



INTERIM REPORT

**(SIX MONTHS)
30 JUNE 2014**

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the six months ended June 30, 2014. The Group achieved revenues for the period of \$37.2 billion (2013: \$32.7 billion), a 13.9% or \$4.5 billion increase over the corresponding period of 2013. Net profit attributable to owners of the Company increased by \$286.3 million or 20.6% compared to the corresponding period of 2013, increasing from \$1,392.8 million to \$1,679.1 million. This represents earnings per stock unit of \$5.07 (2013: \$4.17).

Stockholders' equity increased over the six month period by \$1.5 billion to \$34.3 billion which equates to a book value per share of \$103.78. The Group's asset base declined by \$16.2 billion since the beginning of the year to total \$92.5 billion, largely due to the sale of GraceKennedy Group's equity interest in First Global Financial Services Limited (FGFS).

The sale of FGFS to Proven Investments Limited was completed on May 30, 2014 for a transaction value of \$3.05 billion. This divestment will allow the Group to reallocate capital primarily to our banking business and regional expansion of financial services. GK Capital Management Limited (GK Capital), an investment and advisory business that will focus on corporate finance, equity trading, and private equity was established in June 2014.

On July 18, 2014, subsequent to the end of the quarter, GraceKennedy, in keeping with our goal of becoming a Global Consumer Group and growing our exports, acquired the assets and the brands of USA Food business La Fe Foods Inc. The acquisition was through our wholly owned subsidiary, GraceKennedy Foods (USA) LLC. The acquired business currently has revenues of approximately US\$80 million with brand and distribution presence in the New York/Tri-State Area, Florida, Georgia and the rest of the East Coast.

The Financial Services Division had mixed results during the period with our money services segment recording strong growth in revenue and profits primarily attributable to our Jamaican and Guyanese operations. Our insurance segment showed good recovery demonstrated by an increase in profits, which was attributable to improved underwriting performance and absence of extraordinary claims losses experienced in 2013. While our banking and investments segment saw a decline in profits, we are encouraged by the strong deposit growth in our commercial bank, First Global Bank.

The GK Foods Division had growth in revenue for the six months, driven by the increase in our international business particularly in our UK and US markets. While our domestic business had an increase in revenues, profits were impacted by depreciation of the Jamaican dollar and its impact on our operating costs, resulting in lower margins. The Division continued its focus on innovation and growth, launching a new yogurt line for the youth market and with sales above expectations. Our Agro Processing plant in Hounslow, St. Elizabeth has commenced exports of pepper mash. Grace Foods International won the award for Best Exporter from the Jamaica Exporters Association and Jamaica Trade and Invest.

GraceKennedy received the “Best of Chamber” award in the “Large” category from the Jamaica Chamber of Commerce. This was in recognition of our corporate leadership, product and service quality, human resource development, marketing innovation and corporate citizenship. During the quarter we launched our first Employee Appreciation Week, which will be an annual event across all our companies.

We deeply regret the passing of our Director, G. Raymond Chang OJ, a stalwart in the Jamaican and Canadian communities, on July 27, 2014. He was a member of the Board since March 17, 2004. He was not only a great businessman, but was also well-known for his philanthropy here in Jamaica, as well as in Canada. He will be greatly missed.

Our Group continues its drive towards becoming a Global Consumer Group and Regional Financial Services Group. The efforts of our employees and Board are focused on achieving this goal. We have made significant steps in this regard. The end result will be increased return to you, our valued stockholders. We appreciate the continued support of our customers and consumers and look forward to providing unparalleled products and services in the coming quarters. As Jamaica celebrates its Independence we remain proud of our heritage and continue to be guided by the values of honesty, integrity and trust.



Gordon Shirley
Chairman



Donald Wehby
Group Chief Executive Officer

July 31, 2014

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT

SIX MONTHS ENDED 30 JUNE 2014

(Unaudited)

