



INTERIM REPORT

**(NINE MONTHS)
30 SEPTEMBER 2017**

INTERIM REPORT TO OUR STOCKHOLDERS

For the nine months ended September 30, 2017, the GraceKennedy Group achieved revenues of J\$69.3 billion, representing an increase of 4.0% or J\$2.6 billion over the corresponding period of 2016. Net profit for the period was J\$3.75 billion, an increase of J\$51.4 million or 1.4% compared with 2016. Net profit attributable to the stockholders of the Company was 0.2% or J\$8.0 million higher than that of the corresponding period of 2016. Shareholders will recall that in 2016 a non-recurring gain was attributable to the liquidation of non-operating subsidiaries. In 2017 non-recurring gains in the amount of J\$455.0M were recorded in relation to the acquisition of Consumer Brands Limited, which accounted for J\$418.5 million, and the liquidation of non-operating subsidiaries. Without these gains, net profit for the current period would have been higher than the corresponding period of 2016 by 0.7%. The results for the three months ended September 2017 represents a 56.9% increase in net profit over the corresponding period of 2016. Without the one-off gains net profit for the three months ended September 2017 would have increased by 14.6% over the corresponding period of 2016.

The table below summarizes the impact of these non-recurring gains:

	9 months to 9/30/2017 \$'000	9 months to 9/30/2016 \$'000	Change \$'000	Change %
Net Profit After Tax, excluding non-recurring gains	3,295,900	3,274,302	21,598	0.7%
Non-recurring gain on liquidation of non-operating subsidiaries and acquisition of subsidiary	455,018	425,193	29,825	7.0%
Net Profit After Tax, as reported	3,750,918	3,699,495	51,423	1.4%

Earnings per stock unit for the period ended was J\$3.34, the same as it was at the end of the third quarter of 2016. Shareholders' equity increased by J\$2.4 billion to J\$44.4 billion over the nine-month period, which resulted in a book value per share of J\$44.79. The GraceKennedy stock price closed at \$42.87 on September 29, 2017.

The Food Trading segment grew in both revenue and pre-tax profit when compared to the corresponding period of 2016. Revenue and profit performance were primarily driven by our Jamaican foods business.

GraceKennedy Limited completed the acquisition of Jamaican distributor Consumer Brands Limited, effective August 31, 2017. Consumer Brands currently distributes the Proctor and Gamble (P&G) line of products and other international brands. The transition and integration of the company is proceeding as expected.

Hi-Lo Food Stores, our supermarket chain in Jamaica, recently completed the renovation of its Portmore Pines store in the parish of St. Catherine. As part of GraceKennedy's integrated retail approach,

First Global Bank will offer its products and services at this location which will provide our customers with the convenience of doing both their supermarket shopping and their banking at the same location. Hi-Lo Food Stores will continue its renovation project in early 2018 at its Cross Roads store in the parish of St. Andrew before moving to its Spanish Town store in the parish of St. Catherine.

GraceKennedy Foods (USA) LLC, our United States distribution company, experienced growth over the corresponding period of 2016 led by increased sales in Florida and Atlanta. We continue to see growth in Grace branded products across all geographic regions led by Grace Jamaican Patties and our re-imaged Grace Tropical Rhythms beverages. During the quarter, GraceKennedy Foods (USA) LLC hosted La Fe Hispanic Heritage Month Promotions in Publix and Winn Dixie supermarket stores as part of our drive to establish stronger, lasting ties within these chains and in Hispanic communities.

Grace Foods Canada, Inc. experienced growth over the corresponding period of 2016. The performance of our products in mainstream chain stores continues to improve led by double digit growth of our listings in the Walmart chain. Our relationship with Costco has strengthened and we continue to explore additional listing opportunities. During this past quarter, we established a third party logistics operated warehouse location in Western Canada, to better serve the chain stores in that region.

GK Foods (UK) Limited's performance for the period did not meet expectations due to lower sales from our Grace-Owned "Nurishment" branded nutritionally enriched milk drink. To strengthen the marketing support for the Nurishment brand GK Foods UK has partnered with Liverpool and England footballer Daniel Sturridge who, as brand ambassador, will be actively involved in the marketing of Nurishment.

