



INTERIM REPORT

**(NINE MONTHS)
30 SEPTEMBER 2014**



INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the GraceKennedy Group for the nine months ended September 30, 2014. The Group achieved revenues for the period of \$57.4 billion (2013: \$49.7 billion), a 15.5% or \$7.7 billion increase over the corresponding period of 2013. Net profit attributable to owners of the Company increased by \$406.3 million or 20.5% compared to the corresponding period of 2013, increasing from \$1,977.3 million to \$2,383.5 million. This represents earnings per stock unit of \$7.21 (2013: \$5.93).

Shareholders' equity increased over the nine month period by \$2.2 billion to \$34.96 billion which equates to a book value per share of \$105.99. Following the divestment of First Global Financial Services Limited, the Group's asset base now stands at \$96.6 billion compared to \$108.6 billion at the beginning of the year.

The Company paid dividends of \$0.78 per stock unit on September 30, 2014, with the total dividend paid since the start of the year being \$1.48 per stock unit.

For the third quarter of 2014 the Group focused on the continued execution of our strategy of being a Global Consumer Group. Your company continued to diversify its revenue through acquisitions in the United States of America (USA) and in St. Lucia.

On July 18, 2014, GraceKennedy completed the acquisition of the business and assets of La Fe Foods Inc., which has its operations in New Jersey, Florida and North Carolina. This acquisition has allowed the Foods Division to tap into a vast and growing Hispanic market. It will also offer your company the exciting opportunity of introducing your Grace and Grace owned brands to one of the fastest growing demographic groups in the USA. This has the potential to significantly expand our North American business with our own distribution, manufacturing and brand building capabilities in that market.

In September, 2014 GraceKennedy acquired an additional 50% of the shares in EC Global Insurance Company Limited, a St. Lucian company, bringing its shareholdings to 80%. As the majority shareholder, we are excited about the prospects that this business provides for our continued expansion in the region. We expect to realize synergies between EC Global and our other existing Insurance businesses.

The Foods Division recorded growth in revenue of 21% over the corresponding period in the prior year. The revenue performance was boosted by our recent acquisition of La Fe Foods and continued strong performance of our business in Europe and the United Kingdom. However, while revenue performance improved, profits were impacted by depreciation of the Jamaican dollar, resulting in lower margins.

The domestic segment has been focusing on several projects to enhance efficiency, capability and profitability. These projects include product improvement, more efficient energy utilization and providing assistance to our local raw material suppliers. At Grace Agro Processors (GAP), pepper mash production has increased and produced twice the normal output. A seedling assistance programme for farmers was launched which has resulted in the production of fifty (50) acres of scotch bonnet peppers.

Presently, GAP is producing pepper mash not only for the local market, but for export to markets in the United Kingdom, Switzerland and St Lucia.

Several new products were launched during the quarter. In Jamaica, we launched the Grace Instant Porridges in sachets, while in Canada we launched a range of organic coconut oil and coconut milk under the Grace brand. In the United Kingdom, Grace Aloe Drinks continued to experience excellent sales, recording strong growth.

The Hi-Lo Supermarket chain in Jamaica has completed renovation of the Manor Park store and is expected to complete renovation of the Barbican store by the end of the first quarter of 2015. This renovation is expected to improve the customer experience and encourage a wider customer base to increase the revenues of the division.

GraceKennedy Financial Group reported higher revenue and pre-tax profit over the comparable period last year, driven by improved performance of our remittance business and our insurance underwriting business. The insurance segment reported higher pre-tax profit over the similar prior year period in the, due mainly to improved performance at Jamaica International Insurance Company.

The money services segment reported growth in revenue and pre-tax profit over the same period last year, primarily attributable to profit growth in our remittance services in Jamaica and Guyana. In August 2014, GKMS piloted CoinXchange, a hassle-free service for exchanging coins for notes. During the quarter GraceKennedy Payment Services Limited received approval from the Bank of Jamaica to proceed with a pilot introduction of the new, innovative mobile money service. We are excited about the prospects for mobile money as it will facilitate movement of money to make electronic payments, along with several other benefits.

