



**INTERIM REPORT**

**(NINE MONTHS)  
30 SEPTEMBER 2016**



## INTERIM REPORT TO OUR SHAREHOLDERS

The Directors are pleased to present the unaudited results of the Group for the nine months ended September 30, 2016. The Group achieved revenue for the period of J\$66.7 billion, representing an increase of 11.6% or J\$6.9 billion over the corresponding period of 2015. Net profit attributable to the stockholders of the Company for the period was 61.7% or J\$1.3 billion higher than that of the corresponding period of 2015. As reported previously, a non-recurring gain was realised on the dissolution of some non-operating subsidiaries. Without this gain net profit attributable to the stockholders of the Company would have increased by 40.9% or J\$836.2 million reflecting strong operating performance in our Food Trading, Money Services and Insurance segments. Year to date profit from continuing operations increased by J\$1.4 billion or 62.3% compared to the corresponding period of 2015, moving from J\$2.3 billion to J\$3.7 billion. The earnings per stock unit from continuing operations as at September 30, 2016 was J\$3.34 (Q3 2015: J\$1.99). Shareholders' equity increased by J\$3.9 billion over the nine month period to J\$42.0 billion, which resulted in a book value per share of J\$42.35.

On July 11, 2016, at an extraordinary general meeting of the Company, stockholders of GraceKennedy Limited approved a three for one stock split effective August 11, 2016. The GraceKennedy stock price increased by 57% since the start of the year to September 30, 2016 bringing the market capitalization to over J\$42.0 billion. The Board of Directors has approved an interim dividend of 42 cents per share to be paid on December 9, 2016 bringing dividends paid to \$1.02 per stock unit which represents a dividend payout of over J\$1 billion a 23% increase over the same period in 2015.

The Food Trading segment showed growth in both revenue and profit when compared to the corresponding period of 2015. GraceKennedy Foods (USA) LLC, our distribution company in the United States of America (USA), continues to show improvement in performance. The company had several successes over the period which will be instrumental in the build out of the business for future gains. This includes new product listings in Wal-Mart and the decision by Wal-Mart to grant increased display space for both the Grace and the Grace owned La Fe brands. GraceKennedy Foods (USA) LLC commenced shipping products to Puerto Rico in keeping with the strategic goal for market expansion.

Grace Foods UK experienced a significant increase in sales of Grace Aloe and Nurishment beverages over the period. The Aloe drink now competes not only in the Ethnic Drink Category but has made significant strides in the mainstream drink business in the UK and is currently positioned among the Top 10 UK juice brands. The company continues to invest heavily behind these brands in order to maximize their capabilities in the international markets. The potential implications of Britain's exit from the European Union on our business in the UK are being monitored.

Our Jamaican manufacturing companies reported growth in both revenue and profit when compared to the same period of 2015. This was due, in part, to the continued high demand for our Jamaican manufactured products as well as favourable raw material prices.

World Brands Services, one of our Jamaican distribution businesses, recorded growth in both revenue and profit. This was as a result of the execution of effective in-trade promotional activities, as well as the

continued strong partnerships with our retail customers which impacted positively on some of our major brands.

The Banking and Investments segment delivered an increase in revenue but a decline in profit over the corresponding period of 2015. First Global Bank (FGB) showed an improvement in revenue over the corresponding period of 2015 driven primarily by higher interest income from a growing loan portfolio. Profits are however lower than the corresponding period of 2015 due to investments that are being made in technology and our branch network to enhance the delivery of our banking products and services. In September, FGB relocated its Liguanea branch to Liguanea Lane Plaza in St. Andrew, Jamaica which now offers a more convenient and comfortable space for our customers to do business. This FGB location forms a part of our digital transformation strategy offering a range of services including Video Teller Machines, Multi-Currency Dispenser and Intelligent Deposit ATM. The location is also home to our new Hi-Lo Liguanea location which is a part of our integrated retail approach that will increase the opportunity for GraceKennedy to cross sell our products and services to different segments of the market.

