



**INTERIM REPORT**

**(THREE MONTHS)  
31 MARCH 2015**



## INTERIM REPORT TO OUR SHAREHOLDERS

The Board of Directors presents the unaudited results of the Group for the three months ended March 31, 2015. The Group achieved revenues for the period of \$21.1 billion (2014: \$18.2 billion), a 16% or \$2.9 billion increase over the corresponding period of 2014. Net profit attributable to owners of the Company declined by \$244.1 million or 29.3% compared with the corresponding period of 2014, moving from \$833.3 million to \$589.2 million. The performance was impacted by the transition of our new US Food operations, recognition of the total asset tax liability in the first quarter, lower foreign exchange gains and higher finance costs as against budget. Performance was however better than planned and for 2015 we expect there to be an improved profitability over 2014. The earnings per stock unit at the quarter end was \$1.78 (2014: \$2.52).

Shareholders' equity declined by 0.3% over the three month period to \$36.4 billion which equates to a book value per share of \$110.16. On February 27, 2015 the Board of Directors approved an interim dividend of 75 cents per stock unit to be paid on May 18, 2015, an increase of 7% over the corresponding period in 2014.

The GK Foods segment delivered strong revenue growth in both our Jamaican and international businesses; however profits for GraceKennedy Foods (USA) LLC ("GK Foods USA") have been negatively affected during the process of integrating the Grace brands previously distributed by a third party, with the newly acquired La Fe business streamlining operations for growth and greater efficiency. Our Canadian and UK businesses continued to perform well as our investment in the key brands in these markets, coupled with new product launches is expected to contribute to continued growth in these markets.

Our strong performance in the Jamaican market was largely driven by positive results from the "Grace on the Move" promotional campaign, and our ongoing efforts to maintain our products at competitive prices. The renovation of the Hi-Lo Manor Park store has greatly enhanced our customers' experiences, and has resulted in an improved performance for this location. We are also pleased with the renovation of the Barbican store this quarter, which is substantially completed. We expect that this will continue to contribute to Hi-Lo's improved growth and performance.

The Financial Services segment had lower revenues and profits when compared with prior year. First Global Bank Limited had a good quarter with higher revenues and profits, which were attributable to strong growth in net interest income and non-interest income. The results of the banking and investments segment were however impacted by a higher asset tax charge in the first quarter. Following the adoption of International Financial Reporting Interpretation Committee (IFRIC) 21, 'Levies', there was a change in the accounting treatment for asset tax, that resulted in full recognition of the asset tax liability at the start of the year, rather than the treatment in prior years when, the asset tax was accrued evenly throughout the financial year.

Our Insurance segment recorded revenue growth largely due to higher gross written premiums from Jamaica International Insurance Company Limited, and from our majority-owned underwriter, EC Global

Insurance Company Limited in St. Lucia. The results of the Insurance segment were however also negatively impacted by the recognition of the total asset tax liability in the first quarter, and lower foreign exchange gains.

During the quarter, GraceKennedy marked 25 years of partnership with Western Union, an important GK partner. Transaction volumes for the remittance business continue to grow, and this has contributed to higher revenues for our Money Services segment. Money Services profits however declined when compared to the prior period due to investments in technology and efficiency reviews, during the period which are expected to yield benefits in the future.

The GraceKennedy Foundation continued to promote public awareness of important issues through its annual lecture which was held on March 10, 2015. Professor Michael A. Taylor presented his lecture entitled “Why Climate Demands Change”. Professor Taylor proposed ways in which the region could become more resilient to climate change, and which could lead to greater sustainability. The lecture was well received with a very spirited question and answer segment. The GraceKennedy Foundation, in partnership with the Inter-Secondary Schools Sports Association (ISSA), Independence Park Limited and GraceKennedy Limited, also launched a five day plastic bottle recycling campaign at the ISSA/GraceKennedy Boys’ and Girls’ Championships, demonstrating its commitment to a clean and sustainable environment.

The GraceKennedy Group again partnered with ISSA to ensure the staging of yet another Boys’ and Girls’ Championships on March 24 to 28. The event was a success highlighted by 22 record breaking performances.

