
Transactions with owners:									
Issue of shares	6	102	-	-	-	-	102	-	102
Purchase of treasury shares	(330)	(9,303)	-	-	-	-	(9,303)	-	(9,303)
Total transactions with owners	(324)	(9,201)	-	-	-	-	(9,201)	-	(9,201)
Transfers between reserves:									
From capital reserves	-	-	(49,219)	49,219	-	-	-	-	-
To banking reserves	-	-	-	(9,181)	9,181	-	-	-	-
Balance at 31 March 2016	991,596	558,588	5,146,470	27,468,546	2,597,200	3,351,086	39,121,890	1,430,754	40,552,644
Balance at 1 January 2017	992,379	534,249	5,805,054	29,333,152	2,772,209	3,619,261	42,063,925	1,474,683	43,538,608
Profit for the period	-	-	-	1,008,315	-	-	1,008,315	134,695	1,143,010
Other comprehensive income for the period	-	-	77,521	657,746	-	33,978	769,245	(3,202)	766,043
Total comprehensive income for the period	-	-	77,521	1,666,061	-	33,978	1,777,560	131,493	1,909,053
Transactions with owners:									
Sale of treasury shares	67	2,693	-	-	-	-	2,693	-	2,693
Share-base payments	-	-	-	-	-	14,160	14,160	-	14,160
Transfer of treasury shares to employees	236	8,076	1,504	-	-	(9,580)	-	-	-
Total transactions with owners	303	10,769	1,504	-	-	4,580	16,853	-	16,853
Transfers between reserves:									
From capital reserves	-	-	(31,995)	31,995	-	-	-	-	-
To banking reserves	-	-	-	(199,999)	199,999	-	-	-	-
Balance at 31 March 2017	992,682	545,018	5,852,084	30,831,209	2,972,208	3,657,819	43,858,338	1,606,176	45,464,514

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

THREE MONTHS ENDED 31 MARCH 2017

(Unaudited)

	3/31/2017 \$'000	3/31/2016 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities (Note 2)	(17,543)	2,785,833
Financing Activities		
Loans received	736,040	1,985,465
Loans repaid	(918,633)	(1,539,569)
Purchase of treasury shares	-	(9,303)
Sale of treasury shares	2,693	-
Issue of shares	-	102
Interest paid – non financial services	(157,585)	(174,954)
	(337,485)	261,741
Investing Activities		
Additions to fixed assets	(637,240)	(631,596)
Proceeds from disposal of fixed assets	10,588	17,095
Additions to investment properties	-	(27,216)
Additions to investments	(2,082,831)	(1,119,946)
Proceeds from sale of investments	1,032,165	822,384
Additions to intangibles	(88,522)	(35,146)
Interest received – non financial services	98,592	91,231
	(1,667,248)	(883,194)
(Decrease)/increase in cash and cash equivalents	(2,022,276)	2,164,380
Cash and cash equivalents at beginning of year	10,310,801	7,074,059
Exchange and translation gains on net foreign cash balances	20,003	70,320
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8,308,528	9,308,759

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT

THREE MONTHS ENDED 31 MARCH 2017

(Unaudited)

3 months to 31 March 2017	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	18,819,405	1,536,571	1,363,811	1,973,553	-	23,693,340
Inter-segment sales	44,050	9,377	10,899	-	(64,326)	-
Total Revenue	18,863,455	1,545,948	1,374,710	1,973,553	(64,326)	23,693,340
RESULT						
Operating results	624,492	91,013	82,245	746,918	8,311	1,552,979
Unallocated expense	-	-	-	-	(177,179)	(177,179)
Profit from operations	-	-	-	-	-	1,375,800
Finance income	3,168	13,156	4,995	4,763	68,357	94,439
Finance expense	(136,586)	(21,047)	(505)	(316)	(5,215)	(163,669)
Share of associates	234,501	23,982	714	-	-	259,197
Profit before Taxation	725,575	107,104	87,449	751,365	(105,726)	1,565,767
Taxation						(422,757)
Net Profit for the period						1,143,010
Attributable to:						
Owners of GraceKennedy Limited						1,008,315
Non-controlling interests						134,695
						1,143,010

