



INTERIM REPORT

**(THREE MONTHS)
31 MARCH 2014**



INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the three months ended March 31, 2014. The Group achieved revenues for the period of \$18.2 billion (2013: \$16.1 billion), a \$2.1 billion or 13.2% increase over the corresponding period of 2013. Net profit attributable to owners of the Company increased by \$143.6 million or 20.8% compared with the corresponding period of 2013, increasing from \$689.7 million to \$833.3 million. This represents earnings per stock unit of \$2.52 (2013: \$2.06).

The Group's asset base grew by \$2.03 billion since the beginning of the year to total \$110.7 billion. Shareholders' equity increased over the quarter by \$1.1 billion to \$33.9 billion which equates to a book value per share of \$102.37. On March 3, 2014 the Board of Directors approved an interim dividend of 70 cents per stock unit which was paid on April 30, 2014.

Subsequent to the end of the quarter on April 24, 2014 First Global Holdings Limited entered into an agreement for the sale of its 100% shareholding in First Global Financial Services Limited to Proven Investments Limited, subject to regulatory approval, with a transaction value of over J\$3.05 billion. The divestment will allow the Group to reallocate capital in line with its long term objectives including local and regional expansion in other financial services to generate greater returns for all stakeholders.

While the Foods Division grew in revenue, profits declined. The key drivers of the Division during the quarter were the strong growth of the Grace brand in Europe (including the United Kingdom) and strong performance in Belize. Many of our products showed better than expected growth in a very competitive trading space. Our third party distribution business, World Brands Services, added new principals. Our new beverage offering, Lishous, continued to experience good growth. Dairy Industries successfully launched a new yogurt line for the youth market in March and we anticipate excellent results from this initiative. We established a distribution office in West Africa as we focus on continued growth in this region. We however faced the challenges of escalating raw material prices in our Jamaican manufacturing operations.

We continued our efforts to improve efficiencies with the focus on process improvement in our production facilities worldwide. Domestic plants have undertaken upgrading and diversification of product lines to increase output and plant utilization. We are actively pursuing co-packing opportunities and seeking new customers for manufactured goods. We celebrated Hi-Lo's 50th anniversary in Jamaica, which was marked by the commencement of the renovation of our stores, starting with the Barbican and Manor Park locations.

The GraceKennedy Financial Group (GKFG) had growth in revenue and pre-tax profit over the comparable period last year. In January 2014, First Global Bank (FGB) implemented a new core banking system and online banking platform to provide increased convenience and new features to customers. Bill Express entered into an agreement with the Ministry of Labour and Social Security to provide pay-outs to beneficiaries of the Transportation Subsidy Programme.

Banking and Investments performed creditably during the quarter, after an expected rebound post the Government initiated debt exchange programme. Our Insurance segment performed well, and our Underwriting business rebounded significantly with stronger profit performance. Despite increased competition in insurance broking, Allied Insurance Brokers (AIB) received a noteworthy boost from employee benefits commissions which contributed to their improved performance during the quarter. The Money Services segment experienced strong growth in remittance inflows over the comparable period last year.

Hardware & Lumber Limited recorded another quarter of excellent growth. Revenue grew by 17% for the quarter to total \$1.8 billion resulting in after tax profits of \$40.4 million. The performance was driven by 16.7% rise in household, hardware and building products, while agricultural products grew by 17.7%.

The GraceKennedy Foundation's Annual Lecture was held on March 5, 2014, with lecturer Dr. Fitz H. Pinnock, Executive Director of the Caribbean Maritime Institute, presenting on the topic "From Piracy to Transshipment : Jamaica's journey to Becoming a Global Logistics Hub." The GraceKennedy Group and the Inter-Secondary School Sports Association (ISSA) again worked together to ensure the successful staging of the 2014 ISSA/GraceKennedy Boys' and Girls' Championships on March 25 to 29. Approximately 200 schools participated in what was the 104th staging of the championships. The event was a success with 22 records broken and continued exposure of the athletic ability of our youth.