The Group embarked on a re-organization with our senior leadership placed strategically within our core businesses, as we position ourselves to compete effectively and on a global scale. In addition to making the Group more globally competitive and efficient the programme is aimed at allowing for greater focus on the implementation of our Group strategy of becoming a Global Consumer Group and Regional Financial Services Group.

We continue to focus our efforts on “winning customers’ hearts and minds through great people” which we believe will ultimately provide increased returns to you, our valued shareholders. We thank our employees for their commitment to the Group and assure you that we continue to guard and be guided by our values of honesty, integrity and trust as embedded in our Code of Ethics.



Gordon V. Shirley  
Chairman



Donald G. Wehby  
Group Chief Executive Officer

May 14, 2015

# GraceKennedy Limited

## CONSOLIDATED INCOME STATEMENT THREE MONTHS ENDED 31 MARCH 2015 (Unaudited)

	3 months to 3/31/2015 \$'000	3 months to 3/31/2014 \$'000
<b>Revenue</b>	21,082,728	18,179,352
Expenses	(20,526,752)	(17,363,426)
	555,976	815,926
Other income	325,022	410,429
<b>Profit from Operations</b>	880,998	1,226,355
Interest income – non-financial services	83,248	83,892
Interest expense – non-financial services	(180,927)	(132,882)
Share of results of associated companies	166,115	102,889
<b>Profit before Taxation</b>	949,434	1,280,254
Taxation	(246,853)	(339,268)
<b>NET PROFIT FOR THE PERIOD</b>	702,581	940,986
<b>Profit attributable to:</b>		
<b>Owners of GraceKennedy Limited</b>	589,185	833,289
<b>Non-controlling interests</b>	113,396	107,697
	702,581	940,986

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

<b>Basic</b>	\$1.78	\$2.52
<b>Diluted</b>	\$1.78	\$2.51

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THREE MONTHS ENDED 31 MARCH 2015

(Unaudited)

	3 months to 3/31/2015 \$'000	3 months to 3/31/2014 \$'000
<b>Profit for the period</b>	702,581	940,986
<b>Other comprehensive income:</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Losses on revaluation of land and buildings	(17,887)	(12,459)
Remeasurements of post-employment benefit obligations	(665,247)	(76,490)
	(683,134)	(88,949)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Foreign currency translation adjustments	(96,143)	170,591
Fair value gains	113,843	241,595
Share of other comprehensive income of associated companies	(11,490)	26,465
	6,210	438,651
<b>Other comprehensive income for the period, net of tax</b>	(676,924)	349,702
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	25,657	1,290,688
<b>Total comprehensive income attributable to:</b>		
Owners of GraceKennedy Limited	(85,806)	1,175,489
Non-controlling interests	111,463	115,199
	25,657	1,290,688

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 MARCH 2015

(Unaudited)

	March 31 2015 \$'000	December 31 2014 \$'000	March 31 2014 \$'000
<b>ASSETS</b>			
Cash and deposits	7,974,045	9,508,980	11,615,463
Investment securities	23,814,401	20,593,899	17,568,152
Pledged assets	6,174,577	9,452,340	27,863,357
Receivables	12,725,737	11,466,142	10,466,796
Inventories	9,858,358	10,797,175	8,442,081
Loans receivable	18,792,951	18,364,429	16,562,481
Taxation recoverable	722,872	612,505	615,989
Investments in associates	1,421,230	1,266,605	1,158,319
Investment properties	485,168	484,000	459,000
Intangible assets	4,044,484	4,131,674	2,546,089
Fixed assets	8,767,807	8,707,092	6,988,333
Deferred tax assets	1,289,812	1,037,572	1,002,322
Pension plan asset	4,570,388	5,437,116	5,388,779
<b>Total Assets</b>	<b>100,641,830</b>	<b>101,859,529</b>	<b>110,677,161</b>
<b>LIABILITIES</b>			
Deposits	21,170,796	21,197,427	19,393,031
Securities sold under agreements to repurchase	5,588,338	7,528,474	24,208,697
Bank and other loans	12,835,904	11,064,160	10,576,863
Payables	17,867,984	19,052,694	16,216,467
Taxation	328,266	303,722	216,189
Provisions	6,571	6,221	6,739
Deferred tax liabilities	1,237,742	1,232,954	1,298,233
Other post-employment obligations	3,354,399	3,228,905	3,293,282
<b>Total Liabilities</b>	<b>62,390,000</b>	<b>63,614,557</b>	<b>75,209,501</b>
<b>EQUITY</b>			
<b>Capital &amp; reserves attributable to the company's owners</b>			
Share capital	569,734	588,533	586,878
Capital and fair value reserves	5,273,867	5,185,628	4,597,351
Retained earnings	24,960,856	25,092,735	23,290,238
Banking reserves	2,131,191	2,083,726	2,083,726
Other reserves	3,492,848	3,582,479	3,326,784
	36,428,496	36,533,101	33,884,977
<b>Non-controlling interests</b>	<b>1,823,334</b>	<b>1,711,871</b>	<b>1,582,683</b>
<b>Total Equity</b>	<b>38,251,830</b>	<b>38,244,972</b>	<b>35,467,660</b>
<b>Total Equity and Liabilities</b>	<b>100,641,830</b>	<b>101,859,529</b>	<b>110,677,161</b>

