



INTERIM REPORT

**(THREE MONTHS)
31 MARCH 2016**

INTERIM REPORT TO OUR SHAREHOLDERS

The Directors are pleased to present the unaudited results of the Group for the three months ended March 31, 2016. The Group achieved revenue for the period of J\$22.1 billion, representing an increase of 14.3% or J\$2.8 billion over the corresponding period of 2015. Net profit attributable to the shareholders of the Company for the first quarter of 2016 was 153.1% higher than that of the corresponding period last year. During the quarter a non-recurring gain was realised on the dissolution of some non-operating subsidiaries. Without this gain net profit attributable to the shareholders of the Company would have increased by 81.2%, reflecting the strong performance from operations, in particular our Food Trading and Money Services businesses. Year to date profit from continuing operations increased by J\$958.1 million or 150.4% compared with the corresponding period of 2015, moving from J\$637.1 million to J\$1.6 billion. The earnings per stock unit from continuing operations as at March 31, 2016 was J\$4.51 (Q1 2015: J\$1.66).

Shareholders' equity increased by J\$1.1 billion over the three month period to J\$39.1 billion, which resulted in a book value per share of J\$118.36. On February 29, 2016 the Board of Directors approved an interim dividend of 78 cents per stock unit (Q1 2015: 75 cents) to be paid on May 18, 2016.

The Food Trading segment showed an increase in revenue and strong growth in profit due to improved performance of our food distribution and manufacturing businesses in Jamaica and internationally.

GraceKennedy Foods (USA) LLC, our distribution company in the United States of America (USA), made good progress in integrating the acquired La Fe business resulting in improved performance and a reported profit for the period under review. Both the Grace and La Fe brands showed double digit growth, led by strong performance in the North East USA. Our new strategic distribution partnership with Arizona Beverages is doing well, delivering growth in the beverage portfolio led by Grace Aloe, Grace Tropical Rhythms and Grace Coconut Water. Our investments in key aspects of the business are ongoing and will support continued growth.

Grace Coconut Water continues to hold its number one position in the Canadian market. Our relationships with the large retail chains in Canada continue to strengthen and grow. Walmart appointed GraceKennedy (Ontario) Inc. "Caribbean Category Champion", which provides our Company with the opportunity to strengthen and expand its presence in Walmart.

Our Hi-Lo supermarket chain in Jamaica experienced strong growth, particularly in our renovated Barbican and Manor Park stores with shoppers responding positively to the improved experience, and also in our Cross Roads store. Renovation works at the new location in Liguanea, St. Andrew as well as Fairview, Montego Bay commenced during the quarter, and are expected to be completed by July 2016.

World Brands Services (WBS) recorded significant growth in both revenue and profit. The addition of new third party brands, "Busta", "American Classic" and "Turbo" beverage lines has positively impacted WBS' revenue.

While the Banking and Investments segment recorded increased revenue, a reduction in profit was recorded. First Global Bank (FGB) experienced growth in both its loan and deposit portfolios. Profitability was impacted by restructuring costs and increased expenses related to the Ocho Rios branch and new technology solutions for customers. The Ocho Rios branch, which is FGB's seventh branch, opened on January 25, 2016. The branch is outfitted with cutting edge technology which is providing customers with greater convenience to meet their banking needs.

The Insurance segment reported growth in revenue and profit. Allied Insurance Brokers Limited was selected as the broker for group life and group personal accident plans for the Government of Jamaica's newly launched 'Jamaica Athletes Insurance Plan' for registered athletes from our national sports' associations.

GraceKennedy Money Services (GKMS) reported higher revenue and profit, largely due to increased transaction volumes in the remittance business and improved operational efficiency. In February, GKMS launched its remittance business in the Turks and Caicos Islands, making this the eleventh territory in which it operates in the region. The pilot for the new Mobile Wallet product is underway and we anticipate being able to officially launch this product later this year.

Management changes announced during the first quarter of 2016 have positioned us well to achieve our goal of becoming a Global Consumer Group and a significant player in the regional financial services sector. Grace Burnett assumed the role of CEO, GraceKennedy Financial Group and was appointed to GraceKennedy's Executive Committee. She also continues as Managing Director of GK General Insurance Company Limited. Mariame Robinson, who was already serving on First Global Bank's Board, was appointed President and CEO of the Bank and also joined GraceKennedy's Executive Committee. Steven Whittingham was appointed Chief Investment Officer for the GraceKennedy Group and will continue to lead GK Capital Management Limited as its CEO.