Grace Foods Latin America & Caribbean (GF LACA), our division responsible for food distribution in the Caribbean and Latin America, continues to be affected by the slow recovery of corned beef sales following a ban on the sale and distribution of corned beef in several of our markets earlier this year. In addition to this, our markets in St. Maarten, British Virgin Islands and Dominica were significantly affected by the passage of catastrophic hurricanes Irma and Maria. Our distribution partners in the affected markets are working to have normalcy restored to their operations.

The GraceKennedy Financial Group (GKFG) reported growth in both revenue and pre-tax profit. Growth in revenue was primarily driven by the Banking and Investments segment while growth in pre-tax profit was primarily driven by both the Money Services segment and the Banking and Investments segment.

The Banking and Investments segment achieved growth in revenue and pre-tax profit over the corresponding period of 2016. First Global Bank (FGB) reported strong growth mainly driven by continued growth in net interest income and higher gains on securities sold when compared to the same period in 2016. Lower provisions against loan losses also contributed to the favourable performance as the bank continues to focus on delinquency management. During this quarter, FGB launched its "**First Global Money Link**", providing convenient and inclusive banking solutions to our customers.

First Global Money Link creates a mini branch experience, and will be positioned in retail outlets across Jamaica, starting with our GraceKennedy Money Services (GKMS) locations.

The Insurance segment experienced a decline in both revenue and pre-tax profit for the nine month period when compared to the corresponding period of 2016. The company's performance in the third quarter was affected by reduced investment returns and increased claims activity from Caribbean territories that were affected by hurricanes in September. We are currently assessing the potential impact of claims relating to these hurricanes. GK General Insurance continues to maintain a robust reinsurance programme with highly rated international reinsurers which will lessen the impact of these claims.

The Money Services segment reported growth in both revenue and pre-tax profit over the corresponding period of 2016. The improved performance was attributable to increased transaction volumes in the remittance business most notably in Trinidad and Tobago, Cayman and Guyana. In an effort to provide further oversight for the protection of our customers while strengthening compliance efforts throughout our network of agencies, GraceKennedy Money Services (GKMS) and Western Union temporarily ceased money transfer services at 9 of our more than 140 locations across Jamaica. Since then, 8 of the 9 locations have been reopened. GKMS, Western Union and its agents remain resolute in the fight against fraud and will continue to invest in the technology, infrastructure and processes to support this business.

GraceKennedy Limited announced the retirement of Mr. Douglas Orane from the Board of Directors of FGB on September 19, 2017 after serving as its Chairman since April, 2001. We publicly thank Mr. Orane for his service to the Bank, and his support and guidance to the team at GraceKennedy. We welcomed Mr. Peter Moses who has been appointed Chairman of the Board of FGB. Mr. Moses is a well-known and highly respected career banker who served for many years as Citibank's Country Manager in Jamaica.

In a recent Gleaner-commissioned Bill Johnson poll, GraceKennedy Limited was voted one of two corporate entities that have done the most to create a good image of Jamaica around the world. We will continue to invest significantly in Jamaica and its people as we exemplify and live our "We Care" philosophy.

We extend our deepest sympathies to everyone impacted by natural disasters, including Hurricanes Harvey, Irma and Maria. GraceKennedy will support affected communities and families as they recover and rebuild for the future.

We thank you, our shareholders, employees and customers for your continued commitment, support and trust. We remain committed to the execution of our strategies in a manner that honors our core values of Honesty, Integrity and Trust.



Gordon V. Shirley, O.J.
Chairman



Donald G. Wehby, C.D.
Group Chief Executive Officer

November 9, 2017

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT NINE MONTHS ENDED 30 SEPTEMBER 2017 (Unaudited)

