



INTERIM REPORT

**(NINE MONTHS)
30 SEPTEMBER 2015**

INTERIM REPORT TO OUR SHAREHOLDERS

The Board of Directors presents the unaudited results of the Group for the nine months ended September 30, 2015. The Group achieved revenues for the period of \$59.7 billion (2014: \$52.2 billion), a 14.4% or \$7.5 billion increase over the corresponding period of 2014. Net profit attributable to owners of the Company for the third quarter of 2015 was 7.0% higher than that of the corresponding period last year, however the year to date profit declined by \$338.0 million or 14.2% compared with the corresponding period of 2014, moving from \$2,383.5 million to \$2,045.5 million. The Group's performance was in part impacted by the costs associated with the integration of our expanded US Food operations through GraceKennedy Foods (USA) LLC, recognition of the total asset tax liability in the first quarter, lower foreign exchange gains and higher finance costs. The earnings per stock unit as at September 30, 2015 was \$6.19 (2014: \$7.21).

Shareholders' equity increased by 1.8% over the nine month period to \$37.2 billion which equates to a book value per share of \$112.47. On 5th November 2015 the Board of Directors approved a third interim dividend of 90 cents per stock unit to be paid on 16th December 2015.

The Food Trading segment reported revenue growth of 17% over the corresponding period last year. In Jamaica, we are pleased with the positive impact of our "Grace on the Move" promotional campaign which resulted in strong growth in our key Grace branded products, and with the strong demand for our newly distributed products.

Our manufacturing arm was positively impacted by strong demand for our products manufactured in Jamaica, efficiency gains from process, as well as yield improvements, and favourable commodity prices, which resulted in higher profits when compared to prior year. Our Hi-Lo stores continue to deliver improved results and the chain's performance continues to be bolstered by our recently renovated stores in Manor Park and Barbican. We continue to receive positive feedback from our customers on the new and improved experience at these locations.

Our distribution businesses in Jamaica, UK, Canada and Belize reported higher profits when compared to prior year. Notwithstanding the performance of the US operations we continue to ensure that our strategic objectives are met. Our distribution arrangement with Arizona, a large global beverage distributor, has yielded growth in the North Eastern region of the USA, and we are excited about opportunities for expansion into other territories.

Within two months following the launch of the Grace product line on Amazon.com in July 2015, the Group's *Grace Jerk Seasoning* was recognized as being the "#1 New Release" in the Herbs, Spices & Seasoning Gifts category on the Amazon shopping portal. We are delighted by the opportunity to present our Grace products to a wider audience and to provide greater flexibility and convenience in accessing our products worldwide.

The Banking and Investments segment reported higher profits when compared to the prior period due to growth in First Global Bank's net interest income and non-interest income. The growth in net interest income was bolstered by year over year growth in loans and deposits of 28% and 21% respectively.

The Insurance segment delivered higher revenue and profits due to the improved underwriting performance of GK General. In July 2015, GK General officially launched its internet-based solution, *GKGOnline*, which allows customers to purchase motor insurance via the internet. Our commitment to improve our customers' experience and allow for greater flexibility has been well received by them.

The Money Services segment recorded higher revenues and profits due to higher remittance transactions and increased market share in Jamaica, higher revenues from our cambio operations in Trinidad, and cost containment initiatives implemented by the segment.

We thank our shareholders, employees, customers and other stakeholders for your continued support as we remain focused on "winning customers' hearts and minds through great people" guided always by our values of honesty, integrity and trust.



Gordon V. Shirley
Chairman



Donald G. Wehby
Group Chief Executive Officer

November 5, 2015

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT NINE MONTHS ENDED 30 SEPTEMBER 2015 (Unaudited)

	3 months to 9/30/2015 \$'000	9 months to 9/30/2015 \$'000	3 months to 9/30/2014 \$'000	9 months to 9/30/2014 \$'000
Continuing operations:				
Revenue	20,464,362	59,737,529	18,488,445	52,203,005
Expenses	(19,634,457)	(57,746,449)	(17,795,889)	(49,968,191)
	829,905	1,991,080	692,556	2,234,814
Other income	403,465	1,115,991	356,208	1,271,981
Profit from Operations	1,233,370	3,107,071	1,048,764	3,506,795
Interest income – non-financial services	85,436	254,567	108,994	297,438
Interest expense – non-financial services	(193,226)	(527,374)	(176,647)	(474,730)
Share of results of associated companies	70,078	246,210	71,804	190,106
Profit before Taxation	1,195,658	3,080,474	1,052,915	3,519,609
Taxation	(339,143)	(800,923)	(280,014)	(936,516)
Net Profit for the period from continuing operations	856,515	2,279,551	772,901	2,583,093
Discontinued operations:				
Profit for the period from discontinued operations	21,793	112,707	49,600	134,217
Net Profit for the period	878,308	2,392,258	822,501	2,717,310
Profit attributable to:				
Owners of GraceKennedy Limited	753,573	2,045,536	704,413	2,383,516
Non-controlling interests	124,735	346,722	118,088	333,794
	878,308	2,392,258	822,501	2,717,310

