



INTERIM REPORT

**(NINE MONTHS)
30 SEPTEMBER 2020**

INTERIM REPORT TO OUR STOCKHOLDERS

The GraceKennedy Group reported a significantly improved performance for the third quarter of 2020, with revenue of J\$29.59 billion and net profit of J\$1.88 billion, relative to the corresponding period of 2019 that produced J\$25.54 billion in revenue and J\$1.44 billion in net profit. Profit before tax for the three-month period was J\$914.1 million or 48.8% higher than the corresponding period of 2019.

For the nine-months ended September 30, 2020, the GraceKennedy Group achieved revenues of J\$86.1 billion, representing an increase of 11.8% or J\$9.09 billion over the corresponding period of 2019. Profit before other income for the nine-month period was J\$5.12 billion, 77.8% or J\$2.24 billion higher than that of the corresponding period of 2019, indicating significant gains in our operating margin. Profit before tax for the nine-month period was J\$7.31 billion, 51.5% or J\$2.49 billion higher than that of the corresponding period of 2019. Net profit after tax for the nine-month period was J\$4.93 billion, an increase of J\$1.22 billion or 32.9% relative to the corresponding period of 2019. There were no one-off gains represented in our results for the reporting period. Earnings per stock unit for the period was J\$4.47 (2019: J\$3.30).

Over the nine-month period, stockholders' equity increased by J\$4.17 billion to J\$56.50 billion.

The Group expects to meet its financial targets for 2020 while achieving improved operating performance. Overall, the Group continues to perform well despite the COVID-19 pandemic and its economic impact globally. In an effort to address the high level of uncertainty associated with the virus, especially with spikes in the number of confirmed cases in certain markets, we have taken various initiatives to manage risks. These initiatives include ensuring our international supply chain remains strong with effective inventory and liquidity management, offering new delivery channels for both products and services, and improving our efficiencies to better manage costs.

Performance of Business Segments

The Food Trading segment recorded improved revenue and profitability for the reporting period when compared to the corresponding period of 2019 mainly as a result of the performance of our international food businesses. Results produced by GK Foods (USA) LLC were particularly strong.

Our Jamaican foods distribution business also recorded strong performance, with notable improvement in revenue, operating margins and pre-tax profits. All core products reported higher sales when compared to the corresponding period of 2019 with some showing double-digit growth. Our Caribbean Choice brand has also recorded double digit growth year-to-date (YTD), and we continue to support this brand, acknowledging the challenges consumers are experiencing given the current economic climate.

Our chain of supermarkets in Jamaica, Hi-Lo Foods Stores, showed an increase in revenue over the corresponding period of the prior year attributable to growth in all core categories and a revamped product mix. The chain's YTD profitability was also noteworthy, coming in above budget and above the corresponding period of prior year. Upgrades to our stores will continue in 2021, along with the move of our Negril supermarket to a newly built location, which is expected to improve the customer experience.

Consumer Brands Limited delivered a creditable profit before tax when compared to the corresponding period of the prior year as growth in some key products was recorded. The entity will continue to focus on increasing visibility of the entire range of products and enhancing strategic partnerships.

Among our manufacturing companies, Grace Agro Processors (GAP) Hounslow and GAP Denbigh recorded strong performance contributing to an improvement in the overall profit before tax for GK Foods & Services. We supported Jamaican farmers through significant purchases of their produce, as they have been experiencing challenges due to reduced demand as a result of the COVID19 pandemic. The meat plant continues to enjoy record production, given the increased demand both locally and internationally. Strategies to improve efficiencies remain a priority and in this vein the construction of a new warehouse at our Canning Division in Kingston, Jamaica should be completed shortly. Additionally, Dairy Industries Jamaica Limited (DIJL) has resumed work on a new yogurt product line. In keeping with the mandate to foster strategic partnerships, DIJL recently formalized an agreement with Nestle to produce Nestle's Everyday Milk Powder at DIJL's factory. The increased production output will also improve the operational efficiency of that factory.

GK Foods International exceeded both its revenue and profit before tax overall targets for the third quarter and YTD with all markets showing revenue growth versus the corresponding period of 2019.

GraceKennedy Foods (USA) LLC recorded another period of strong performance in the third quarter, buoyed by elevated demand and expanded distribution channels. Sustained management of operating expenses coupled with improved margins have also been important drivers of the company's performance. YTD revenue growth for the Grace brand remained strong, partially fueled by the "Chill and Grill" Promotion held in July, and a generally positive market response to key products. We also note that the La Fe brand saw some growth partially attributed to an improvement in supply reliability. This company is expected to sustain positive results for the remainder of the year.

