



**INTERIM REPORT**

**(SIX MONTHS)  
30 JUNE 2013**



GraceKennedy Limited

## INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the six months ended June 30, 2013. The Group achieved revenues for the period of \$32.7 billion (2012: \$30.6 billion), a 7% or \$ 2.1 billion increase over the corresponding period of 2012. Net profit attributable to owners of the Company increased by \$0.24 billion or 21% compared with the corresponding period of 2012, moving from \$1.15 billion to \$1.39 billion. This performance was driven by the strong performance of your money services, food and retail trading subsidiaries. Total assets grew by 3% to total \$107.2 billion for the period. Financing these assets were liabilities of \$74.5 billion and equity of \$32.7 billion, both recorded growth of 3%.

For the first six months of the year the operating environment was challenging, especially on the domestic front, however the Foods Division performed well. As it is clear that the present environment will be difficult for consumers in Jamaica, we continue to seek ways to improve our value offering to them. We challenged our team to listen to the consumer and look into our operations for areas where service and products could be offered at the same level of quality without increasing the cost to the consumer. Our strategy of expanding internationally gives us a set of opportunities to build our business and weather the pressures in one market versus the other. Our United States, Canada, and UK market growth continues to be strong and our entry into Ghana and the West Coast (North America) is progressing as planned. We continued our support of our Jamaican athletes by signing Hansle Parchment as our Brand Ambassador for our increasingly popular Grace Aloe Vera drink. This is expected to be a mutually beneficial relationship, between an athletic star on the rise and a product of increasing interest to consumers.

The GraceKennedy Financial Group experienced mixed results during the period under review. The money services business continues to do well with growth in revenues and profits for the period. All business lines of the money services segment contributed to that growth. The banking and investment segment saw strong growth in loans. These positives were offset by the impact of the National Debt Exchange and Private Debt Exchange on profitability. The insurance segment experienced a decline in profitability despite growth in revenues primarily due to increased motor claims reserves arising from a review being undertaken. We continue to innovate to provide our customers with new solutions. FGB launched the credit card rewards programme “*Rewards your Way*”, which allows customers to choose their rewards instead of being restricted to just one type of reward. JIIC launched its mobile application which provides customers with increased convenience as well as interesting features for motor owners.

GraceKennedy’s outreach arm, The Grace and Staff Community Development Foundation continued its far reaching work in the communities in which it operates. During the quarter, the Foundation outfitted three of its four Homework Centres with computers donated by the United States Agency for International Development (USAID). This is part of an overall project, being funded by the USAID, to upgrade the Homework Centres of Grace and Staff, valued at US\$450,000 over a three year period. The Foundation also benefitted from a Microsoft donation of software valued at US\$250,000, and this software has been installed. The GraceKennedy Foundation donated equipment and refurbished several schools across Jamaica. The donations during the quarter totaled \$1.6 million. Your company was the lead sponsor for Child Month, providing funding and coordination of Child Month activities.

Despite the challenges of the period, and the changes in the Jamaican and world economy, we are thankful for the efforts of our dedicated employees and directors in delivering these results. We thank our consumers, customers and suppliers for their continued relationship and tremendous support. We look forward to the coming quarters with optimism and will continue to be guided by our values of Honesty, Integrity and Trust.