Our banking and investments segment reported a decline in profits. First Global Bank Limited had good growth in deposits of 15% and loans of 9% resulting in increased net interest income, this was however offset by a decline in gain on sales of securities as well as increased operating expenses. During the quarter, GK Capital Management received a Securities Dealer License from the Financial Services Commission and received approval from the Jamaica Stock Exchange to begin trading.

The Group is deeply saddened by the loss of our former Director and Executive, Francis 'Paco' Kennedy, who served GraceKennedy in a number of capacities between 1959 and 2005. He was a real visionary, innovator and a man of passion whose legacy will continue to benefit this nation and your company. We are happy that, prior to his passing, he was recognized with the National Honour, the Order of Distinction, Commander Class. May his soul rest in eternal peace.

We thank our shareholders, our staff, customers and other stakeholders for your continued support as we continue to transition towards becoming a Global Consumer Group with focus on foods internationally and financial services in the region.



Gordon Shirley
Chairman



Donald Wehby
Group Chief Executive Officer

November 6, 2014

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT NINE MONTHS ENDED 30 SEPTEMBER 2014 (Unaudited)

	3 months to 9/30/2014 \$'000	9 months to 9/30/2014 \$'000	3 months to 9/30/2013 \$'000	9 months to 9/30/2013 \$'000
Revenue	20,206,328	57,446,852	17,032,971	49,743,083
Expenses	(19,454,048)	(55,084,359)	(16,396,430)	(47,689,743)
	752,280	2,362,493	636,541	2,053,340
Other income	368,967	1,341,708	411,537	1,294,782
Profit from Operations	1,121,247	3,704,201	1,048,078	3,348,122
Interest income – non-financial services	109,572	300,557	76,579	227,836
Interest expense – non-financial services	(183,573)	(497,843)	(140,066)	(408,166)
Share of results of associated companies	71,804	190,106	37,722	190,147
Profit before Taxation	1,119,050	3,697,021	1,022,313	3,357,939
Taxation	(296,549)	(979,711)	(327,140)	(1,074,540)
NET PROFIT FOR THE PERIOD	822,501	2,717,310	695,173	2,283,399
Profit attributable to:				
Owners of GraceKennedy Limited	704,413	2,383,516	584,481	1,977,260
Non-controlling interests	118,088	333,794	110,692	306,139
	822,501	2,717,310	695,173	2,283,399

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

Basic	\$2.13	\$7.21	\$1.75	\$5.93
Diluted	\$2.13	\$7.21	\$1.75	\$5.92

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NINE MONTHS ENDED 30 SEPTEMBER 2014

(Unaudited)

	3 months to 9/30/2014 \$'000	9 months to 9/30/2014 \$'000	3 months to 9/30/2013 \$'000	9 months to 9/30/2013 \$'000
Profit for the period	822,501	2,717,310	695,173	2,283,399
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	184,165	(315,475)	(1,169,106)	(1,573,947)
	184,165	(327,934)	(1,169,106)	(1,573,947)
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Foreign currency translation adjustments	(92,334)	308,589	166,791	516,722
Fair value gains/(losses)	154,303	414,059	(126,047)	(520,488)
Share of other comprehensive income of associated companies	2	42,314	-	-
	61,971	764,962	40,744	(3,766)
Other comprehensive income for the period, net of tax	246,136	437,028	(1,128,362)	(1,577,713)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,068,637	3,154,338	(433,189)	705,686
Total comprehensive income attributable to:				
Owners of GraceKennedy Limited	950,098	2,805,243	(546,969)	378,056
Non-controlling interests	118,539	349,095	113,780	327,630
	1,068,637	3,154,338	(433,189)	705,686