Grace Foods UK's performance reflected encouraging revenue growth, and a rebound in the Food Service sector as lockdown measures were temporarily eased. Profit before tax for the nine-month period also reflected marked improvement, attributed to tightly managed operating expenses and improved margins. The Nurishment brand continues to show recovery, supported by a new listing in Waitrose and a relisting in Sainsbury. Grace, Encona and Dunns River brands are also reflecting consistent growth YTD. A reintroduction of lockdown measures in the UK will temper the recovery in Food Services and export business to mainland Europe, however our focus will remain on cost containment and maximising margin gains in all other areas of the business.

Grace Foods Canada Inc. has remained consistent in its performance, despite the current second wave of the COVID-19 pandemic being experienced. The Grace brands continue to record strong growth which has positively impacted revenues YTD. This company will continue to focus on the containment of operating expenses.

The GraceKennedy Financial Group continues to show strong YTD growth in both revenue and profit over the comparable period last year, amidst the effects of the global pandemic. Drivers of growth include the recent additions to our insurance portfolio and the strong performance of our general insurance and local remittance businesses.

Our first GKONE Cashless Digital Store is now open on the first floor of the new GraceKennedy Headquarters. The location is the first of its kind, offering the full range of services in a digital format including Bill Payments, Currency Trading, Insurance, Banking, Loans and Remittances. We are pleased with the level of interest and take up ahead of the activation of our marketing campaign. A new GKONE location was recently opened in Port Maria, St. Mary, Jamaica bringing the total number of these stores to 15.

The Banking and Investments segment was largely impacted by the effect of the global pandemic on the economy, resulting in a marginal increase in YTD revenue over the corresponding period of the prior year. Growth was however recorded in the loan and deposit portfolio as the team continues to drive business development. First Global Bank Limited remains focused on building customer relationships and successfully hosted a virtual town hall discussion, engaging a large number of clients and potential clients.

The Insurance segment reported a marked increase in revenue for the nine-month period compared to the corresponding period in 2019. Key Insurance, our new acquisition, has reported encouraging results under the leadership of its new management team. Portfolio growth will be the focus for the remainder of the year and a marketing campaign to reconnect with its clients has been launched. GK General Insurance Company Limited reported growth in revenue YTD, when compared with the corresponding period of the prior year. The company also recently launched a new online channel allowing for increased self-service as customers adapt to a more digital environment.

The Money Services segment recorded a significant increase in pre-tax profit for the nine-month reporting period compared to the corresponding period of 2019. This performance was driven largely by the performance in Jamaica and Guyana. The business continues to drive digital alternatives which have shown a YTD increase of over 220% in the number of customers registered digitally and a 400% increase in Western Union (WU) digital transactions. Our digital strategy will expand safe, convenient offerings for our remittance customers, throughout our major territories. GraceKennedy Remittance Services Limited in Jamaica will be celebrating its 30th anniversary in November. The celebrations, which will begin in Q4 2020 and continue into 2021, will include a marketing campaign highlighting WU's contribution to Jamaica over the last thirty years and showcase our digital services.

As part of its strategic initiatives, the Group is intent on embracing digitization and leveraging inorganic growth opportunities. To this end, two new business units have been established, Digital Transformation and Mergers and Acquisitions.

More than ever, the support provided by GraceKennedy Limited has been crucial to the well-being of individuals and communities within which we operate, locally and internationally as a protracted COVID-19 environment looms. In Jamaica, we continue to invest in our youth. In keeping with this, the GraceKennedy Foundation awarded scholarships valued at J\$21.5 million to 92 university students for the 2020-2021 academic year. An even greater need for food security has become evident and as such the GraceKennedy Foundation through its GK Campus Connect Food Bank has been assisting students at the University of the West Indies, Mona Campus and the University of Technology in Jamaica with food packages worth J\$7.5 million YTD. Our Foods Division and external partners continue to commit food items in support of this initiative. Our scholarship beneficiaries have recently launched “Ace it with Grace”, an online tutoring service that caters to all age groups, a well needed offering as students attempt to navigate the virtual learning space.

The Grace & Staff Community Development Foundation also continues to provide support to the community, with the increased need that has surfaced during the COVID-19 pandemic, as we embody our “We Care” mantra. This Foundation has provided scholarships and other support to over 850 students YTD and is moving closer to achieving its target of assisting 1,000 students in Jamaica by 2022. In addition to our donation last quarter of J\$5 million towards the purchase of over 200 tablets and laptops for students and teachers, GraceKennedy Limited through its “GK Cares -Tools for Schools” initiative, will be donating an additional J\$5 million towards the purchase of digital devices for students, with a special allocation being made for tertiary level students.