	3 months to 9/30/2017 \$'000	9 months to 9/30/2017 \$'000	3 months to 9/30/2016 \$'000	9 months to 9/30/2016 \$'000
Revenue	22,925,211	69,299,826	22,530,700	66,650,405
Expenses	(21,763,585)	(66,262,770)	(21,609,640)	(63,747,211)
	1,161,626	3,037,056	921,060	2,903,194
Other income (Note 3)	789,298	1,693,179	416,948	1,952,677
Profit from Operations	1,950,924	4,730,235	1,338,008	4,855,871
Interest income – non-financial services	100,285	287,654	97,995	280,207
Interest expense – non-financial services	(165,720)	(500,171)	(159,914)	(510,518)
Share of results of associated companies	97,477	417,701	72,896	373,758
Profit before Taxation	1,982,966	4,935,419	1,348,985	4,999,318
Taxation	(416,863)	(1,184,501)	(350,736)	(1,299,823)
Net Profit for the period	1,566,103	3,750,918	998,249	3,699,495
Profit attributable to:				
Owners of GraceKennedy Limited	1,425,670	3,314,979	850,806	3,306,975
Non-controlling interests	140,433	435,939	147,443	392,520
	1,566,103	3,750,918	998,249	3,699,495

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

Basic	\$1.44	\$3.34	\$0.86	\$3.34
Diluted	\$1.43	\$3.34	\$0.86	\$3.33

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NINE MONTHS ENDED 30 SEPTEMBER 2017

(Unaudited)

	3 months to 9/30/2017 \$'000	9 months to 9/30/2017 \$'000	3 months to 9/30/2016 \$'000	9 months to 9/30/2016 \$'000
Profit for the period	1,566,103	3,750,918	998,249	3,699,495
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss:</i>				
Gains on revaluation of land and buildings	20,697	20,527	-	-
Remeasurements of post-employment benefit obligations	(1,236,059)	(914,696)	313,398	917,262
Share of other comprehensive income of associated companies	-	1,050	-	543
	(1,215,362)	(893,119)	313,398	917,805
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Foreign currency translation adjustments	211,589	268,887	40,544	(241,578)
Fair value gains	197,703	325,777	337,437	595,666
Share of other comprehensive income of associated companies	8,026	10,627	11,703	80,816
	417,318	605,291	389,684	434,904
Other comprehensive income for the period, net of tax	(798,044)	(287,828)	703,082	1,352,709
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	768,059	3,463,090	1,701,331	5,052,204
Total comprehensive income attributable to:				
Owners of GraceKennedy Limited	621,118	3,023,429	1,551,098	4,641,388
Non-controlling interests	146,941	439,661	150,233	410,816
	768,059	3,463,090	1,701,331	5,052,204

GraceKennedy Limited

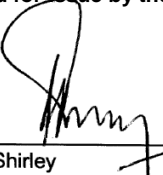
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2017

(Unaudited)

	September 30 2017 \$'000	December 31 2016 \$'000	September 30 2016 \$'000
ASSETS			
Cash and deposits	14,047,584	12,276,647	10,794,055
Investment securities	29,443,393	23,874,246	27,945,618
Pledged assets	7,875,002	15,419,427	10,924,259
Receivables	15,791,934	13,688,237	14,329,095
Inventories	11,131,914	11,461,283	10,342,843
Loans receivable	26,579,237	25,928,057	24,452,714
Taxation recoverable	505,622	424,239	381,821
Investments in associates	1,961,877	1,743,984	1,842,197
Investment properties	584,000	584,000	572,172
Intangible assets	4,500,186	4,024,272	4,079,534
Fixed assets	11,320,895	10,111,671	9,514,364
Deferred tax assets	859,694	801,008	1,036,708
Pension plan asset	5,061,811	6,142,078	6,363,619
Total Assets	129,663,149	126,479,149	122,578,999
LIABILITIES			
Deposits	35,843,387	30,653,888	30,300,017
Securities sold under agreements to repurchase	6,790,497	12,343,432	9,362,812
Bank and other loans	13,130,715	13,242,037	13,519,640
Payables	20,984,356	20,325,181	19,453,169
Taxation	462,839	572,331	701,304
Deferred tax liabilities	1,185,926	1,397,657	1,545,746
Other post-employment obligations	5,032,268	4,406,015	4,132,965
Total Liabilities	83,429,988	82,940,541	79,015,653
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	534,604	534,249	471,705
Capital and fair value reserves	6,175,817	5,805,054	5,736,310
Retained earnings	30,836,471	29,333,152	29,300,182
Banking reserves	2,972,208	2,772,209	2,697,200
Other reserves	3,928,246	3,619,261	3,749,288
	44,447,346	42,063,925	41,954,685
Non-Controlling Interests	1,785,815	1,474,683	1,608,661
Total Equity	46,233,161	43,538,608	43,563,346
Total Equity and Liabilities	129,663,149	126,479,149	122,578,999