GraceKennedy Money Services showed strong growth in both revenue and profit for the period over the corresponding period of 2015. Our newly established remittance business in the Cayman Islands has delivered good growth in revenue as we strengthen our presence in this market. The company's Mobile Money product pilot is complete and awaiting final sign off from the Bank of Jamaica. We are very excited about the opportunities that this product will bring to the GraceKennedy Group.

The Insurance segment reported higher revenue and profit for the period over the comparable period of 2015. This was driven by improved performance from Allied Insurance Brokers, our Jamaican insurance brokerage company.

Our Grace & Staff Foundation continues to execute on our "We Care" mantra with the launch of the Marley Music Room at GraceKennedy's Science Technology Engineering and Mathematics (STEM) Centre which is located at Parade Gardens, Downtown Kingston. The Marley Music Room, a collaboration between Grace & Staff Foundation and the Bob Marley Foundation, will introduce the Arts into the existing STEM Programme, exposing our students to the appreciation of music in a way that will expand their horizons. We continue to work in partnership with our communities to further uplift and engage our youth.

As we continue to work to build a stronger GraceKennedy we are fully confident in the team that we have in place, their hard work and dedication is truly a competitive advantage. We remain focused on the execution of our strategies and look forward to continued growth as we work to serve our loyal customers and you, our valued stockholders.



Gordon V. Shirley  
Chairman



Donald G. Wehby  
Group Chief Executive Officer

November 10, 2016

# GraceKennedy Limited

## CONSOLIDATED INCOME STATEMENT NINE MONTHS ENDED 30 SEPTEMBER 2016 (Unaudited)

	3 months to 9/30/2016 \$'000	9 months to 9/30/2016 \$'000	3 months to 9/30/2015 \$'000	9 months to 9/30/2015 \$'000
<b>Continuing operations:</b>				
Revenue	22,530,700	66,650,405	20,464,362	59,737,529
Expenses	(21,609,640)	(63,747,211)	(19,634,457)	(57,746,449)
	921,060	2,903,194	829,905	1,991,080
Other income (Note 4)	416,948	1,952,677	403,465	1,115,991
<b>Profit from Operations</b>	<b>1,338,008</b>	<b>4,855,871</b>	<b>1,233,370</b>	<b>3,107,071</b>
Interest income – non-financial services	97,995	280,207	85,436	254,567
Interest expense – non-financial services	(159,914)	(510,518)	(193,226)	(527,374)
Share of results of associated companies	72,896	373,758	70,078	246,210
<b>Profit before Taxation</b>	<b>1,348,985</b>	<b>4,999,318</b>	<b>1,195,658</b>	<b>3,080,474</b>
Taxation	(350,736)	(1,299,823)	(339,143)	(800,923)
<b>Net Profit for the period from continuing operations</b>	<b>998,249</b>	<b>3,699,495</b>	<b>856,515</b>	<b>2,279,551</b>
<b>Discontinued operations:</b>				
Profit for the period from discontinued operations	-	-	21,793	112,707
<b>Net Profit for the period</b>	<b>998,249</b>	<b>3,699,495</b>	<b>878,308</b>	<b>2,392,258</b>
<b>Profit attributable to:</b>				
<b>Owners of GraceKennedy Limited</b>	<b>850,806</b>	<b>3,306,975</b>	<b>753,573</b>	<b>2,045,536</b>
<b>Non-controlling interests</b>	<b>147,443</b>	<b>392,520</b>	<b>124,735</b>	<b>346,722</b>
	<b>998,249</b>	<b>3,699,495</b>	<b>878,308</b>	<b>2,392,258</b>

### Earnings per Stock Unit from continuing and discontinued operations attributable to the owners of the company during the period (expressed in \$ per stock unit)

<b>Basic:</b>				
From continuing operations	\$0.86	\$3.34	\$0.75	\$1.99
From discontinued operations	\$0.00	\$0.00	\$0.01	\$0.07
From profit for the period	\$0.86	\$3.34	\$0.76	\$2.06
<b>Diluted:</b>				
From continuing operations	\$0.86	\$3.33	\$0.75	\$1.99
From discontinued operations	\$0.00	\$0.00	\$0.01	\$0.07
From profit for the period	\$0.86	\$3.33	\$0.76	\$2.06