Internally, the GraceKennedy Foundation held its first virtual Carlton Alexander Awards ceremony where 500 high school and tertiary students, children of staff members, were awarded bursaries for the 2020-2021 school year totaling J\$1.5 million. Additionally, GraceKennedy Limited helped to facilitate the purchase of tablet computers and laptops at a discount by GK staff to properly equip their own children for the virtual classroom. GK’s ongoing support in these ways, during this challenging time underscores our commitment to Jamaica and passion for education.

The strength and commitment of the entire GraceKennedy team have never been more evident and for this we are truly grateful. The value of the diversification of our business lines and the global reach of products and services combined with the positive reputation, as good corporate citizens, that we have worked hard to earn with pride and humility over the years are reflected in the results for this period.

As we continue to navigate these unprecedented times arising from the COVID 19 pandemic, GraceKennedy Limited encourages everyone to take care of each other and stay safe by washing your hands, wearing your mask and practicing social distancing. We also take this opportunity to thank all our stakeholders for their continued support and trust in our mission, even amid this global pandemic, to realize our vision of becoming a Global Consumer Group, guided always by our core principles of Honesty, Integrity and Trust.



Gordon V. Shirley, OJ
Chairman



Donald G. Wehby, CD
Group Chief Executive Officer

November 5, 2020

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT NINE MONTHS ENDED 30 SEPTEMBER 2020 (Unaudited)

	3 months to 9/30/2020 \$'000	9 months to 9/30/2020 \$'000	3 months to 9/30/2019 \$'000	9 months to 9/30/2019 \$'000
Revenue from products and services	28,504,398	82,879,185	24,469,925	73,928,195
Interest revenue	1,090,082	3,246,913	1,073,975	3,105,207
Revenues (Note 2)	29,594,480	86,126,098	25,543,900	77,033,402
Direct and operating expenses	(27,413,281)	(80,375,004)	(24,154,185)	(73,790,552)
Net impairment losses on financial assets	(127,798)	(629,790)	(162,385)	(362,281)
Expenses	(27,541,079)	(81,004,794)	(24,316,570)	(74,152,833)
Profit before other income	2,053,401	5,121,304	1,227,330	2,880,569
Other income	772,719	2,269,054	736,363	1,927,075
Profit from Operations	2,826,120	7,390,358	1,963,693	4,807,644
Interest income – non-financial services	127,852	351,313	111,374	322,784
Interest expense – non-financial services	(290,436)	(843,873)	(288,083)	(761,382)
Share of results of associates and joint ventures	122,759	409,684	85,169	453,432
Profit before Taxation	2,786,295	7,307,482	1,872,153	4,822,478
Taxation	(902,300)	(2,373,020)	(430,595)	(1,109,170)
Net Profit for the period	1,883,995	4,934,462	1,441,558	3,713,308
Profit attributable to:				
Owners of GraceKennedy Limited	1,678,144	4,424,534	1,259,756	3,271,203
Non-controlling interests	205,851	509,928	181,802	442,105
	1,883,995	4,934,462	1,441,558	3,713,308

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

Basic	\$1.69	\$4.47	\$1.27	\$3.30
Diluted	\$1.69	\$4.45	\$1.27	\$3.29

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NINE MONTHS ENDED 30 SEPTEMBER 2020

(Unaudited)

	3 months to 9/30/2020 \$'000	9 months to 9/30/2020 \$'000	3 months to 9/30/2019 \$'000	9 months to 9/30/2019 \$'000
Profit for the period	1,883,995	4,934,462	1,441,558	3,713,308
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss:</i>				
Gains on revaluation of land and buildings	-	-	18,099	17,908
Changes in fair value of equity instruments at fair value through other comprehensive income	(129,971)	(352,292)	(6,257)	593,896
Remeasurements of post-employment benefit obligations	(37,218)	367,624	191,684	3,754,469
Share of other comprehensive income of associates and joint ventures	-	29,310	-	(5,587)
	(167,189)	44,642	203,526	4,360,686
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Foreign currency translation adjustments	246,981	890,259	280,066	707,548
Changes in fair value of debt instruments at fair value through other comprehensive income	216,148	(158,423)	129,695	418,025
Share of other comprehensive income of associates and joint ventures	22,539	108,077	35,861	64,047
	485,668	839,913	445,622	1,189,620
Other comprehensive income for the period, net of tax	318,479	884,555	649,148	5,550,306
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,202,474	5,819,017	2,090,706	9,263,614
Total comprehensive income attributable to:				
Owners of GraceKennedy Limited	1,994,812	5,276,174	1,893,133	8,793,990
Non-controlling interests	207,662	542,843	197,573	469,624
	2,202,474	5,819,017	2,090,706	9,263,614