GraceKennedy celebrated its 94th anniversary on February 14. As one of our activities to recognize this milestone, staff, through an activity called "Harbour Haul", collected over 1,000 pounds of plastic bottles and other items of garbage from areas around the Kingston Harbour. This activity is also a reflection of our company's longstanding focus on the restoration of Downtown Kingston.

As always, we are grateful to our customers for their loyalty and trust and to our shareholders and acknowledge their support and encouragement. We thank our team for their continued, dedicated efforts, as we transform GraceKennedy into a Global Consumer Group, grounded in and guided by our core values of Honesty, Integrity and Trust.



Gordon V. Shirley
Chairman
May 12, 2016



Donald G. Wehby
Group Chief Executive Officer

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT THREE MONTHS ENDED 31 MARCH 2016 (Unaudited)

	3 months to 3/31/2016 \$'000	3 months to 3/31/2015 \$'000
Continuing operations:		
Revenue	22,130,371	19,357,158
Expenses	(21,124,970)	(18,849,509)
	1,005,401	507,649
Other income (Note 4)	991,602	315,715
Profit from Operations	1,997,003	823,364
Interest income – non-financial services	89,767	82,911
Interest expense – non-financial services	(182,126)	(175,564)
Share of results of associated companies	251,073	166,115
Profit before Taxation	2,155,717	896,826
Taxation	(560,486)	(259,701)
Net Profit for the period from continuing operations	1,595,231	637,125
Discontinued operations:		
Profit for the period from discontinued operations	-	65,456
Net Profit for the period	1,595,231	702,581
Profit attributable to:		
Owners of GraceKennedy Limited	1,491,023	589,185
Non-controlling interests	104,208	113,396
	1,595,231	702,581

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

Basic:		
From continuing operations	\$4.51	\$1.66
From discontinued operations	\$0.00	\$0.12
From profit for the period	\$4.51	\$1.78
Diluted:		
From continuing operations	\$4.49	\$1.66
From discontinued operations	\$0.00	\$0.12
From profit for the period	\$4.49	\$1.78

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THREE MONTHS ENDED 31 MARCH 2016

(Unaudited)

	3 months to 3/31/2016 \$'000	3 months to 3/31/2015 \$'000
Profit for the period	1,595,231	702,581
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Losses on revaluation of land and buildings	-	(17,887)
Remeasurements of post-employment benefit obligations	(34,222)	(665,247)
	(34,222)	(683,134)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Foreign currency translation adjustments	(473,437)	(96,143)
Fair value gains	62,387	113,843
Share of other comprehensive income of associated companies	38,824	(11,490)
	(372,226)	6,210
Other comprehensive income for the period, net of tax	(406,448)	(676,924)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,188,783	25,657
Total comprehensive income attributable to:		
Owners of GraceKennedy Limited	1,083,650	(85,806)
Non-controlling interests	105,133	111,463
	1,188,783	25,657
Total comprehensive income attributable to owners of GraceKennedy Limited arises from:		
Continuing operations	1,083,650	(119,290)
Discontinued operations	-	33,484
	1,083,650	(85,806)

GraceKennedy Limited

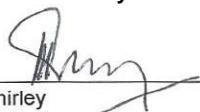
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 MARCH 2016

(Unaudited)

	March 31 2016 \$'000	December 31 2015 \$'000	March 31 2015 \$'000
ASSETS			
Cash and deposits	11,141,958	9,901,417	7,974,045
Investment securities	24,603,380	21,760,103	23,814,401
Pledged assets	8,752,857	11,107,139	6,174,577
Receivables	13,751,502	11,578,568	12,725,737
Inventories	9,305,262	10,041,196	9,858,358
Loans receivable	22,991,566	22,595,591	18,792,951
Taxation recoverable	553,861	579,836	722,872
Investments in associates	1,781,977	1,492,080	1,421,230
Investment properties	559,216	532,000	485,168
Intangible assets	4,073,846	4,176,644	4,044,484
Fixed assets	8,973,210	8,544,393	8,767,807
Deferred tax assets	1,109,318	1,019,904	1,289,812
Pension plan asset	5,248,617	5,364,583	4,570,388
Total Assets	112,846,570	108,693,454	100,641,830
LIABILITIES			
Deposits	26,744,293	24,258,437	21,170,796
Securities sold under agreements to repurchase	7,379,844	8,641,978	5,588,338
Bank and other loans	13,442,065	13,936,107	12,835,904
Payables	19,181,680	17,216,263	17,867,984
Taxation	527,998	311,600	328,266
Provisions	-	-	6,571
Deferred tax liabilities	1,074,769	1,107,574	1,237,742
Other post-employment obligations	3,943,277	3,848,433	3,354,399
Total Liabilities	72,293,926	69,320,392	62,390,000
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	558,588	567,789	569,734
Capital and fair value reserves	5,146,470	5,132,759	5,273,867
Retained earnings	27,468,546	25,971,707	24,960,856
Banking reserves	2,597,200	2,588,019	2,131,191
Other reserves	3,351,086	3,787,167	3,492,848
	39,121,890	38,047,441	36,428,496
Non-Controlling Interests	1,430,754	1,325,621	1,823,334
Total Equity	40,552,644	39,373,062	38,251,830
Total Equity and Liabilities	112,846,570	108,693,454	100,641,830