	3 months to 6/30/2014 \$'000	6 months to 6/30/2014 \$'000	3 months to 6/30/2013 \$'000	6 months to 6/30/2013 \$'000
Revenue	19,061,172	37,240,524	16,647,852	32,710,112
Expenses	(18,266,885)	(35,630,311)	(15,859,075)	(31,293,313)
	794,287	1,610,213	788,777	1,416,799
Other income	562,312	972,741	449,514	883,245
Profit from Operations	1,356,599	2,582,954	1,238,291	2,300,044
Interest income – non-financial services	107,093	190,985	72,502	151,257
Interest expense – non-financial services	(181,388)	(314,270)	(136,893)	(268,100)
Share of results of associated companies	15,413	118,302	20,604	152,425
Profit before Taxation	1,297,717	2,577,971	1,194,504	2,335,626
Taxation	(343,894)	(683,162)	(382,270)	(747,400)
NET PROFIT FOR THE PERIOD	953,823	1,894,809	812,234	1,588,226
Profit attributable to:				
Owners of GraceKennedy Limited	845,814	1,679,103	703,080	1,392,779
Non-controlling interests	108,009	215,706	109,154	195,447
	953,823	1,894,809	812,234	1,588,226

Earnings per Stock Unit for profit attributable to the owners of the company during the period:

(expressed in \$ per stock unit):

Basic	\$2.56	\$5.07	\$2.11	\$4.17
Diluted	\$2.55	\$5.07	\$2.11	\$4.17

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SIX MONTHS ENDED 30 JUNE 2014

(Unaudited)

	3 months to 6/30/2014 \$'000	6 months to 6/30/2014 \$'000	3 months to 6/30/2013 \$'000	6 months to 6/30/2013 \$'000
Profit for the period	953,823	1,894,809	812,234	1,588,226
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	(423,150)	(499,640)	91,465	(404,841)
	(423,150)	(512,099)	91,465	(404,841)
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Foreign currency translation adjustments	230,332	400,923	132,507	349,931
Fair value gains/(losses)	18,161	259,756	(277,044)	(394,441)
Share of other comprehensive income of associated companies	15,847	42,312	-	-
	264,340	702,991	(144,537)	(44,510)
Other comprehensive income for the period, net of tax	(158,810)	190,892	(53,072)	(449,351)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	795,013	2,085,701	759,162	1,138,875
Total comprehensive income attributable to:				
Owners of GraceKennedy Limited	679,656	1,855,145	643,742	925,025
Non-controlling interests	115,357	230,556	115,420	213,850
	795,013	2,085,701	759,162	1,138,875

GraceKennedy Limited

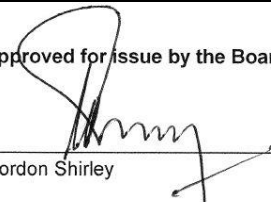
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2014

(Unaudited)

	June 30 2014 \$'000	December 31 2013 \$'000	June 30 2013 \$'000
ASSETS			
Cash and deposits	11,113,241	9,131,888	8,955,941
Investment securities	21,615,417	20,883,838	19,008,497
Pledged assets	5,662,390	27,140,200	27,942,080
Receivables	11,039,613	9,094,326	10,585,290
Inventories	9,152,802	8,345,097	7,674,017
Loans receivable	16,376,025	16,238,507	15,070,229
Taxation recoverable	512,073	582,985	684,717
Investments in associates	1,129,579	1,028,966	1,001,452
Investment properties	459,101	365,000	-
Intangible assets	2,476,059	2,425,230	2,269,339
Fixed assets	7,011,116	6,946,936	7,126,154
Deferred tax assets	1,103,912	953,864	1,577,168
Pension plan asset	4,802,683	5,506,469	5,306,630
Total Assets	92,454,011	108,643,306	107,201,514
LIABILITIES			
Deposits	20,467,002	17,768,017	16,211,394
Securities sold under agreements to repurchase	4,053,967	25,074,089	25,822,115
Bank and other loans	10,444,633	11,571,790	11,683,635
Payables	16,780,766	15,226,874	15,606,142
Taxation	239,664	291,182	302,659
Provisions	7,739	6,839	8,939
Deferred tax liabilities	1,277,705	1,268,515	1,669,312
Other post-employment obligations	3,174,774	3,202,616	3,170,740
Total Liabilities	56,446,250	74,409,922	74,474,936
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	563,484	643,074	753,492
Capital and fair value reserves	4,532,873	4,356,384	4,385,093
Retained earnings	23,564,023	22,544,646	21,392,618
Banking reserves	2,083,726	2,077,782	2,000,704
Other reserves	3,565,615	3,143,798	2,815,309
	34,309,721	32,765,684	31,347,216
Non-controlling interests	1,698,040	1,467,700	1,379,362
Total Equity	36,007,761	34,233,384	32,726,578
Total Equity and Liabilities	92,454,011	108,643,306	107,201,514