GraceKennedy Limited

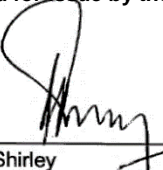
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

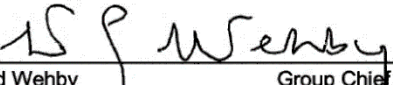
30 SEPTEMBER 2020

(Unaudited)

	September 30 2020 \$'000	December 31 2019 \$'000	September 30 2019 \$'000
ASSETS			
Cash and deposits	22,719,287	14,627,178	14,178,342
Investment securities	32,592,592	30,666,623	34,050,448
Pledged assets	7,357,192	9,227,048	7,087,602
Receivables	19,605,866	15,908,616	16,874,040
Inventories	12,558,028	13,315,155	12,424,116
Loans receivable	31,804,705	30,677,003	28,700,819
Taxation recoverable	790,475	775,786	647,406
Investments in associates and joint ventures	3,989,875	3,511,934	3,259,500
Investment properties	968,150	665,000	628,000
Intangible assets	4,471,384	4,012,945	4,058,459
Fixed assets	24,143,096	24,074,325	23,734,580
Deferred tax assets	1,600,577	1,142,161	1,357,319
Pension plan asset	4,925,359	5,821,549	7,478,787
Assets classified as held for sale	302,791	280,558	318,135
Total Assets	167,829,377	154,705,881	154,797,553
LIABILITIES			
Deposits	39,978,781	35,805,361	36,599,325
Securities sold under agreements to repurchase	5,436,294	7,892,207	6,038,413
Bank and other loans	24,898,963	24,032,254	25,020,495
Payables	30,252,937	24,408,190	23,473,804
Taxation	1,287,534	459,191	670,104
Provisions	41,964	37,779	56,773
Deferred tax liabilities	1,404,855	1,559,686	2,028,972
Other post-employment obligations	5,042,398	5,799,526	6,202,904
Total Liabilities	108,343,726	99,994,194	100,090,790
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	347,426	457,170	496,819
Capital and fair value reserves	6,769,023	7,234,527	7,241,503
Retained earnings	41,853,040	38,501,844	38,350,947
Banking reserves	3,620,711	3,220,711	3,120,711
Other reserves	3,909,709	2,912,158	3,053,325
Equity attributable to owners of the company	56,499,909	52,326,410	52,263,305
Non-Controlling Interests	2,985,742	2,385,277	2,443,458
Total Equity	59,485,651	54,711,687	54,706,763
Total Equity and Liabilities	167,829,377	154,705,881	154,797,553