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	\$2.25	\$5.99	\$2.05	\$6.97
From discontinued operations	\$0.04	\$0.20	\$0.09	\$0.24
From profit for the period	\$2.28	\$6.19	\$2.13	\$7.21
Diluted:				
From continuing operations	\$2.24	\$5.98	\$2.04	\$6.97
From discontinued operations	\$0.04	\$0.20	\$0.09	\$0.24
From profit for the period	\$2.28	\$6.18	\$2.13	\$7.21

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NINE MONTHS ENDED 30 SEPTEMBER 2015

(Unaudited)

	3 months to 9/30/2015 \$'000	9 months to 9/30/2015 \$'000	3 months to 9/30/2014 \$'000	9 months to 9/30/2014 \$'000
Profit for the period	878,308	2,392,258	822,501	2,717,310
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss:</i>				
Losses on revaluation of land and buildings	(11,177)	(29,064)	-	(12,459)
Remeasurements of post-employment benefit obligations	(529,881)	(1,015,275)	184,165	(315,475)
	(541,058)	(1,044,339)	184,165	(327,934)
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Foreign currency translation adjustments	43,130	172,414	(92,334)	308,589
Fair value (losses)/gains	(177,801)	(37,037)	154,303	414,059
Share of other comprehensive income of associated companies	38,470	71,956	2	42,314
	(96,201)	207,333	61,971	764,962
Other comprehensive income for the period, net of tax	(637,259)	(837,006)	246,136	437,028
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	241,049	1,555,252	1,068,637	3,154,338
Total comprehensive income attributable to:				
Owners of GraceKennedy Limited	109,199	1,196,398	950,098	2,805,243
Non-controlling interests	131,850	358,854	118,539	349,095
	241,049	1,555,252	1,068,637	3,154,338
Total comprehensive income attributable to owners of GraceKennedy Limited arises from:				
Continuing operations	96,537	1,135,461	921,280	2,727,263
Discontinued operations	12,662	60,937	28,818	77,980
	109,199	1,196,398	950,098	2,805,243

GraceKennedy Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2015

(Unaudited)

	September 30 2015 \$'000	December 31 2014 \$'000	September 30 2014 \$'000
ASSETS			
Cash and deposits	9,203,885	9,508,980	8,685,423
Investment securities	22,418,092	20,593,899	20,403,601
Pledged assets	7,301,449	9,452,340	8,168,009
Receivables	12,325,968	11,466,142	12,291,421
Inventories	9,438,715	10,797,175	10,036,499
Loans receivable	21,441,816	18,364,429	16,670,634
Taxation recoverable	729,031	612,505	533,783
Investments in associates	1,519,770	1,266,605	1,160,458
Investment properties	485,193	484,000	459,185
Intangible assets	4,159,516	4,131,674	4,267,902
Fixed assets	8,144,207	8,707,092	7,942,363
Deferred tax assets	1,077,622	1,037,572	962,251
Pension plan asset	4,176,183	5,437,116	5,010,893
Assets of disposal group classified as held for sale	3,606,494	-	-
Total Assets	106,027,941	101,859,529	96,592,422
LIABILITIES			
Deposits	22,906,157	21,197,427	18,970,637
Securities sold under agreements to repurchase	6,298,638	7,528,474	5,956,957
Bank and other loans	13,847,687	11,064,160	11,798,657
Payables	17,253,354	19,052,694	18,424,952
Taxation	269,350	303,722	295,826
Provisions	6,221	6,221	7,739
Deferred tax liabilities	927,655	1,232,954	1,277,706
Other post-employment obligations	3,280,487	3,228,905	3,160,853
Liabilities of disposal group classified as held for sale	2,096,886	-	-
Total Liabilities	66,886,435	63,614,557	59,893,327
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	567,789	588,533	519,912
Capital and fair value reserves	5,315,751	5,185,628	4,680,944
Retained earnings	25,359,122	25,092,735	24,201,305
Banking reserves	2,131,191	2,083,726	2,083,726
Other reserves	3,812,448	3,582,479	3,473,099
	37,186,301	36,533,101	34,958,986
Non-controlling interests	1,955,205	1,711,871	1,740,109
Total Equity	39,141,506	38,244,972	36,699,095
Total Equity and Liabilities	106,027,941	101,859,529	96,592,422