Approved for issue by the Board of Directors on 12 May 2016 and signed on its behalf by:


 Gordon Shirley Chairman


 Donald Wehby Group Chief Executive Officer

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

THREE MONTHS ENDED 31 MARCH 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	330,974	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	-	-	-	589,185	-	-	589,185	113,396	702,581
Other comprehensive income for the period	-	-	79,887	(665,247)	-	(89,631)	(674,991)	(1,933)	(676,924)
Total comprehensive income for the period	-	-	79,887	(76,062)	-	(89,631)	(85,806)	111,463	25,657
Transactions with owners:									
Repurchase of shares	(295)	(18,799)	-	-	-	-	(18,799)	-	(18,799)
Total transactions with owners	(295)	(18,799)	-	-	-	-	(18,799)	-	(18,799)
Transfers between reserves:									
To capital reserves	-	-	8,352	(8,352)	-	-	-	-	-
To banking reserves	-	-	-	(47,465)	47,465	-	-	-	-
Balance at 31 March 2015	330,679	569,734	5,273,867	24,960,856	2,131,191	3,492,848	36,428,496	1,823,334	38,251,830
Balance at 1 January 2016	330,640	567,789	5,132,759	25,971,707	2,588,019	3,787,167	38,047,441	1,325,621	39,373,062
Profit for the period	-	-	-	1,491,023	-	-	1,491,023	104,208	1,595,231
Other comprehensive income for the period	-	-	62,930	(34,222)	-	(436,081)	(407,373)	925	(406,448)
Total comprehensive income for the period	-	-	62,930	1,456,801	-	(436,081)	1,083,650	105,133	1,188,783
Transactions with owners:									
Issue of shares	2	102	-	-	-	-	102	-	102
Purchase of treasury shares	(110)	(9,303)	-	-	-	-	(9,303)	-	(9,303)
Total transactions with owners	(108)	(9,201)	-	-	-	-	(9,201)	-	(9,201)
Transfers between reserves:									
From capital reserves	-	-	(49,219)	49,219	-	-	-	-	-
To banking reserves	-	-	-	(9,181)	9,181	-	-	-	-
Balance at 31 March 2016	330,532	558,588	5,146,470	27,468,546	2,597,200	3,351,086	39,121,890	1,430,754	40,552,644

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

THREE MONTHS ENDED 31 MARCH 2016

(Unaudited)

	3/31/2016 \$'000	3/31/2015 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities (Note 3)	2,785,833	(2,984,522)
Financing Activities		
Loans received	1,985,465	4,477,512
Loans repaid	(1,539,569)	(2,451,622)
Repurchase of shares	-	(18,799)
Purchase of treasury shares	(9,303)	-
Issue of shares	102	-
Interest paid – non financial services	(174,954)	(183,654)
	261,741	1,823,437
Investing Activities		
Additions to fixed assets	(631,596)	(286,094)
Proceeds from disposal of fixed assets	17,095	17,635
Additions to investment properties	(27,216)	(1,168)
Additions to investments	(1,119,946)	(945,060)
Proceeds from sale of investments	822,384	1,097,127
Additions to intangibles	(35,146)	(81,774)
Interest received – non financial services	91,231	99,721
	(883,194)	(99,613)
Increase/(decrease) in cash and cash equivalents	2,164,380	(1,260,698)
Cash and cash equivalents at beginning of year	7,074,059	7,909,641
Exchange and translation gains/(losses) on net foreign cash balances	70,320	(68,200)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9,308,759	6,580,743

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT

THREE MONTHS ENDED 31 MARCH 2016

(Unaudited)