Approved for issue by the Board of Directors on 5 November 2020 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 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	-	-	-	3,271,203	-	-	3,271,203	442,105	3,713,308
Other comprehensive income for the period	-	-	1,024,242	3,754,469	-	744,076	5,522,787	27,519	5,550,306
Total comprehensive income for the period	-	-	1,024,242	7,025,672	-	744,076	8,793,990	469,624	9,263,614
Transactions with owners:									
Issue of shares	94	2,644	-	-	-	-	2,644	-	2,644
Sale of treasury shares	178	10,885	-	-	-	-	10,885	-	10,885
Purchase of treasury shares	(1,380)	(90,995)	-	-	-	-	(90,995)	-	(90,995)
Share-based payments charged	-	-	-	-	-	99,666	99,666	-	99,666
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	1,902	83,619	33,054	-	-	(115,453)	1,220	(1,220)	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(99,274)	(99,274)
Dividends paid	-	-	-	(1,142,072)	-	-	(1,142,072)	-	(1,142,072)
Total transactions with owners	799	6,465	33,054	(1,142,072)	-	(42,559)	(1,145,112)	(101,131)	(1,246,243)
Transfers between reserves:									
From capital reserves	-	-	(162,631)	162,631	-	-	-	-	-
To banking reserves	-	-	-	(1,844)	1,844	-	-	-	-
Balance at 30 September 2019	992,664	496,819	7,241,503	38,350,947	3,120,711	3,053,325	52,263,305	2,443,458	54,706,763
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	-	-	-	4,424,534	-	-	4,424,534	509,928	4,934,462
Other comprehensive income for the period	-	-	(478,105)	367,624	-	962,121	851,640	32,915	884,555
Total comprehensive income for the period	-	-	(478,105)	4,792,158	-	962,121	5,276,174	542,843	5,819,017
Transactions with owners:									
Issue of shares	8	339	-	-	-	-	339	-	339
Sale of treasury shares	63	3,657	-	-	-	-	3,657	-	3,657
Purchase of treasury shares	(2,856)	(171,728)	-	-	-	-	(171,728)	-	(171,728)
Transfer of non-controlling interests	-	-	-	-	-	-	-	163,888	163,888
Share-based payments charged	-	-	-	-	-	129,995	129,995	-	129,995
Share-based payments exercised	-	-	-	-	-	(24,182)	(24,182)	(87)	(24,269)
Transfer of treasury shares to employees	976	57,988	12,561	-	-	(70,383)	166	(166)	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(106,013)	(106,013)
Dividends paid	-	-	-	(1,040,922)	-	-	(1,040,922)	-	(1,040,922)
Total transactions with owners	(1,809)	(109,744)	12,561	(1,040,922)	-	35,430	(1,102,675)	57,622	(1,045,053)
Transfers between reserves:									
To capital reserves	-	-	40	(40)	-	-	-	-	-
To banking reserves	-	-	-	(400,000)	400,000	-	-	-	-
Balance at 30 September 2020	990,297	347,426	6,769,023	41,853,040	3,620,711	3,909,709	56,499,909	2,985,742	59,485,651

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

NINE MONTHS ENDED 30 SEPTEMBER 2020

(Unaudited)

	9/30/2020 \$'000	9/30/2019 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities (Note 3)	9,719,748	3,090,150
Financing Activities		
Loans received	10,475,951	3,762,310
Loans repaid	(10,821,116)	(4,358,439)
Dividends paid by subsidiary to non-controlling interests	(106,013)	(99,274)
Purchase of treasury shares	(171,728)	(90,995)
Sale of treasury shares	3,657	10,885
Issue of shares	339	2,644
Exercise of share based payments	(24,269)	(27,097)
Interest paid – non financial services	(830,252)	(771,014)
Dividends	(1,040,922)	(1,142,072)
	(2,514,353)	(2,713,052)
Investing Activities		
Additions to fixed assets	(912,450)	(2,299,403)
Proceeds from disposal of fixed assets	32,181	47,784
Additions to assets held for sale	-	(31,234)
Additions to investments	(5,562,855)	(4,272,212)
Cash inflow on acquisition of subsidiary	448,621	-
Cash outflow on purchase of interest in associates and joint ventures	(107,500)	(178,323)
Proceeds from sale of investments	6,337,576	5,337,305
Additions to intangibles	(271,570)	(203,727)
Interest received – non financial services	343,339	301,920
	307,342	(1,297,890)
Increase/(decrease) in cash and cash equivalents	7,512,737	(920,792)
Cash and cash equivalents at beginning of year	13,858,915	12,278,198
Exchange and translation gains on net foreign cash balances	478,317	305,173
CASH AND CASH EQUIVALENTS AT END OF PERIOD	21,849,969	11,662,579

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT

NINE MONTHS ENDED 30 SEPTEMBER 2020

(Unaudited)

9 months to 30 September 2020	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	67,904,746	4,676,512	7,068,938	6,475,902	-	86,126,098
Inter-segment sales	166,833	35,374	583,229	-	(785,436)	-
Total Revenue	68,071,579	4,711,886	7,652,167	6,475,902	(785,436)	86,126,098
RESULT						
Operating results	3,236,715	505,479	836,526	3,094,992	35,135	7,708,847
Unallocated expense	-	-	-	-	(318,489)	(318,489)
Profit from operations	-	-	-	-	-	7,390,358
Finance income	7,322	7,579	20,110	16,986	299,316	351,313
Finance expense	(575,980)	(53,594)	(6,710)	(96,625)	(110,964)	(843,873)
Share of associates and joint ventures	279,986	136,093	(6,395)	-	-	409,684
Profit before Taxation	2,948,043	595,557	843,531	3,015,353	(95,002)	7,307,482
Taxation						(2,373,020)
Net Profit for the period						4,934,462
Attributable to:						
Owners of GraceKennedy Limited						4,424,534
Non-controlling interests						509,928
						4,934,462