Approved for issue by the Board of Directors on 14 May 2015 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 2015

(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 2014	331,921	643,074	4,356,384	22,544,646	2,077,782	3,143,798	32,765,684	1,467,700	34,233,384
Total comprehensive income for the period	-	-	235,704	756,799	-	182,986	1,175,489	115,199	1,290,688
Transactions with owners:									
Issue of shares	7	367	-	-	-	-	367	-	367
Repurchase of shares	(939)	(56,563)	-	-	-	-	(56,563)	-	(56,563)
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(216)	(216)
Total transactions with owners	(932)	(56,196)	-	-	-	-	(56,196)	(216)	(56,412)
Transfers between reserves:									
To capital reserves	-	-	5,263	(5,263)	-	-	-	-	-
To banking reserves	-	-	-	(5,944)	5,944	-	-	-	-
Balance at 31 March 2014	330,989	586,878	4,597,351	23,290,238	2,083,726	3,326,784	33,884,977	1,582,683	35,467,660
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
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

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

THREE MONTHS ENDED 31 MARCH 2015

(Unaudited)

	3/31/2015 \$'000	3/31/2014 \$'000
<b>SOURCES/(USES) OF CASH:</b>		
<b>Operating Activities</b>		
Profit for the period	702,581	940,986
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(3,687,103)	(349,246)
Cash (used in)/provided by operating activities	(2,984,522)	591,740
Cash provided by/(used in) financing activities	1,823,437	(887,459)
Cash (used in)/provided by investing activities	(99,613)	3,011,961
(Decrease)/Increase in cash and cash equivalents	(1,260,698)	2,716,242
Cash and cash equivalents at beginning of year	7,909,641	6,604,290
Exchange and translation (losses)/gains on net foreign cash balances	(68,200)	97,245
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>6,580,743</b>	<b>9,417,777</b>



# GraceKennedy Limited

## FINANCIAL INFORMATION BY OPERATING SEGMENT

THREE MONTHS ENDED 31 MARCH 2015

(Unaudited)

3 months to 31 March 2015	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>							
External sales	15,447,775	1,725,570	1,172,360	1,241,225	1,495,798	-	21,082,728
Inter-segment sales	57,758	2,159	7,917	10,765	-	(78,599)	-
<b>Total Revenue</b>	<b>15,505,533</b>	<b>1,727,729</b>	<b>1,180,277</b>	<b>1,251,990</b>	<b>1,495,798</b>	<b>(78,599)</b>	<b>21,082,728</b>
<b>RESULT</b>							
Operating results	351,718	57,634	91,031	74,281	457,302	23,510	1,055,476
Unallocated expense	-	-	-	-	-	(174,478)	(174,478)
Profit from operations	-	-	-	-	-	-	880,998
Finance income	2,648	337	13,715	3,513	6,870	56,165	83,248
Finance expense	(110,953)	(5,363)	(35,879)	(2,349)	(31)	(26,352)	(180,927)
Share of associates	154,171	-	20,124	(8,180)	-	-	166,115
<b>Profit before Taxation</b>	<b>397,584</b>	<b>52,608</b>	<b>88,991</b>	<b>67,265</b>	<b>464,141</b>	<b>(121,155)</b>	<b>949,434</b>
Taxation							(246,853)
<b>Net Profit for the period</b>							<b>702,581</b>
Attributable to:							
Owners of GraceKennedy Limited							589,185
Non-controlling interests							113,396
							<b>702,581</b>