Douglas R. Orane  
Chairman



Don G. Wehby  
Group Chief Executive Officer

July 30, 2013

## GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT  
SIX MONTHS ENDED 30 JUNE 2013  
(Unaudited)

	3 months to 30/06/2013 \$'000	6 months to 30/06/2013 \$'000	Restated 3 months to 30/06/2012 \$'000	Restated 6 months to 30/06/2012 \$'000
Revenue	16,647,852	32,710,112	14,980,693	30,576,814
Expenses	15,859,075	31,293,313	14,311,975	29,166,309
	788,777	1,416,799	668,718	1,410,505
Other income	449,514	883,245	179,754	419,109
<b>Profit from Operations</b>	1,238,291	2,300,044	848,472	1,829,614
Interest income – non-financial services	72,502	151,257	75,636	153,808
Interest expense – non-financial services	(136,893)	(268,100)	(155,264)	(311,899)
Share of results of associated companies	20,604	152,425	11,800	115,279
<b>Profit before Taxation</b>	1,194,504	2,335,626	780,644	1,786,802
Taxation	(382,270)	(747,400)	(218,706)	(500,486)
<b>NET PROFIT FOR THE PERIOD</b>	812,234	1,588,226	561,938	1,286,316
<b>Profit attributable to:</b>				
<b>Owners of GraceKennedy Limited</b>	703,080	1,392,779	499,277	1,151,125
<b>Non-controlling interests</b>	109,154	195,447	62,661	135,191
	812,234	1,588,226	561,938	1,286,316

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

<b>Basic</b>	\$2.11	\$4.17	\$1.50	\$3.47
<b>Diluted</b>	\$2.11	\$4.17	\$1.50	\$3.45

## GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
SIX MONTHS ENDED 30 JUNE 2013  
(Unaudited)

	3 months to 30/06/2013 \$'000	6 months to 30/06/2013 \$'000	Restated 3 months to 30/06/2012 \$'000	Restated 6 months to 30/06/2012 \$'000
Profit for the period	812,234	1,588,226	561,938	1,286,316
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Actuarial gain/(loss) on post-employment obligations	91,465	(404,841)	(295,739)	(591,478)
	91,465	(404,841)	(295,739)	(591,478)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments	132,507	349,931	34,332	92,045
Fair value losses	(277,044)	(394,441)	(90,698)	(140,983)
	(144,537)	(44,510)	(56,366)	(48,938)
Other comprehensive income for the period, net of tax	(53,072)	(449,351)	(352,105)	(640,416)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	759,162	1,138,875	209,833	645,900
<b>Total comprehensive income attributable to:</b>				
<b>Owners of GraceKennedy Limited</b>	643,742	925,025	144,004	506,141
<b>Non-controlling interests</b>	115,420	213,850	65,829	139,759
	759,162	1,138,875	209,833	645,900

# GraceKennedy Limited


## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2013

(Unaudited)

	June 30 2013 \$'000	Restated December 31 2012 \$'000	Restated June 30 2012 \$'000
<b>ASSETS</b>			
Cash and deposits	8,955,941	10,989,655	10,365,632
Investment securities	19,008,497	16,308,785	15,353,247
Pledged assets <sup>(3)</sup>	27,942,080	29,431,618	27,152,803
Receivables	10,585,290	8,507,124	9,966,509
Inventories	7,674,017	6,569,375	6,436,163
Loans receivable	15,070,229	13,881,176	13,967,297
Taxation recoverable	684,717	911,888	1,067,419
Investments in associates	1,001,452	899,027	862,184
Intangible assets	2,269,339	2,106,404	1,911,760
Fixed assets	7,126,154	7,250,809	6,986,129
Deferred tax assets	1,577,168	1,421,327	1,265,765
Pension plan asset	5,306,630	5,842,256	6,683,091
<b>Total Assets</b>	<b>107,201,514</b>	<b>104,119,444</b>	<b>102,017,999</b>
<b>LIABILITIES</b>			
Deposits	16,211,394	15,768,039	14,861,366
Securities sold under agreements to repurchase	25,822,115	27,711,820	26,174,044
Bank and other loans	11,683,635	10,338,328	11,736,464
Payables	15,606,142	13,510,563	13,482,220
Taxation	302,659	300,557	344,603
Provisions	8,939	6,839	8,502
Deferred tax liabilities	1,669,312	1,727,001	2,326,562
Other post-employment obligations	3,170,740	2,887,948	2,858,475
<b>Total Liabilities</b>	<b>74,474,936</b>	<b>72,251,095</b>	<b>71,792,236</b>
<b>EQUITY</b>			
<b>Capital &amp; reserves attributable to the company's owners</b>			
Share capital	753,492	808,079	655,103
Capital and fair value reserves	4,385,093	4,695,304	4,646,611
Retained earnings	21,392,618	20,714,969	19,553,310
Banking reserves	2,000,704	2,000,704	1,942,967
Other reserves	2,815,309	2,483,781	2,182,513
	31,347,216	30,702,837	28,980,504
<b>Non-controlling interests</b>	<b>1,379,362</b>	<b>1,165,512</b>	<b>1,245,259</b>
<b>Total Equity</b>	<b>32,726,578</b>	<b>31,868,349</b>	<b>30,225,763</b>
<b>Total Equity and Liabilities</b>	<b>107,201,514</b>	<b>104,119,444</b>	<b>102,017,999</b>