Approved for issue by the Board of Directors on 5 November 2015 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 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	-	-	407,901	2,068,041	-	329,301	2,805,243	349,095	3,154,338
Transactions with owners:									
Issue of shares	18	907	-	-	-	-	907	-	907
Repurchase of shares	(2,116)	(124,069)	-	-	-	-	(124,069)	-	(124,069)
Transfer of non-controlling interests	-	-	-	-	-	-	-	34,112	34,112
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(110,798)	(110,798)
Dividends paid	-	-	-	(488,779)	-	-	(488,779)	-	(488,779)
Total transactions with owners	(2,098)	(123,162)	-	(488,779)	-	-	(611,941)	(76,686)	(688,627)
Transfers between reserves:									
From capital reserves	-	-	(83,341)	83,341	-	-	-	-	-
To banking reserves	-	-	-	(5,944)	5,944	-	-	-	-
Balance at 30 September 2014	329,823	519,912	4,680,944	24,201,305	2,083,726	3,473,099	34,958,986	1,740,109	36,699,095
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	-	-	(63,832)	1,030,261	-	229,969	1,196,398	358,854	1,555,252
Transactions with owners:									
Issue of shares	17	879	-	-	-	-	879	-	879
Repurchase of shares	(295)	(18,799)	-	-	-	-	(18,799)	-	(18,799)
Purchase of treasury shares	(57)	(2,824)	-	-	-	-	(2,824)	-	(2,824)
Increase in non-controlling interests	-	-	-	-	-	-	-	818	818
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(116,338)	(116,338)
Dividends paid	-	-	-	(522,454)	-	-	(522,454)	-	(522,454)
Total transactions with owners	(335)	(20,744)	-	(522,454)	-	-	(543,198)	(115,520)	(658,718)
Transfers between reserves:									
To capital reserves	-	-	193,955	(193,955)	-	-	-	-	-
To banking reserves	-	-	-	(47,465)	47,465	-	-	-	-
Balance at 30 September 2015	330,639	567,789	5,315,751	25,359,122	2,131,191	3,812,448	37,186,301	1,955,205	39,141,506

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

NINE MONTHS ENDED 30 SEPTEMBER 2015

(Unaudited)

	9/30/2015	9/30/2014
	\$'000	\$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	2,392,258	2,717,310
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(4,043,003)	(1,577,276)
Cash (used in)/provided by operating activities	(1,650,745)	1,140,034
Cash provided by/(used in) financing activities	859,069	(316,045)
Cash used in investing activities	(277,142)	(1,005,956)
Decrease in cash and cash equivalents	(1,068,818)	(181,967)
Cash and cash equivalents at beginning of year	7,909,641	6,604,290
Exchange and translation gains on net foreign cash balances	38,575	63,400
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,879,398	6,485,723

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT

NINE MONTHS ENDED 30 SEPTEMBER 2015

(Unaudited)

9 months to 30 September 2015	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	47,111,426	3,712,435	4,098,771	4,814,897	-	59,737,529
Inter-segment sales	192,702	26,429	397,871	-	(617,002)	-
Total Revenue	47,304,128	3,738,864	4,496,642	4,814,897	(617,002)	59,737,529
RESULT						
Operating results	754,186	374,651	463,963	1,721,858	67,923	3,382,581
Unallocated expense	-	-	-	-	(275,510)	(275,510)
Profit from operations	-	-	-	-	-	3,107,071
Finance income	8,647	46,450	13,701	15,081	170,688	254,567
Finance expense	(337,891)	(109,590)	(7,551)	(776)	(71,566)	(527,374)
Share of associates	184,554	61,235	421	-	-	246,210
Profit before Taxation	609,496	372,746	470,534	1,736,163	(108,465)	3,080,474
Taxation						(800,923)
Net Profit for the period from continuing operations						2,279,551
Attributable to:						
Owners of GraceKennedy Limited						1,980,053
Non-controlling interests						299,498
From continuing operations						2,279,551
9 months to 30 September 2014						
	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	40,148,090	3,782,763	3,534,696	4,737,456	-	52,203,005
Inter-segment sales	195,008	41,033	415,504	-	(651,545)	-
Total Revenue	40,343,098	3,823,796	3,950,200	4,737,456	(651,545)	52,203,005
RESULT						
Operating results	1,023,709	316,004	418,710	1,619,273	60,826	3,438,522
Unallocated income	-	-	-	-	68,273	68,273
Profit from operations	-	-	-	-	-	3,506,795
Finance income	10,996	16,273	10,762	26,703	232,704	297,438
Finance expense	(273,514)	(101,071)	(9,034)	(1,151)	(89,960)	(474,730)
Share of associates	118,331	43,729	28,046	-	-	190,106
Profit before Taxation	879,522	274,935	448,484	1,644,825	271,843	3,519,609
Taxation						(936,516)
Net Profit for the period from continuing operations						2,583,093
Attributable to:						
Owners of GraceKennedy Limited						2,305,536
Non-controlling interests						277,557
From continuing operations						2,583,093

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 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.
- *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.

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 3.

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. Disposal Group Held for Sale and Discontinued Operations

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 was previously 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.

The assets and liabilities related to H&L have been presented as held for sale in the statement of financial position and the results shown as discontinued operations in the income statement.

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

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

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

Analysis of the result of discontinued operations is as follows:

	9 months to 9/30/2015 \$'000	9 months to 9/30/2014 \$'000
Revenue	5,362,130	5,243,847
Expenses	(5,260,351)	(5,116,168)
Other income	19,152	69,727
Interest income	821	3,119
Interest expense	(16,011)	(23,113)
Profit before Taxation	105,741	177,412
Taxation	6,966	(43,195)
Net Profit from Discontinued Operations	112,707	134,217

Cash flows from discontinued operations are as follows:

	9/30/2015 \$'000	9/30/2014 \$'000
Operating cash flows	34,905	(37,102)
Investing cash flows	(35,369)	(71,273)
Financing cash flows	24,578	(59,187)