9 months to 30 September 2019	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	61,145,462	4,562,852	5,540,309	5,784,779	-	77,033,402
Inter-segment sales	152,865	25,458	417,012	-	(595,335)	-
Total Revenue	61,298,327	4,588,310	5,957,321	5,784,779	(595,335)	77,033,402
RESULT						
Operating results	1,727,696	573,183	801,530	2,380,552	18,341	5,501,302
Unallocated expense	-	-	-	-	(693,658)	(693,658)
Profit from operations	-	-	-	-	-	4,807,644
Finance income	17,460	14,909	14,787	12,816	262,812	322,784
Finance expense	(559,104)	(53,392)	(6,341)	(45,840)	(96,705)	(761,382)
Share of associates and joint ventures	397,166	100,024	(43,758)	-	-	453,432
Profit before Taxation	1,583,218	634,724	766,218	2,347,528	(509,210)	4,822,478
Taxation						(1,109,170)
Net Profit for the period						3,713,308
Attributable to:						
Owners of GraceKennedy Limited						3,271,203
Non-controlling interests						442,105
						3,713,308

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS 30 SEPTEMBER 2020

Notes

1. Accounting Policies

(a) Basis of preparation

This condensed consolidated interim financial report for the reporting period ended 30 September 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	77,131,288	69,551,455
Services transferred over time	91,634	98,808
Revenue from insurance contracts	5,656,263	4,277,932
Interest revenue	3,246,913	3,105,207
	86,126,098	77,033,402

3. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	9/30/2020	9/30/2019
	\$'000	\$'000
Net profit	4,934,462	3,713,308
Items not affecting cash:		
Depreciation	1,909,780	1,643,084
Amortisation	389,526	407,036
Impairment charge	4,967	-
Change in value of investments	216,099	(155,337)
(Gain)/loss on disposal of fixed assets	(2,128)	14,339
Gain on disposal of investments	(5,167)	(5,621)
Share-based payments	129,995	99,666
Exchange gain on foreign balances	(394,472)	(1,277,000)
Interest income – non financial services	(351,313)	(322,784)
Interest income – financial services	(3,505,194)	(3,310,191)
Interest expense – non financial services	843,873	761,382
Interest expense – financial services	485,834	583,628
Taxation expense	2,373,020	1,109,170
Unremitted equity income in associates and joint ventures	(233,053)	(235,845)
Pension plan surplus	198,945	523,176
Other post-employment obligations	430,284	393,138
	7,425,458	3,941,149
Changes in working capital components:		
Inventories	757,127	359,945
Receivables	(2,168,792)	(1,647,617)
Loans receivable, net	(471,323)	(1,843,649)
Payables	2,671,711	272,119
Deposits	2,824,809	1,232,872
Securities sold under repurchase agreements	(2,823,253)	(1,430,167)
Provisions	4,184	56,773
	8,219,921	941,425
Interest received – financial services	3,404,604	3,369,150
Interest paid – financial services	(487,224)	(553,767)
Translation gains	433,345	460,216
Taxation paid	(1,850,898)	(1,126,874)
Net cash provided by operating activities	9,719,748	3,090,150

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

Amounts represent bank and other loans, excluding bank overdrafts

	9/30/2020	9/30/2019
	\$'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	345,461	2,239,000
Loans received	10,475,951	3,762,310
Loans repaid	(10,821,116)	(4,358,439)
Foreign exchange adjustments	744,608	511,733
Net interest movements	20,750	(16,658)
At end of period	24,029,645	22,504,732

4. Taxation

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 for the period 2010 to 2016 was assessed by the GRA to be the equivalent of J\$252,604,000, 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 was 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 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 in respect of years of income 2010 to 2016, and reversing the decision of the judge in chambers. Having regard to the present ruling, a provision for the potential tax exposure has been made in the financial statements, however the company is in the process of filing 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:

	9/30/2020
	\$'000
Purchase consideration: Cash paid	490,616
Fair value of net assets acquired	(470,942)
Non- controlling interest	163,888
Goodwill on acquisition	183,562
Purchase consideration settled in cash	(490,616)
Cash and cash equivalents in business acquired	939,237
Cash inflow on acquisition	448,621

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

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

6. Impact of Covid-19

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

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

Credit Risk

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

Price Risk

The Group is exposed to price risk in relation to quoted equities and bonds carried at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The decline in stock market indices and bond prices has resulted in fair value losses of \$216,099,000, which have been recognised in profit or loss, and fair value losses of \$507,416,000 (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.