



INTERIM REPORT

**(NINE MONTHS)
30 SEPTEMBER 2013**



GraceKennedy Limited

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the nine months ended September 30, 2013. The Group achieved revenues for the period of \$49.7 billion (2012: \$46.1 billion), an 8% or \$3.6 billion increase over the corresponding period of 2012. Net profit attributable to owners of the Company increased by \$0.18 billion or 10% compared with the corresponding period of 2012, moving from \$1.8 billion to \$1.98 billion. The profit performance should be viewed in the context of the impact of the National Debt Exchange (NDX) and Private Debt Exchange (PDX). A “one-time” loss of \$290 million, primarily in the Banking and Investments segment, was recorded in the Income Statement representing the write-off of unamortized premiums from instruments exchanged.

Our GK Foods operations in Jamaica continue to face difficult circumstances largely due to the challenging economic environment and resulting impact on disposable income. We have also seen increases in raw material and energy costs. We however continue to seek to boost our domestic business via new initiatives to excite our consumers and stimulate sales. We have seen strong growth in our international foods business, as our operations in Canada, the United States and the United Kingdom continue to expand.

The GraceKennedy Financial Group had mixed results. The Banking and Investments segment saw strong growth in loans and non-interest income. These positives contributed to growth in profitability for the period. As we advised in last quarter’s report to our Stockholders, a claims review was undertaken at Jamaica International Insurance Company Limited. The review which was substantially completed during the third quarter saw significant increases in claims provisions resulting in losses for the Insurance segment.

GraceKennedy Money Services, through FX Trader, launched FX Trader Business Solutions, which allows Jamaican companies to send international payments in over 135 currencies around the world.

During the quarter, The Grace and Staff Community Development Foundation hosted the fifth annual staging of the GraceKennedy Education Run on July 14, 2013. The event had over 3,000 participants. The beneficiaries of the event are students from inner city communities seeking to pursue higher education. The event was a huge success. Our sincere thanks to all who participated. The Foundation, in partnership with USAID, equipped its four homework centres with 27 additional computers and over \$1.3 million in textbooks. GraceKennedy Foundation provided 27 bursaries in total, seven of which went to new students.

As announced previously, the Company will be proceeding with its share buyback programme as the GraceKennedy Board believes that the Company’s share price is below its true value and there is an opportunity to enhance shareholder value.

We wish to applaud the efforts of our dedicated employees in delivering these results. Despite difficult conditions we seek to improve the value added to all our stakeholders. We are grateful to our consumers, customers and suppliers for their support during these challenging times as we seek to further strengthen our relationships. We remain committed to driving our domestic businesses as well as continuing to expand internationally. As we grow shareholder value, we remain true to our values of Honesty, Integrity and Trust.



Douglas R. Orane
Chairman



Donald G. Wehby
Group Chief Executive Officer

November 7, 2013

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT
NINE MONTHS ENDED 30 SEPTEMBER 2013
(Unaudited)

	3 months to 30/09/2013 \$'000	9 months to 30/09/2013 \$'000	Restated 3 months to 30/09/2012 \$'000	Restated 9 months to 30/09/2012 \$'000
Revenue	17,032,971	49,743,083	15,490,842	46,067,656
Expenses	16,396,430	47,689,743	14,668,349	43,834,658
	636,541	2,053,340	822,493	2,232,998
Other income	411,537	1,294,782	209,270	628,379
Profit from Operations	1,048,078	3,348,122	1,031,763	2,861,377
Interest income – non-financial services	76,579	227,836	109,932	263,740
Interest expense – non-financial services	(140,066)	(408,166)	(166,515)	(478,414)
Share of results of associated companies	37,722	190,147	37,341	152,620
Profit before Taxation	1,022,313	3,357,939	1,012,521	2,799,323
Taxation	(327,140)	(1,074,540)	(283,491)	(783,977)
NET PROFIT FOR THE PERIOD	695,173	2,283,399	729,030	2,015,346
Profit attributable to:				
Owners of GraceKennedy Limited	584,481	1,977,260	648,676	1,799,801
Non-controlling interests	110,692	306,139	80,354	215,545
	695,173	2,283,399	729,030	2,015,346