Approved for issue by the Board of Directors on 30 July 2013 and signed on its behalf by:

  
 \_\_\_\_\_  
 Douglas Orane Chairman

  
 \_\_\_\_\_  
 Don Wehby Group Chief Executive Officer

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 JUNE 2013

(Unaudited)

	Attributable to owners of the company							Non-controlling interests	Total Equity
	No. of Shares	Share Capital	Capital and Fair Value Reserve	Retained Earnings	Banking Reserves	Other Reserves	Total		
	'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2012 (Restated)	330,255	593,968	4,794,309	19,174,975	1,942,967	2,095,036	28,601,255	1,105,500	29,706,755
Total comprehensive income for the period	-	-	(140,983)	559,647	-	87,477	506,141	139,759	645,900
Issue of shares	2,146	61,135	-	-	-	-	61,135	-	61,135
Employee share option scheme	-	-	-	11,414	-	-	11,414	-	11,414
Dividends paid	-	-	-	(199,441)	-	-	(199,441)	-	(199,441)
Total transactions with owners	2,146	61,135	-	(188,027)	-	-	(126,892)	-	(126,892)
Transfers between reserves:									
To retained earnings	-	-	(6,715)	6,715	-	-	-	-	-
Balance at 30 June 2012 (Restated)	332,401	655,103	4,646,611	19,553,310	1,942,967	2,182,513	28,980,504	1,245,259	30,225,763
Balance at 1 January 2013 (Restated)	334,801	808,079	4,695,304	20,714,969	2,000,704	2,483,781	30,702,837	1,165,512	31,868,349
Total comprehensive income for the period	-	-	(394,441)	987,938	-	331,528	925,025	213,850	1,138,875
Purchase of treasury shares	(1,030)	(54,587)	-	-	-	-	(54,587)	-	(54,587)
Employee share option scheme	-	-	-	7,874	-	-	7,874	-	7,874
Dividends paid	-	-	-	(233,933)	-	-	(233,933)	-	(233,933)
Total transactions with owners	(1,030)	(54,587)	-	(226,059)	-	-	(280,646)	-	(280,646)
Transfers between reserves:									
To capital reserves	-	-	84,230	(84,230)	-	-	-	-	-
Balance at 30 June 2013	333,771	753,492	4,385,093	21,392,618	2,000,704	2,815,309	31,347,216	1,379,362	32,726,578

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 30 JUNE 2013

(Unaudited)

	30/06/2013 \$'000	Restated 30/06/2012 \$'000
<b>SOURCES/(USES) OF CASH:</b>		
<b>Operating Activities</b>		
Profit for the period	1,588,226	1,286,316
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(4,659,236)	(1,493,959)
Cash used in operating activities	(3,071,010)	(207,643)
Cash used in financing activities	(355,851)	(862,634)
Cash provided by/(used in) investing activities	294,768	(1,260,898)
Decrease in cash and cash equivalents	(3,132,093)	(2,331,175)
Cash and cash equivalents at beginning of year	9,575,048	10,958,017
Exchange and translation gains on net foreign cash balances	208,197	56,865
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>6,651,152</b>	<b>8,683,707</b>