3 months to 31 March 2016	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	17,823,726	1,359,484	1,252,249	1,694,912	-	22,130,371
Inter-segment sales	69,341	8,271	13,404	-	(91,016)	-
Total Revenue	17,893,067	1,367,755	1,265,653	1,694,912	(91,016)	22,130,371
RESULT						
Operating results	737,507	25,796	99,100	603,867	4,130	1,470,400
Unallocated income	-	-	-	-	526,603	526,603
Profit from operations	-	-	-	-	-	1,997,003
Finance income	394	14,623	3,719	3,489	67,542	89,767
Finance expense	(111,365)	(34,898)	(2,545)	(20,760)	(12,558)	(182,126)
Share of associates	228,757	23,869	(1,553)	-	-	251,073
Profit before Taxation	855,293	29,390	98,721	586,596	585,717	2,155,717
Taxation						(560,486)
Net Profit for the period						1,595,231
Attributable to:						
Owners of GraceKennedy Limited						1,491,023
Non-controlling interests						104,208
						1,595,231

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017

Notes

1. Accounting Policies

(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, investment properties and financial liabilities.

The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2016.

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

(b) 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.

(c) Intangible Assets

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. Other intangible assets, which include computer software licences, brands, distribution channel agreements and policy contracts are recorded at cost and amortised over their estimated useful lives.

(d) Investment securities

The Group classifies its investments in debt and equity securities into the available-for-sale category. Available-for-sale investments are subsequently re-measured at fair value. Unrealised gains and losses arising from changes in the fair value of these investments are recorded in the Capital and fair value reserve.

(e) Employee benefits

(i) 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.

The asset or liability in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, together with adjustments for actuarial gains/losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

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.

(ii) Other post-retirement obligations

Some Group companies provide post-retirement health care benefits, group life, gratuity and supplementary plans to 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.

(iii) 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.

(f) Deferred taxation

Deferred income tax is provided in full, using the liability method, on all 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 recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(g) Provisions

Provisions are recognized 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.

(h) Cash and cash equivalents

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

(i) Segment reporting

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.
- *Banking and Investment* – Commercial banking; stock brokerage; corporate finance; advisory services; lease financing; and property rental.
- *Insurance* – General insurance and insurance brokerage.
- *Money Services* – Operation of money transfer services; cambio operations and bill payment services.

2. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	3/31/2017	3/31/2016
	\$'000	\$'000
Net profit	1,143,010	1,595,231
Items not affecting cash:		
Depreciation	234,998	197,519
Amortisation	137,146	146,829
Change in value of investments	111	(2,373)
Gain on disposal of fixed assets	(2,787)	(4,940)
Gain on disposal of investments	-	(606,471)
Share options – value of employee services expensed	14,160	-
Exchange (gain)/loss on foreign balances	(11,905)	138,534
Interest income – non financial services	(94,439)	(89,767)
Interest income – financial services	(1,147,603)	(1,057,329)
Interest expense – non financial services	163,669	182,126
Interest expense – financial services	278,245	243,336
Taxation expense	422,757	560,486
Unremitted equity income in associates	(259,197)	(251,073)
Pension plan surplus	54,557	69,216
Other post-employment obligations	118,040	95,964
	1,050,762	1,217,288
Changes in working capital components:		
Inventories	825,666	735,934
Receivables	(508,273)	(2,172,935)
Loans receivable, net	(265,752)	(405,706)
Payables	(976,418)	1,965,424
Deposits	(571,110)	2,238,963
Securities sold under repurchase agreements	222,987	(1,294,066)
	(222,138)	2,284,902
Interest received – financial services	1,224,020	1,110,867
Interest paid – financial services	(288,116)	(228,634)
Translation gains	31,144	78,917
Taxation paid	(762,453)	(460,219)
Net cash (used in)/provided by operating activities	(17,543)	2,785,833

3. Other Income

Included in other income for the prior year is a gain on the disposal of investments of \$606,471,000. A significant portion of this amount related to a non-recurring gain realised on the liquidation of certain non-operating subsidiaries in 2016.

4. Subsequent Event

On 8 May 2017, the Group divested its 30% shareholding in Trident Insurance Company Limited, a general insurance underwriter, operating in Barbados. The net disposal proceeds amounted to approximately \$56 million and the Group is expected to record a gain on the sale.