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NINE MONTHS ENDED 30 SEPTEMBER 2016

(Unaudited)

	3 months to 9/30/2016 \$'000	9 months to 9/30/2016 \$'000	3 months to 9/30/2015 \$'000	9 months to 9/30/2015 \$'000
Profit for the period	998,249	3,699,495	878,308	2,392,258
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss:</i>				
Losses on revaluation of land and buildings	-	-	(11,177)	(29,064)
Remeasurements of post-employment benefit obligations	313,398	917,262	(529,881)	(1,015,275)
	313,398	917,262	(541,058)	(1,044,339)
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Foreign currency translation adjustments	40,544	(241,578)	43,130	172,414
Fair value gains/(losses)	337,437	595,666	(177,801)	(37,037)
Share of other comprehensive income of associated companies	11,703	81,359	38,470	71,956
	389,684	435,447	(96,201)	207,333
<b>Other comprehensive income for the period, net of tax</b>	<b>703,082</b>	<b>1,352,709</b>	<b>(637,259)</b>	<b>(837,006)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,701,331</b>	<b>5,052,204</b>	<b>241,049</b>	<b>1,555,252</b>
<b>Total comprehensive income attributable to:</b>				
Owners of GraceKennedy Limited	1,551,098	4,641,388	109,199	1,196,398
Non-controlling interests	150,233	410,816	131,850	358,854
	1,701,331	5,052,204	241,049	1,555,252
Total comprehensive income attributable to owners of GraceKennedy Limited arises from:				
Continuing operations	1,551,098	4,641,388	96,537	1,135,461
Discontinued operations	-	-	12,662	60,937
	1,551,098	4,641,388	109,199	1,196,398

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2016

(Unaudited)

	September 30 2016 \$'000	December 31 2015 \$'000	September 30 2015 \$'000
<b>ASSETS</b>			
Cash and deposits	10,794,055	9,901,417	9,203,885
Investment securities	27,945,618	21,760,103	22,418,092
Pledged assets	10,924,259	11,107,139	7,301,449
Receivables	14,329,095	11,578,568	12,325,968
Inventories	10,342,843	10,041,196	9,438,715
Loans receivable	24,452,714	22,595,591	21,441,816
Taxation recoverable	381,821	579,836	729,031
Investments in associates	1,842,197	1,492,080	1,519,770
Investment properties	572,172	532,000	485,193
Intangible assets	4,079,534	4,176,644	4,159,516
Fixed assets	9,514,364	8,544,393	8,144,207
Deferred tax assets	1,036,708	1,019,904	1,077,622
Pension plan asset	6,363,619	5,364,583	4,176,183
Assets of disposal group classified as held for sale	-	-	3,606,494
<b>Total Assets</b>	<b>122,578,999</b>	<b>108,693,454</b>	<b>106,027,941</b>
<b>LIABILITIES</b>			
Deposits	30,300,017	24,258,437	22,906,157
Securities sold under agreements to repurchase	9,362,812	8,641,978	6,298,638
Bank and other loans	13,519,640	13,936,107	13,847,687
Payables	19,453,169	17,216,263	17,253,354
Taxation	701,304	311,600	269,350
Provisions	-	-	6,221
Deferred tax liabilities	1,545,746	1,107,574	927,655
Other post-employment obligations	4,132,965	3,848,433	3,280,487
Liabilities of disposal group classified as held for sale	-	-	2,096,886
<b>Total Liabilities</b>	<b>79,015,653</b>	<b>69,320,392</b>	<b>66,886,435</b>
<b>EQUITY</b>			
<b>Capital &amp; reserves attributable to the company's owners</b>			
Share capital	471,705	567,789	567,789
Capital and fair value reserves	5,736,310	5,132,759	5,315,751
Retained earnings	29,300,182	25,971,707	25,359,122
Banking reserves	2,697,200	2,588,019	2,131,191
Other reserves	3,749,288	3,787,167	3,812,448
	41,954,685	38,047,441	37,186,301
<b>Non-Controlling Interests</b>	<b>1,608,661</b>	<b>1,325,621</b>	<b>1,955,205</b>
<b>Total Equity</b>	<b>43,563,346</b>	<b>39,373,062</b>	<b>39,141,506</b>
<b>Total Equity and Liabilities</b>	<b>122,578,999</b>	<b>108,693,454</b>	<b>106,027,941</b>