# GraceKennedy Limited

## FINANCIAL INFORMATION BY OPERATING SEGMENT

SIX MONTHS ENDED 30 JUNE 2013

(Unaudited)

6 months to 30 June 2013	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>							
External sales	21,906,751	3,289,523	2,613,604	2,301,738	2,598,496	-	32,710,112
Inter-segment sales	142,266	3,084	13,918	8,180	-	(167,448)	-
<b>Total Revenue</b>	<b>22,049,017</b>	<b>3,292,607</b>	<b>2,627,522</b>	<b>2,309,918</b>	<b>2,598,496</b>	<b>(167,448)</b>	<b>32,710,112</b>
<b>RESULT</b>							
Operating results	785,468	158,021	304,224	60,448	831,359	27,775	2,167,295
Unallocated income	-	-	-	-	-	132,749	132,749
Profit from operations	-	-	-	-	-	-	2,300,044
Finance income	(24,056)	2,160	4,294	6,277	25,285	137,297	151,257
Finance expense	(138,742)	(24,846)	(32,586)	(4,353)	(424)	(67,149)	(268,100)
Share of associates	118,046	-	32,675	1,704	-	-	152,425
<b>Profit before Taxation</b>	<b>740,716</b>	<b>135,335</b>	<b>308,607</b>	<b>64,076</b>	<b>856,220</b>	<b>230,672</b>	<b>2,335,626</b>
Taxation							(747,400)
<b>Net Profit for the period</b>							<b>1,588,226</b>
Attributable to:							
Owners of GraceKennedy Limited							1,392,779
Non-controlling interests							195,447
							<b>1,588,226</b>

6 months to 30 June 2012 (Restated)	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>							
External sales	20,231,220	3,112,313	2,605,505	2,216,072	2,411,704	-	30,576,814
Inter-segment sales	131,825	2,183	14,248	24,216	-	(172,472)	-
<b>Total Revenue</b>	<b>20,363,045</b>	<b>3,114,496</b>	<b>2,619,753</b>	<b>2,240,288</b>	<b>2,411,704</b>	<b>(172,472)</b>	<b>30,576,814</b>
<b>RESULT</b>							
Operating results	594,448	51,437	321,923	160,363	752,899	25,089	1,906,159
Unallocated expense	-	-	-	-	-	(76,545)	(76,545)
Profit from operations	-	-	-	-	-	-	1,829,614
Finance income	6,016	3,489	17,673	5,674	21,377	99,579	153,808
Finance expense	(191,815)	(36,324)	(36,447)	(3,712)	(475)	(43,126)	(311,899)
Share of associates	90,171	-	29,203	(4,095)	-	-	115,279
<b>Profit before Taxation</b>	<b>498,820</b>	<b>18,602</b>	<b>332,352</b>	<b>158,230</b>	<b>773,801</b>	<b>4,997</b>	<b>1,786,802</b>
Taxation							(500,486)
<b>Net Profit for the period</b>							<b>1,286,316</b>
Attributable to:							
Owners of GraceKennedy Limited							1,151,125
Non-controlling interests							135,191
							<b>1,286,316</b>



# GraceKennedy Limited

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2013

### 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.

Certain amendments to existing standards have been published that became effective during the current financial year. In particular, amendments to IAS 19: Employee benefits, have resulted in the restatement of comparative information. The effects of adopting these amendments on the equity and net profit as previously reported are detailed in Note 2.

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 2012.

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-employment obligations*

Some Group companies provide post-employment health care benefits, group life, gratuity and supplementary plans to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

*(iii) Equity compensation benefits*

The Group operates an equity-settled, share-based compensation plan. Share options are granted to management and key employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of non-market vesting conditions.

**(f) Deferred taxation**

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

**(g) Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

**(h) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within bank and other loans in liabilities on the balance sheet.