GraceKennedy Limited

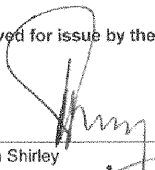
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2014

(Unaudited)

	September 30 2014 \$'000	December 31 2013 \$'000	September 30 2013 \$'000
ASSETS			
Cash and deposits	8,685,423	9,131,888	7,577,005
Investment securities	20,403,601	20,883,838	21,462,660
Pledged assets	8,168,009	27,140,200	25,581,124
Receivables	12,291,421	9,094,326	10,372,940
Inventories	10,036,499	8,345,097	7,513,735
Loans receivable	16,670,634	16,238,507	15,249,417
Taxation recoverable	533,783	582,985	644,836
Investments in associates	1,160,458	1,028,966	1,039,174
Investment properties	459,185	365,000	-
Intangible assets	4,267,902	2,425,230	2,338,499
Fixed assets	7,942,363	6,946,936	7,171,291
Deferred tax assets	962,251	953,864	1,652,561
Pension plan asset	5,010,893	5,506,469	3,648,230
Total Assets	96,592,422	108,643,306	104,251,472
LIABILITIES			
Deposits	18,970,637	17,768,017	16,496,921
Securities sold under agreements to repurchase	5,956,957	25,074,089	23,589,568
Bank and other loans	11,798,657	11,571,790	11,604,876
Payables	18,424,952	15,226,874	15,744,724
Taxation	295,826	291,182	369,534
Provisions	7,739	6,839	9,989
Deferred tax liabilities	1,277,706	1,268,515	1,259,138
Other post-employment obligations	3,160,853	3,202,616	3,249,844
Total Liabilities	59,893,327	74,409,922	72,324,594
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	519,912	643,074	742,654
Capital and fair value reserves	4,680,944	4,356,384	4,261,413
Retained earnings	24,201,305	22,544,646	20,549,342
Banking reserves	2,083,726	2,077,782	2,000,704
Other reserves	3,473,099	3,143,798	2,979,012
	34,958,986	32,765,684	30,533,125
Non-controlling interests	1,740,109	1,467,700	1,393,753
Total Equity	36,699,095	34,233,384	31,926,878
Total Equity and Liabilities	96,592,422	108,643,306	104,251,472

Approved for issue by the Board of Directors on 06 November 2014 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 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	2,463,781	30,702,837	1,165,512	31,868,349
Total comprehensive income for the period	-	-	(520,488)	403,313	-	495,231	378,056	327,630	705,686
Transactions with owners:									
Issue of shares	2	100	-	-	-	-	100	-	100
Purchase of treasury shares	(1,220)	(65,525)	-	-	-	-	(65,525)	-	(65,525)
Employee share option scheme	-	-	-	11,811	-	-	11,811	-	11,811
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(99,389)	(99,389)
Dividends paid	-	-	-	(494,154)	-	-	(494,154)	-	(494,154)
Total transactions with owners	(1,218)	(65,425)	-	(482,343)	-	-	(547,768)	(99,389)	(647,157)
Transfers between reserves:									
To capital reserves	-	-	86,597	(86,597)	-	-	-	-	-
Balance at 30 September 2013	333,583	742,654	4,261,413	20,549,342	2,000,704	2,979,012	30,533,125	1,393,753	31,926,878
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

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

NINE MONTHS ENDED 30 SEPTEMBER 2014

(Unaudited)

	9/30/2014 \$'000	9/30/2013 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	2,717,310	2,283,399
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(1,577,276)	(5,557,199)
Cash provided by/(used in) operating activities	1,140,034	(3,273,800)
Cash used in financing activities	(316,045)	(1,082,522)
Cash used in investing activities	(1,005,956)	(83,108)
Decrease in cash and cash equivalents	(181,967)	(4,439,430)
Cash and cash equivalents at beginning of year	6,604,290	9,575,048
Exchange and translation gains on net foreign cash balances	63,400	256,422
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,485,723	5,392,040