3 months to 31 March 2014	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>							
External sales	12,405,031	1,808,059	1,425,723	1,065,660	1,474,879	-	18,179,352
Inter-segment sales	69,652	1,963	15,152	14,043	-	(100,810)	-
<b>Total Revenue</b>	<b>12,474,683</b>	<b>1,810,022</b>	<b>1,440,875</b>	<b>1,079,703</b>	<b>1,474,879</b>	<b>(100,810)</b>	<b>18,179,352</b>
<b>RESULT</b>							
Operating results	395,088	73,141	115,088	107,869	479,927	15,756	1,186,869
Unallocated income	-	-	-	-	-	39,486	39,486
Profit from operations	-	-	-	-	-	-	1,226,355
Finance income	5,190	1,577	2,256	3,102	9,541	62,226	83,892
Finance expense	(89,510)	(8,854)	(17,758)	(3,090)	(137)	(13,533)	(132,882)
Share of associates	98,017	-	13,910	(9,038)	-	-	102,889
<b>Profit before Taxation</b>	<b>408,785</b>	<b>65,864</b>	<b>113,496</b>	<b>98,843</b>	<b>489,331</b>	<b>103,935</b>	<b>1,280,254</b>
Taxation							(339,268)
<b>Net Profit for the period</b>							<b>940,986</b>
Attributable to:							
Owners of GraceKennedy Limited							833,289
Non-controlling interests							107,697
							<b>940,986</b>

# GraceKennedy Limited

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2015

### 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.

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 2014.

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.
- *Retail and Trading* – Merchandising of agricultural supplies, home improvement supplies, and hardware and lumber.
- *Banking and Investment* – Commercial banking; investment management; lease and trade financing; stock brokerage; pension management; property rental; and mutual fund management.
- *Insurance* – General insurance and insurance brokerage.
- *Money Services* – Operation of money transfer services; cambio operations and bill payment services.

## **2. Contingent Liability**

In 2000, a suit was filed jointly against a subsidiary, GraceKennedy Remittance Services Limited ("GKRS") and a software developer by Paymaster (Jamaica) Limited (Paymaster), a bills payment company. The suit claimed damages arising out of, amongst other allegations, the use by the subsidiary of certain software, to which Paymaster alleged it owned the copyright.

In the judgment handed down by the Supreme Court on 30 April 2010, the court ruled in favour of GKRS and the software developer on all claims. Accordingly, the Court ordered costs to be paid by Paymaster to GKRS and the software developer and an enquiry into any damages suffered by GKRS and the software developer as a result of an injunction obtained by Paymaster in the suit. On 10 June 2010, Paymaster filed an appeal against the decision of the Supreme Court in the Court of Appeal and applied for a stay of execution, pending the appeal. Further to an application made by Paymaster to the Court of Appeal the enquiry into damages resulting from the injunction by the Supreme Court was on 6 May 2011 stayed pending appeal.

## **2. Contingent Liability (continued)**

On 27 March 2015, the Court of Appeal handed down judgment, finding against GKRS in respect of one of the grounds of appeal. Based on advice from the Company's attorneys, GKRS is confident that it has a strong basis for appeal to the Privy Council and has instructed its attorneys to proceed to file the necessary documents to facilitate the appeal. As the Court had previously ordered that the trial of the matter should be split as to liability and damages with the assessment of damages deferred until the liability issue was settled, the damages applicable would be subject to assessment by the Supreme Court and cannot be reasonably estimated at this stage. An application has also been made for a stay of execution. Accordingly, no amounts have been provided for in these financial statements in respect of this matter.

## **3. Subsequent Event**

On 22 April 2015, the Group entered into a conditional agreement for the sale of its 58.1% shareholdings in Hardware & Lumber Limited (H&L) which is reported under the Retail & Trading operating segment. While no assurance can be given it is anticipated that the sale should be concluded within the current financial year.