Approved for issue by the Board of Directors on 09 November 2017 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 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	-	-	-	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)
Decrease in non-controlling interests on disposal of subsidiary	-	-	2,132	-	-	-	2,132	(2,132)	-
Share-based payments	-	-	-	-	-	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
Balance at 1 January 2017									
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	-	-	-	3,314,979	-	-	3,314,979	435,939	3,750,918
Other comprehensive income for the period	-	-	347,145	(914,696)	-	276,001	(291,550)	3,722	(287,828)
Total comprehensive income for the period	-	-	347,145	2,400,283	-	276,001	3,023,429	439,661	3,463,090
Transactions with owners:									
Sale of treasury shares	75	3,027	-	-	-	-	3,027	-	3,027
Purchase of treasury shares	(306)	(10,840)	-	-	-	-	(10,840)	-	(10,840)
Share-based payments	-	-	-	-	-	42,720	42,720	-	42,720
Transfer of treasury shares to employees	239	8,168	1,568	-	-	(9,736)	-	-	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(128,529)	(128,529)
Dividends paid	-	-	-	(674,915)	-	-	(674,915)	-	(674,915)
Total transactions with owners	8	355	1,568	(674,915)	-	32,984	(640,008)	(128,529)	(768,537)
Transfers between reserves:									
To capital reserves	-	-	22,050	(22,050)	-	-	-	-	-
To banking reserves	-	-	-	(199,999)	199,999	-	-	-	-
Balance at 30 September 2017	992,387	534,604	6,175,817	30,836,471	2,972,208	3,928,246	44,447,346	1,785,815	46,233,161

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

NINE MONTHS ENDED 30 SEPTEMBER 2017

(Unaudited)

	9/30/2017 \$'000	9/30/2016 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities (Note 2)	2,332,795	7,763,093
Financing Activities		
Loans received	2,707,553	2,709,847
Loans repaid	(2,271,813)	(2,376,367)
Dividends paid by subsidiary to non-controlling interests	(128,529)	(125,644)
Purchase of treasury shares	(10,840)	(200,273)
Sale of treasury shares	3,027	1,858
Issue of shares	-	37,668
Interest paid – non financial services	(494,945)	(505,809)
Dividends	(674,915)	(594,199)
	(870,462)	(1,052,919)
Investing Activities		
Additions to fixed assets	(1,897,461)	(1,584,283)
Proceeds from disposal of fixed assets	35,911	23,426
Additions to investment properties	-	(40,172)
Additions to investments	(4,331,395)	(5,451,675)
Cash outflow on acquisition of subsidiaries	(138,740)	-
Proceeds from sale of investments	6,900,463	1,846,895
Net proceeds from disposal of associated company	55,506	-
Additions to intangibles	(161,964)	(252,493)
Interest received – non financial services	298,480	286,164
	760,800	(5,172,138)
Increase in cash and cash equivalents	2,223,133	1,538,036
Cash and cash equivalents at beginning of year	10,310,801	7,074,059
Exchange and translation gains on net foreign cash balances	201,253	361,552
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12,735,187	8,973,647

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT

NINE MONTHS ENDED 30 SEPTEMBER 2017

(Unaudited)

9 months to 30 September 2017	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	54,344,188	4,527,493	4,383,787	6,044,358	-	69,299,826
Inter-segment sales	140,332	35,367	355,761	-	(531,460)	-
Total Revenue	54,484,520	4,562,860	4,739,548	6,044,358	(531,460)	69,299,826

RESULT						
Operating results	1,351,878	402,081	508,545	2,458,560	22,865	4,743,929
Unallocated expense	-	-	-	-	(13,694)	(13,694)
Profit from operations	-	-	-	-	-	4,730,235
Finance income	12,998	41,341	15,992	15,284	202,039	287,654
Finance expense	(397,235)	(63,470)	(1,520)	(824)	(37,122)	(500,171)
Share of associates	328,073	90,160	(532)	-	-	417,701
Profit before Taxation	1,295,714	470,112	522,485	2,473,020	174,088	4,935,419
Taxation						(1,184,501)
Net Profit for the period						3,750,918