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT NINE MONTHS ENDED 30 SEPTEMBER 2014 (Unaudited)

9 months to 30 September 2014	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	40,148,090	5,243,847	3,782,763	3,534,696	4,737,456	-	57,446,852
Inter-segment sales	195,008	6,221	41,033	415,504	-	(657,766)	-
Total Revenue	40,343,098	5,250,068	3,823,796	3,950,200	4,737,456	(657,766)	57,446,852
RESULT							
Operating results	1,023,709	197,406	316,004	418,710	1,619,273	60,826	3,635,928
Unallocated expense	-	-	-	-	-	68,273	68,273
Profit from operations	-	-	-	-	-	-	3,704,201
Finance income	10,996	3,119	16,273	10,762	26,703	232,704	300,557
Finance expense	(273,514)	(23,113)	(101,071)	(9,034)	(1,151)	(89,960)	(497,843)
Share of associates	118,331	-	43,729	28,046	-	-	190,106
Profit before Taxation	879,522	177,412	274,935	448,484	1,644,825	271,843	3,697,021
Taxation							(979,711)
Net Profit for the period							2,717,310
Attributable to:							
Owners of GraceKennedy Limited							2,383,516
Non-controlling interests							333,794
							2,717,310

9 months to 30 September 2013	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	33,187,000	4,998,542	3,987,950	3,551,551	4,018,040	-	49,743,083
Inter-segment sales	214,928	3,978	18,214	399,937	-	(637,057)	-
Total Revenue	33,401,928	5,002,520	4,006,164	3,951,488	4,018,040	(637,057)	49,743,083
RESULT							
Operating results	983,853	250,425	494,458	(30,994)	1,315,695	46,969	3,060,406
Unallocated income	-	-	-	-	-	287,716	287,716
Profit from operations	-	-	-	-	-	-	3,348,122
Finance income	8,091	3,543	6,578	10,461	33,673	165,490	227,836
Finance expense	(254,057)	(36,401)	(48,783)	(6,220)	(646)	(62,059)	(408,166)
Share of associates	136,238	-	52,078	1,831	-	-	190,147
Profit before Taxation	874,125	217,567	504,331	(24,922)	1,348,722	438,116	3,357,939
Taxation							(1,074,540)
Net Profit for the period							2,283,399
Attributable to:							
Owners of GraceKennedy Limited							1,977,260
Non-controlling interests							306,139
							2,283,399

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 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. Business Combinations

On 18 July 2014, the Group acquired the operating assets and business of a United States of America food company, La Fe Foods Inc., which is a full service distributor of a range of 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.

On 12 September 2014, the Group acquired an additional 50% of the share capital of St. Lucian company, EC Global Insurance Company Limited, a general insurance company which underwrites non-life insurance risks. The share purchase brings the Group's total shareholdings in the company to 80%, having previously held 30% of the share capital since 2004.

The acquired businesses contributed revenues of \$1,673 million and net loss of \$71 million to the Group since being acquired.

2. Business Combinations (continued)

The following table summarises the consideration paid, net assets acquired and goodwill which have been determined provisionally subject to final agreement with the sellers regarding the value of certain assets acquired:

	Operating assets and business of La Fe Foods Inc. \$'000	EC Global Insurance Company Limited \$'000	Total \$'000
Purchase consideration:			
Cash paid	2,880,047	95,523	2,975,570
Fair value of equity interest held previously	-	40,927	40,927
Total consideration	2,880,047	136,450	3,016,497
Fair value of net assets acquired	(1,951,149)	(170,562)	(2,121,711)
Non-controlling interest	-	34,112	34,112
Goodwill	928,898	-	928,898

The goodwill is attributable to market participant synergies including new customer relationships and the workforce in place.

The non-controlling interest in EC Global Insurance Company Limited is based on the proportionate fair value of the net assets acquired.