Approved for issue by the Board of Directors on 10 November 2016 and signed on its behalf by:

  
Gordon Shirley Chairman

  
Donald Wehby Group Chief Executive Officer

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NINE MONTHS ENDED 30 SEPTEMBER 2016

(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 2015	992,922	588,533	5,185,628	25,092,735	2,083,726	3,582,479	36,533,101	1,711,871	38,244,972
Profit for the period	-	-	-	2,045,536	-	-	2,045,536	346,722	2,392,258
Other comprehensive income for the period	-	-	(63,832)	(1,015,275)	-	229,969	(849,138)	12,132	(837,006)
Total comprehensive income for the period	-	-	(63,832)	1,030,261	-	229,969	1,196,398	358,854	1,555,252
Transactions with owners:									
Issue of shares	51	879	-	-	-	-	879	-	879
Repurchase of shares	(885)	(18,799)	-	-	-	-	(18,799)	-	(18,799)
Purchase of treasury shares	(171)	(2,824)	-	-	-	-	(2,824)	-	(2,824)
Increase in non-controlling interests	-	-	-	-	-	-	-	818	818
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(116,338)	(116,338)
Dividends paid	-	-	-	(522,454)	-	-	(522,454)	-	(522,454)
Total transactions with owners	(1,005)	(20,744)	-	(522,454)	-	-	(543,198)	(115,520)	(658,718)
Transfers between reserves:									
To capital reserves	-	-	193,955	(193,955)	-	-	-	-	-
To banking reserves	-	-	-	(47,465)	47,465	-	-	-	-
Balance at 30 September 2015	991,917	567,789	5,315,751	25,359,122	2,131,191	3,812,448	37,186,301	1,955,205	39,141,506
Balance at 1 January 2016									
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	-	-	-	3,306,975	-	-	3,306,975	392,520	3,699,495
Other comprehensive income for the period	-	-	596,312	917,262	-	(179,161)	1,334,413	18,296	1,352,709
Total comprehensive income for the period	-	-	596,312	4,224,237	-	(179,161)	4,641,388	410,816	5,052,204
Transactions with owners:									
Issue of shares	2,050	37,668	-	-	-	-	37,668	-	37,668
Sale of treasury shares	44	1,858	-	-	-	-	1,858	-	1,858
Purchase of treasury shares	(5,243)	(200,273)	-	-	-	-	(200,273)	-	(200,273)
Transfer of non-controlling interests	-	-	2,132	-	-	-	2,132	(2,132)	-
Employee share option scheme	-	-	-	-	-	18,670	18,670	-	18,670
Transfer of treasury shares to employees	1,902	64,663	14,991	-	-	(79,654)	-	-	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(125,644)	(125,644)
Dividends paid	-	-	-	(594,199)	-	-	(594,199)	-	(594,199)
Total transactions with owners	(1,247)	(96,084)	17,123	(594,199)	-	(60,984)	(734,144)	(127,776)	(861,920)
Transfers between reserves:									
From capital reserves	-	-	(9,884)	9,884	-	-	-	-	-
To banking reserves	-	-	-	(109,181)	109,181	-	-	-	-
To other reserves	-	-	-	(202,266)	-	202,266	-	-	-
Balance at 30 September 2016	990,673	471,705	5,736,310	29,300,182	2,697,200	3,749,288	41,954,685	1,608,661	43,563,346

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

NINE MONTHS ENDED 30 SEPTEMBER 2016

(Unaudited)