Approved for issue by the Board of Directors on 31 July 2014 and signed on its behalf by:


Gordon Shirley

Chairman


Donald Wehby

Group Chief Executive Officer

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 JUNE 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	-	-	(394,441)	987,938	-	331,528	925,025	213,850	1,138,875
Transactions with owners:									
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
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	-	-	253,865	1,179,463	-	421,817	1,855,145	230,556	2,085,701
Transactions with owners:									
Issue of shares	18	907	-	-	-	-	907	-	907
Repurchase of shares	(1,347)	(80,497)	-	-	-	-	(80,497)	-	(80,497)
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(216)	(216)
Dividends paid	-	-	-	(231,518)	-	-	(231,518)	-	(231,518)
Total transactions with owners	(1,329)	(79,590)	-	(231,518)	-	-	(311,108)	(216)	(311,324)
Transfers between reserves:									
From capital reserves	-	-	(77,376)	77,376	-	-	-	-	-
To banking reserves	-	-	-	(5,944)	5,944	-	-	-	-
Balance at 30 June 2014	330,592	563,484	4,532,873	23,564,023	2,083,726	3,565,615	34,309,721	1,698,040	36,007,761

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 30 JUNE 2014

(Unaudited)

	6/30/2014	6/30/2013
	\$'000	\$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	1,894,809	1,588,226
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(1,371,264)	(4,659,236)
Cash provided by/(used in) operating activities	523,545	(3,071,010)
Cash used in financing activities	(1,465,724)	(355,851)
Cash provided by investing activities	2,845,434	294,768
Increase/(Decrease) in cash and cash equivalents	1,903,255	(3,132,093)
Cash and cash equivalents at beginning of year	6,604,290	9,575,048
Exchange and translation gains on net foreign cash balances	121,603	208,197
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8,629,148	6,651,152

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT

SIX MONTHS ENDED 30 JUNE 2014

(Unaudited)

6 months to 30 June 2014	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	25,445,051	3,525,964	2,756,291	2,428,926	3,084,292	-	37,240,524
Inter-segment sales	134,256	3,649	27,965	25,482	-	(191,352)	-
Total Revenue	25,579,307	3,529,613	2,784,256	2,454,408	3,084,292	(191,352)	37,240,524
RESULT							
Operating results	741,413	124,923	227,555	240,600	1,052,612	35,307	2,422,410
Unallocated expense	-	-	-	-	-	160,544	160,544
Profit from operations	-	-	-	-	-	-	2,582,954
Finance income	7,774	2,541	4,891	6,456	16,739	152,584	190,985
Finance expense	(179,245)	(16,187)	(66,876)	(5,819)	(1,021)	(45,122)	(314,270)
Share of associates	90,716	-	29,598	(2,012)	-	-	118,302
Profit before Taxation	660,658	111,277	195,168	239,225	1,068,330	303,313	2,577,971
Taxation							(683,162)
Net Profit for the period							1,894,809
Attributable to:							
Owners of GraceKennedy Limited							1,679,103
Non-controlling interests							215,706
							1,894,809

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
REVENUE							
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)	-
Total Revenue	22,049,017	3,292,607	2,627,522	2,309,918	2,598,496	(167,448)	32,710,112
RESULT							
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
Profit before Taxation	740,716	135,335	308,607	64,076	856,220	230,672	2,335,626
Taxation							(747,400)
Net Profit for the period							1,588,226
Attributable to:							
Owners of GraceKennedy Limited							1,392,779
Non-controlling interests							195,447
							1,588,226

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 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 18 July 2014, the Group acquired the operating assets and business of a United States of America food company, La Fe Foods Inc, through its wholly owned subsidiary, GraceKennedy Foods (USA) LLC for approximately US\$26 million. La Fe Foods Inc. was established in 1968, and is a full service distributor of a range of over 1,400 products in the categories of grocery, frozen, dairy and beverages, representing some of the top brands of food products from the Caribbean, Central America, South America and Europe.

The business has revenues of approximately US\$80 million and has operations in Moonachie, New Jersey; Miami, Florida and Raleigh, North Carolina, with brand and distribution presence in the New York/Tri-state area, Florida, Georgia and the East Coast.