3 months to 31 March 2016	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	17,823,726	1,359,484	1,252,249	1,694,912	-	22,130,371
Inter-segment sales	69,341	8,271	13,404	-	(91,016)	-
Total Revenue	17,893,067	1,367,755	1,265,653	1,694,912	(91,016)	22,130,371

RESULT						
Operating results	737,507	25,796	99,100	603,867	4,130	1,470,400
Unallocated income	-	-	-	-	526,603	526,603
Profit from operations	-	-	-	-	-	1,997,003
Finance income	394	14,623	3,719	3,489	67,542	89,767
Finance expense	(111,365)	(34,898)	(2,545)	(20,760)	(12,558)	(182,126)
Share of associates	228,757	23,869	(1,553)	-	-	251,073
Profit before Taxation	855,293	29,390	98,721	586,596	585,717	2,155,717
Taxation						(560,486)
Net Profit for the period from continuing operations						1,595,231

Attributable to:

Owners of GraceKennedy Limited	1,491,023
Non-controlling interests	104,208
From continuing operations	1,595,231

3 months to 31 March 2015	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	15,447,775	1,172,360	1,241,225	1,495,798	-	19,357,158
Inter-segment sales	57,758	7,917	10,765	-	(76,440)	-
Total Revenue	15,505,533	1,180,277	1,251,990	1,495,798	(76,440)	19,357,158

RESULT						
Operating results	351,718	91,031	74,281	457,302	23,510	997,842
Unallocated expense	-	-	-	-	(174,478)	(174,478)
Profit from operations	-	-	-	-	-	823,364
Finance income	2,648	13,715	3,513	6,870	56,165	82,911
Finance expense	(110,953)	(35,879)	(2,349)	(31)	(26,352)	(175,564)
Share of associates	154,171	20,124	(8,180)	-	-	166,115
Profit before Taxation	397,584	88,991	67,265	464,141	(121,155)	896,826
Taxation						(259,701)
Net Profit for the period from continuing operations						637,125

Attributable to:

Owners of GraceKennedy Limited	551,155
Non-controlling interests	85,970
From continuing operations	637,125

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 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. 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. H&L is reported as a discontinued operation.

The following tables summarise the financial performance and cash flow information relating to the discontinued operation.

Income Statement of discontinued operations is as follows:

	3 months to 3/31/2016 \$'000	3 months to 3/31/2015 \$'000
Revenue	-	1,727,729
Expenses	-	(1,679,402)
Other income	-	9,307
Interest income	-	337
Interest expense	-	(5,363)
Profit before Taxation	-	52,608
Taxation	-	12,848
Net Profit from Discontinued Operations	-	65,456

Cash flows from discontinued operations are as follows:

	3/31/2016 \$'000	3/31/2015 \$'000
Operating cash flows	-	57,903
Investing cash flows	-	(15,967)
Financing cash flows	-	(38,643)

3. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	3/31/2016 \$'000	3/31/2015 \$'000
Net profit	1,595,231	702,581
Items not affecting cash:		
Depreciation	197,519	194,257
Amortisation	146,829	129,899
Change in value of investments	(2,373)	-
Gain on disposal of fixed assets	(4,940)	(1,165)
(Gain)/loss on disposal of investments	(606,471)	4,953
Exchange loss on foreign balances	138,534	2,004
Interest income – non financial services	(89,767)	(83,248)
Interest income – financial services	(1,057,329)	(936,313)
Interest expense – non financial services	182,126	180,927
Interest expense – financial services	243,336	203,349
Taxation expense	560,486	246,853
Unremitted equity income in associates	(251,073)	(166,115)
Pension plan surplus	69,216	36,062
Other post-employment obligations	95,964	69,164
	1,217,288	583,208
Changes in working capital components:		
Inventories	735,934	938,817
Receivables	(2,172,935)	(1,259,595)
Loans receivable, net	(405,706)	(412,097)
Payables	1,965,424	(1,184,711)
Deposits	2,238,963	40,708
Securities sold under repurchase agreements	(1,294,066)	(1,925,735)
Provisions	-	350
	2,284,902	(3,219,055)
Interest received – financial services	1,110,867	1,015,108
Interest paid – financial services	(228,634)	(239,220)
Translation gains/(losses)	78,917	(120,000)
Taxation paid	(460,219)	(421,355)
Net cash provided by/(used in) operating activities	2,785,833	(2,984,522)

4. Other Income

Included in other income for 2016 is a gain on the disposal of investments of \$606,471,000. A significant portion of the gain was realised on the liquidation of non-operating subsidiaries.