	9/30/2016 \$'000	9/30/2015 \$'000
<b>SOURCES/(USES) OF CASH:</b>		
<b>Operating Activities</b> (Note 3)	7,763,093	(1,650,745)
<b>Financing Activities</b>		
Loans received	2,709,847	5,165,151
Loans repaid	(2,376,367)	(3,110,820)
Dividends paid by subsidiary to non-controlling interests	(125,644)	(116,338)
Repurchase of shares	-	(18,799)
Purchase of treasury shares	(200,273)	(2,824)
Sale of treasury shares	1,858	-
Issue of shares	37,668	879
Interest paid – non financial services	(505,809)	(535,726)
Dividends	(594,199)	(522,454)
	(1,052,919)	859,069
<b>Investing Activities</b>		
Additions to fixed assets	(1,584,283)	(765,111)
Proceeds from disposal of fixed assets	23,426	51,813
Additions to investment properties	(40,172)	(1,193)
Additions to investments	(5,451,675)	(1,890,520)
Proceeds from sale of investments	1,846,895	2,427,073
Additions to intangibles	(252,493)	(377,812)
Interest received – non financial services	286,164	278,608
	(5,172,138)	(277,142)
Increase/(decrease) in cash and cash equivalents	1,538,036	(1,068,818)
Cash and cash equivalents at beginning of year	7,074,059	7,909,641
Exchange and translation gains on net foreign cash balances	361,552	38,575
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>8,973,647</b>	<b>6,879,398</b>



# GraceKennedy Limited

## FINANCIAL INFORMATION BY OPERATING SEGMENT

NINE MONTHS ENDED 30 SEPTEMBER 2016

(Unaudited)

9 months to 30 September 2016	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>						
External sales	52,207,480	4,190,930	4,506,151	5,745,844	-	66,650,405
Inter-segment sales	217,549	31,741	358,970	-	(608,260)	-
<b>Total Revenue</b>	<b>52,425,029</b>	<b>4,222,671</b>	<b>4,865,121</b>	<b>5,745,844</b>	<b>(608,260)</b>	<b>66,650,405</b>
<b>RESULT</b>						
Operating results	1,239,886	246,840	649,171	2,258,405	23,368	4,417,670
Unallocated income	-	-	-	-	438,201	438,201
Profit from operations	-	-	-	-	-	4,855,871
Finance income	2,239	45,998	15,397	19,238	197,335	280,207
Finance expense	(342,906)	(94,737)	(7,604)	(24,255)	(41,016)	(510,518)
Share of associates	294,111	75,879	3,768	-	-	373,758
<b>Profit before Taxation</b>	<b>1,193,330</b>	<b>273,980</b>	<b>660,732</b>	<b>2,253,388</b>	<b>617,888</b>	<b>4,999,318</b>
Taxation						(1,299,823)
<b>Net Profit for the period from continuing operations</b>						<b>3,699,495</b>
Attributable to:						
Owners of GraceKennedy Limited						3,306,975
Non-controlling interests						392,520
<b>From continuing operations</b>						<b>3,699,495</b>

9 months to 30 September 2015	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>						
External sales	47,111,426	3,712,435	4,098,771	4,814,897	-	59,737,529
Inter-segment sales	192,702	26,429	397,871	-	(617,002)	-
<b>Total Revenue</b>	<b>47,304,128</b>	<b>3,738,864</b>	<b>4,496,642</b>	<b>4,814,897</b>	<b>(617,002)</b>	<b>59,737,529</b>
<b>RESULT</b>						
Operating results	754,186	374,651	463,963	1,721,858	67,923	3,382,581
Unallocated expense	-	-	-	-	(275,510)	(275,510)
Profit from operations	-	-	-	-	-	3,107,071
Finance income	8,647	46,450	13,701	15,081	170,688	254,567
Finance expense	(337,891)	(109,590)	(7,551)	(776)	(71,566)	(527,374)
Share of associates	184,554	61,235	421	-	-	246,210
<b>Profit before Taxation</b>	<b>609,496</b>	<b>372,746</b>	<b>470,534</b>	<b>1,736,163</b>	<b>(108,465)</b>	<b>3,080,474</b>
Taxation						(800,923)
<b>Net Profit for the period from continuing operations</b>						<b>2,279,551</b>
Attributable to:						
Owners of GraceKennedy Limited						1,980,053
Non-controlling interests						299,498
<b>From continuing operations</b>						<b>2,279,551</b>

# GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
30 SEPTEMBER 2016

## 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 2015.

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 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.