Attributable to:

Owners of GraceKennedy Limited	3,314,979
Non-controlling interests	435,939
	3,750,918

9 months to 30 September 2016	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
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)	-
Total Revenue	52,425,029	4,222,671	4,865,121	5,745,844	(608,260)	66,650,405

RESULT						
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
Profit before Taxation	1,193,330	273,980	660,732	2,253,388	617,888	4,999,318
Taxation						(1,299,823)
Net Profit for the period						3,699,495

Attributable to:

Owners of GraceKennedy Limited	3,306,975
Non-controlling interests	392,520
	3,699,495

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 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; and lease financing.
- *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:

	9/30/2017 \$'000	9/30/2016 \$'000
Net profit	3,750,918	3,699,495
Items not affecting cash:		
Depreciation	716,453	646,919
Amortisation	426,411	425,461
Change in value of investments	(94)	(2,014)
Gain on disposal of fixed assets	(8,449)	(9,337)
Gain on disposal of investments	(45,699)	(608,687)
Gain on acquisition of subsidiary	(418,460)	-
Share options – value of employee services expensed	42,720	18,670
Exchange gain on foreign balances	(68,667)	(481,882)
Interest income – non financial services	(287,654)	(280,207)
Interest income – financial services	(3,451,386)	(3,289,641)
Interest expense – non financial services	500,171	510,518
Interest expense – financial services	795,388	759,585
Taxation expense	1,184,501	1,299,823
Unremitted equity income in associates	(279,004)	(268,758)
Pension plan surplus	132,807	220,620
Other post-employment obligations	354,120	287,892
	3,344,076	2,928,457
Changes in working capital components:		
Inventories	573,532	(301,647)
Receivables	(1,801,771)	(2,750,527)
Loans receivable, net	(549,557)	(1,558,398)
Payables	33,286	2,236,907
Deposits	4,864,271	4,971,862
Securities sold under repurchase agreements	(5,597,513)	497,043
	866,324	6,023,697
Interest received – financial services	3,523,814	3,247,075
Interest paid – financial services	(821,430)	(758,521)
Translation gains	174,086	60,026
Taxation paid	(1,409,999)	(809,184)
Net cash provided by operating activities	2,332,795	7,763,093

3. Other Income

Included in other income is a gain on the acquisition of subsidiary of \$418,460,000 (2016: \$Nil) and a gain on the disposal of investments of \$45,699,000 (2016: \$608,687,000). For the gain on disposal of investments in both years, a significant portion of the amounts related to non-recurring gains realised on the liquidation of certain non-operating subsidiaries.

4. Business Combination

On 31 August 2017, the Group acquired 100% of the share capital of Consumer Brands Limited, a distributor of recognised international and local third party branded household products in Jamaica. The acquisition has expanded the range of branded products that the Group distributes in Jamaica and complements the Group's expertise in managing top tier brands and deep distribution channels.

The purchase consideration comprised of an initial payment on the date of acquisition with the balance payable subsequent to the quarter end as well as contingent consideration payable. The contingent consideration is dependent on the nature of the ongoing arrangement with certain principals and the collection of receivables from customers.

The acquired business contributed revenues of \$211 million and net profit of \$22 million to the Group since being acquired.

A gain of \$418 million was realised on the acquisition due to the value of intangible assets acquired, being supplier and customer relationships, exceeding the premium paid above book value. The gain is shown in Other Income in the Income Statement.

The following table summarises the purchase consideration, net assets acquired and gain on acquisition:

	9/30/2017
	\$'000
Purchase consideration:	
Cash paid	496,330
Balance due including contingent consideration	611,840
Total purchase consideration	1,108,170
Assets and liabilities arising from the acquisition:	
Cash and cash equivalents	357,590
Intangible assets: supplier & customer relationships	637,000
Inventories	244,163
Trade and other receivables	301,926
Trade and other payables	(14,049)
Fair value of net assets acquired	1,526,630
Gain on acquisition of subsidiary	(418,460)
Purchase consideration settled in cash	
Cash and cash equivalents in business acquired	(357,590)
Cash outflow on acquisition	138,740