These results were achieved in the context of a challenging environment in Jamaica. Your company continues its transition to become a Global Consumer Group and regional financial powerhouse. We thank you for your support in this transition which we believe will benefit all stakeholders. The ensuing quarters will see continued strides in improving our relations with our customers and will ultimately result in greater returns to our shareholders. We are investing for the future to ensure we deliver on our promise to you, while remaining true to our values of honesty, integrity and trust.



Gordon Shirley
Chairman



Donald Wehby
Group Chief Executive Officer

May 15, 2014

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT THREE MONTHS ENDED 31 MARCH 2014 (Unaudited)

	3 months to 3/31/2014 \$'000	3 months to 3/31/2013 \$'000
Revenue	18,179,352	16,062,260
Expenses	(17,363,426)	(15,434,238)
	815,926	628,022
Other income	410,429	433,731
Profit from Operations	1,226,355	1,061,753
Interest income – non-financial services	83,892	78,755
Interest expense – non-financial services	(132,882)	(131,207)
Share of results of associated companies	102,889	131,821
Profit before Taxation	1,280,254	1,141,122
Taxation	(339,268)	(365,130)
NET PROFIT FOR THE PERIOD	940,986	775,992
Profit attributable to:		
Owners of GraceKennedy Limited	833,289	689,699
Non-controlling interests	107,697	86,293
	940,986	775,992
Earnings per Stock Unit for profit attributable to the owners of the company during the period: (expressed in \$ per stock unit):		
Basic	\$2.52	\$2.06
Diluted	\$2.51	\$2.06

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THREE MONTHS ENDED 31 MARCH 2014

(Unaudited)

	3 months to 3/31/2014 \$'000	3 months to 3/31/2013 \$'000
Profit for the period	940,986	775,992
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Losses on revaluation of land and buildings	(12,459)	-
Remeasurements of post-employment benefit obligations	(76,490)	(496,306)
	(88,949)	(496,306)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Foreign currency translation adjustments	170,591	217,424
Fair value gains/(losses)	241,595	(117,397)
Share of other comprehensive income of associated companies	26,465	-
	438,651	100,027
Other comprehensive income for the period, net of tax	349,702	(396,279)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,290,688	379,713
Total comprehensive income attributable to:		
Owners of GraceKennedy Limited	1,175,489	281,283
Non-controlling interests	115,199	98,430
	1,290,688	379,713

GraceKennedy Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 MARCH 2014

(Unaudited)

	March 31 2014 \$'000	December 31 2013 \$'000	March 31 2013 \$'000
ASSETS			
Cash and deposits	11,615,463	9,131,888	8,643,814
Investment securities	17,568,152	20,883,838	18,531,851
Pledged assets	27,863,357	27,140,200	27,606,680
Receivables	10,466,796	9,094,326	10,397,343
Inventories	8,442,081	8,345,097	6,656,142
Loans receivable	16,562,481	16,238,507	14,697,510
Taxation recoverable	615,989	582,985	791,130
Investments in associates	1,158,319	1,028,966	1,030,848
Investment properties	459,000	365,000	-
Intangible assets	2,546,089	2,425,230	2,223,107
Fixed assets	6,988,333	6,946,936	7,117,579
Deferred tax assets	1,002,322	953,864	1,529,210
Pension plan asset	5,388,779	5,506,469	5,162,814
Total Assets	110,677,161	108,643,306	104,388,028
LIABILITIES			
Deposits	19,393,031	17,768,017	16,233,688
Securities sold under agreements to repurchase	24,208,697	25,074,089	26,280,412
Bank and other loans	10,576,863	11,571,790	10,843,415
Payables	16,216,467	15,226,874	14,171,376
Taxation	216,189	291,182	230,906
Provisions	6,739	6,839	7,889
Deferred tax liabilities	1,298,233	1,268,515	1,607,010
Other post-employment obligations	3,293,282	3,202,616	3,029,344
Total Liabilities	75,209,501	74,409,922	72,404,040
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	586,878	643,074	774,001
Capital and fair value reserves	4,597,351	4,356,384	4,600,278
Retained earnings	23,290,238	22,544,646	20,655,995
Banking reserves	2,083,726	2,077,782	2,000,704
Other reserves	3,326,784	3,143,798	2,689,068
	33,884,977	32,765,684	30,720,046
Non-controlling interests	1,582,683	1,467,700	1,263,942
Total Equity	35,467,660	34,233,384	31,983,988
Total Equity and Liabilities	110,677,161	108,643,306	104,388,028