**(i) Segment reporting**

The principal activities of the company, its subsidiaries and its associated companies (the Group) are as follows:

- *Food Trading* – Merchandising of general goods and food products, both locally and internationally; processing and distribution of food products; and the operation of a chain of supermarkets.
- *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. Effect of amendments to IFRS**

Effective for annual periods beginning on or after 1 January 2013, IAS 19: Employee benefits, was amended with the impact on the group as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in Other Comprehensive Income (OCI) as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

The amended standard was applied retrospectively, resulting in the restatement of the prior year financial statements along with the opening statement of financial position for that year.

Below is a summary of the line items in the financial statements affected by the restatement.

## 2. Effect of amendments to IFRS (continued)

<b>Reconciliation of Equity at:</b>	31 December 2012 \$'000	31 December 2011 \$'000	30 June 2012 \$'000
Equity attributable to owners of GraceKennedy Limited as previously reported	<b>32,777,751</b>	<b>29,337,896</b>	<b>30,307,235</b>
Decrease in Investments in associates	(6,566)	(27,255)	(27,255)
Increase in Deferred tax assets	377,277	179,088	156,808
Decrease in Pension plan asset	(2,628,157)	(783,323)	(1,735,297)
Decrease in Deferred tax liabilities	455,573	261,107	578,431
Increase in Other post-employment obligations	(439,869)	(537,267)	(470,427)
Decrease in Non-controlling interests	166,828	171,009	171,009
Decrease in Retained earnings	(2,074,914)	(736,641)	(1,326,731)
Equity attributable to owners of GraceKennedy Limited as restated	<b>30,702,837</b>	<b>28,601,255</b>	<b>28,980,504</b>

<b>Reconciliation of profit for the period ended:</b>	12 months to 31/12/2012 \$'000	6 months to 30/06/2012 \$'000
Profit attributable to owners of GraceKennedy Limited as previously reported	<b>3,512,590</b>	<b>1,149,737</b>
Decrease in Expenses	26,998	2,082
Decrease in share of results of associated companies	(2,203)	-
Increase in Taxation	(67,604)	(694)
Decrease in profit attributable to non-controlling interests (Decrease)/Increase in Net Profit	9,107	-
Profit attributable to owners of GraceKennedy Limited as restated	<b>3,478,888</b>	<b>1,151,125</b>

Earnings per Stock Unit for profit attributable to owners of GraceKennedy Limited (expressed in \$ per stock unit)

	<u>Basic</u>	<u>Basic</u>
EPS as previously reported	<b>\$10.52</b>	<b>\$3.46</b>
Decrease due to restatement	(\$0.10)	\$0.01
EPS as restated	<b>\$10.42</b>	<b>\$3.47</b>
	<u>Diluted</u>	<u>Diluted</u>
EPS as previously reported	<b>\$10.51</b>	<b>\$3.44</b>
Decrease due to restatement	(\$0.10)	\$0.01
EPS as restated	<b>\$10.41</b>	<b>\$3.45</b>

## 2. Effect of amendments to IFRS (continued)

<b>Reconciliation of comprehensive income for the period ended:</b>	12 months to 31/12/2012 \$'000	6 months to 30/06/2012 \$'000
Total comprehensive income attributable to owners of GraceKennedy Limited as previously reported	<b>3,923,433</b>	<b>1,096,231</b>
(Decrease)/Increase in Profit attributable to owners of GraceKennedy Limited	(33,702)	1,388
Increase in Share of other comprehensive income of associated companies	22,892	-
Increase in Other comprehensive income attributable to non-controlling interests	(13,288)	-
Actuarial loss on post-employment obligations	(1,314,175)	(591,478)
Decrease in Total comprehensive income, net of tax	(1,338,273)	(590,090)
Total comprehensive income attributable to owners of GraceKennedy Limited as restated	<b>2,585,160</b>	<b>506,141</b>

## 3. Reclassification

Comparative figures have been adjusted to conform to changes in presentation in the current year. In particular, investment securities which are pledged as collateral for other transactions in relation to certain subsidiaries in the Banking & Investments segment were reclassified and disclosed separately on the face of the statement of financial position. No other financial statement lines were affected by this reclassification.