The Retail and Trading operations; which merchandises agricultural supplies, home improvement supplies, and hardware and lumber; is a discontinued operation not presented in the segment results and instead shown in Note 2.

**2. Disposal Group Held for Sale and Discontinued Operations**

On 30 December 2015, the Group disposed of its 58.1% interest in Hardware & Lumber Limited (H&L) which was previously reported under the Retail & Trading operating segment. Prior to the disposal, the assets and liabilities related to H&L were presented as held for sale in the statement of financial position and the results shown as discontinued operations in the income statement.

## 2. Disposal Group Held for Sale and Discontinued Operations (continued)

The following table summarises the assets and liabilities classified as held for sale:

	30 September 2016 \$'000	30 September 2015 \$'000
<b>Assets of disposal group classified as held for sale</b>		
Cash and deposits	-	174,182
Receivables	-	721,393
Inventories	-	1,905,713
Fixed assets	-	714,644
Other assets	-	90,562
<b>Total assets of the disposal group</b>	-	3,606,494
<b>Liabilities of disposal group classified as held for sale</b>		
Bank and other loans	-	263,299
Payables	-	1,486,784
Other post-employment obligations	-	346,803
<b>Total liabilities of the disposal group</b>	-	2,096,886

Income Statement of discontinued operations is as follows:

	9 months to 9/30/2016 \$'000	9 months to 9/30/2015 \$'000
Revenue	-	5,362,130
Expenses	-	(5,260,351)
Other income	-	19,152
Interest income	-	821
Interest expense	-	(16,011)
<b>Profit before Taxation</b>	-	105,741
Taxation	-	6,966
<b>Net Profit from Discontinued Operations</b>	-	112,707

Cash flows from discontinued operations are as follows:

	9/30/2016 \$'000	9/30/2015 \$'000
Operating cash flows	-	34,905
Investing cash flows	-	(35,369)
Financing cash flows	-	24,578

### 3. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	9/30/2016	9/30/2015
	\$'000	\$'000
Net profit	3,699,495	2,392,258
Items not affecting cash:		
Depreciation	646,919	595,942
Amortisation	425,461	439,059
Change in value of investments	(2,014)	-
Gain on disposal of fixed assets	(9,337)	(822)
Gain on disposal of investments	(608,687)	(9,822)
Share options – value of employee services expensed	18,670	-
Exchange (gain)/loss on foreign balances	(481,882)	177,208
Interest income – non financial services	(280,207)	(255,388)
Interest income – financial services	(3,289,641)	(2,950,996)
Interest expense – non financial services	510,518	543,385
Interest expense – financial services	759,585	640,223
Taxation expense	1,299,823	793,957
Unremitted equity income in associates	(268,758)	(181,210)
Pension plan surplus	220,620	98,124
Other post-employment obligations	287,892	207,492
	2,928,457	2,489,410
Changes in working capital components:		
Inventories	(301,647)	(547,253)
Receivables	(2,750,527)	(1,581,218)
Loans receivable, net	(1,558,398)	(3,081,808)
Payables	2,236,907	(312,554)
Deposits	4,971,862	1,351,624
Securities sold under repurchase agreements	497,043	(1,287,736)
	6,023,697	(2,969,535)
Interest received – financial services	3,247,075	3,079,210
Interest paid – financial services	(758,521)	(693,559)
Translation gains/(losses)	60,026	(39,109)
Taxation paid	(809,184)	(1,027,752)
Net cash provided by/(used in) operating activities	7,763,093	(1,650,745)

### 4. Other Income

Included in other income for 2016 is a gain on the disposal of investments of \$608,687,000. A significant portion of this amount relates to the non-recurring gain realised on the liquidation of certain non-operating subsidiaries.

### 5. Stock Split

On 11 July 2016, at an extraordinary general meeting of the company, the shareholders approved the subdivision of each ordinary share into three ordinary shares with effect from 11 August 2016. To facilitate this subdivision of shares, the maximum number of shares that the company is authorised to issue was increased from 400,000,000 to 1,200,000,000. As a result of the stock split, all prior period stock data presented in the interim results have been adjusted to reflect the subdivision.