Approved for issue by the Board of Directors on 15 May 2014 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 2014

(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 2013	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	-	-	(117,397)	193,393	-	205,287	281,283	98,430	379,713
Transactions with owners:									
Purchase of treasury shares	(680)	(34,078)	-	-	-	-	(34,078)	-	(34,078)
Employee share option scheme	-	-	-	3,937	-	-	3,937	-	3,937
Dividends paid	-	-	-	(233,933)	-	-	(233,933)	-	(233,933)
Total transactions with owners	(680)	(34,078)	-	(229,996)	-	-	(264,074)	-	(264,074)
Transfers between reserves:									
To capital reserves	-	-	22,371	(22,371)	-	-	-	-	-
Balance at 31 March 2013	334,121	774,001	4,600,278	20,655,995	2,000,704	2,689,068	30,720,046	1,263,942	31,983,988
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

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS THREE MONTHS ENDED 31 MARCH 2014 (Unaudited)

	3/31/2014 \$'000	3/31/2013 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	940,986	775,992
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(349,246)	(3,884,480)
Cash provided by/(used in) operating activities	591,740	(3,108,488)
Cash used in financing activities	(887,459)	(324,263)
Cash provided by investing activities	3,011,961	741,569
Increase/(Decrease) in cash and cash equivalents	2,716,242	(2,691,182)
Cash and cash equivalents at beginning of year	6,604,290	9,575,048
Exchange and translation gains on net foreign cash balances	97,245	114,976
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9,417,777	6,998,842

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT

THREE MONTHS ENDED 31 MARCH 2014

(Unaudited)

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
REVENUE							
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)	-
Total Revenue	12,474,683	1,810,022	1,440,875	1,079,703	1,474,879	(100,810)	18,179,352

RESULT

Operating results	395,088	73,141	115,088	107,869	479,927	15,756	1,186,869
Unallocated expense	-	-	-	-	-	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
Profit before Taxation	408,785	65,864	113,496	98,843	489,331	103,935	1,280,254
Taxation							(339,268)
Net Profit for the period							940,986

Attributable to:

Owners of GraceKennedy Limited	833,289
Non-controlling interests	107,697
	940,986

3 months to 31 March 2013	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	11,051,906	1,546,368	1,181,656	1,010,939	1,271,391	-	16,062,260
Inter-segment sales	72,850	1,417	4,298	1,691	-	(80,256)	-
Total Revenue	11,124,756	1,547,785	1,185,954	1,012,630	1,271,391	(80,256)	16,062,260

RESULT

Operating results	433,063	55,189	(7,428)	44,945	396,654	9,308	931,731
Unallocated income	-	-	-	-	-	130,022	130,022
Profit from operations	-	-	-	-	-	-	1,061,753
Finance income	(8,749)	1,452	2,098	3,272	11,399	69,283	78,755
Finance expense	(73,453)	(13,098)	(16,547)	(2,127)	(237)	(25,745)	(131,207)
Share of associates	115,080	-	16,223	518	-	-	131,821
Profit before Taxation	465,941	43,543	(5,654)	46,608	407,816	182,868	1,141,122
Taxation							(365,130)
Net Profit for the period							775,992

Attributable to:

Owners of GraceKennedy Limited	689,699
Non-controlling interests	86,293
	775,992

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2014

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 2013.

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. Subsequent Event

On 24 April 2014, the Group entered into an agreement for the sale of its 100% shareholding in First Global Financial Services Limited to Proven Investments Limited, subject to regulatory approval with a transaction value of over \$3.05 billion. The transaction will involve the transfer of all business lines. However, the Group will, subject to regulatory approvals as required, retain the Jamaica Stock Exchange license as well as certain investment properties.