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

Basic	\$1.75	\$5.93	\$1.95	\$5.42
Diluted	\$1.75	\$5.92	\$1.95	\$5.41

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
NINE MONTHS ENDED 30 SEPTEMBER 2013
(Unaudited)

	3 months to 30/09/2013 \$'000	9 months to 30/09/2013 \$'000	Restated 3 months to 30/09/2012 \$'000	Restated 9 months to 30/09/2012 \$'000
Profit for the period	695,173	2,283,399	729,030	2,015,346
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurements of post-employment obligations	(1,169,106)	(1,573,947)	(295,739)	(887,217)
	(1,169,106)	(1,573,947)	(295,739)	(887,217)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments	166,791	516,722	121,213	213,258
Fair value losses	(126,047)	(520,488)	(116,735)	(257,718)
	40,744	(3,766)	4,478	(44,460)
Other comprehensive income for the period, net of tax	(1,128,362)	(1,577,713)	(291,261)	(931,677)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(433,189)	705,686	437,769	1,083,669
Total comprehensive income attributable to:				
Owners of GraceKennedy Limited	(546,969)	378,056	354,769	860,910
Non-controlling interests	113,780	327,630	83,000	222,759
	(433,189)	705,686	437,769	1,083,669

GraceKennedy Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2013

(Unaudited)

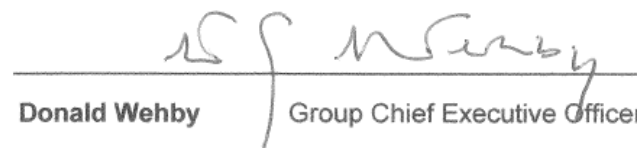
	September 30 2013 \$'000	Restated December 31 2012 \$'000	Restated September 30 2012 \$'000
ASSETS			
Cash and deposits	7,577,005	10,989,655	12,390,886
Investment securities	21,462,660	16,308,785	13,055,985
Pledged assets ⁽³⁾	25,581,124	29,431,618	30,673,378
Receivables	10,372,940	8,507,124	9,564,831
Inventories	7,513,735	6,569,375	6,461,322
Loans receivable	15,249,417	13,881,176	13,397,264
Taxation recoverable	644,836	911,888	1,058,815
Investments in associates	1,039,174	899,027	877,508
Intangible assets	2,338,499	2,106,404	1,923,989
Fixed assets	7,171,291	7,250,809	6,990,478
Deferred tax assets	1,652,561	1,421,327	1,282,604
Pension plan asset	3,648,230	5,842,256	6,262,676
Total Assets	104,251,472	104,119,444	103,939,736
LIABILITIES			
Deposits	16,496,921	15,768,039	15,084,306
Securities sold under agreements to repurchase	23,589,568	27,711,820	27,913,972
Bank and other loans	11,604,876	10,338,328	11,319,886
Payables	15,744,724	13,510,563	13,744,709
Taxation	369,534	300,557	431,178
Provisions	9,989	6,839	9,496
Deferred tax liabilities	1,259,138	1,727,001	2,156,977
Other post-employment obligations	3,249,844	2,887,948	2,936,466
Total Liabilities	72,324,594	72,251,095	73,596,990
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	742,654	808,079	680,142
Capital and fair value reserves	4,261,413	4,695,304	4,528,369
Retained earnings	20,549,342	20,714,969	19,679,654
Banking reserves	2,000,704	2,000,704	1,942,967
Other reserves	2,979,012	2,483,781	2,301,080
	30,533,125	30,702,837	29,132,212
Non-controlling interests	1,393,753	1,165,512	1,210,534
Total Equity	31,926,878	31,868,349	30,342,746
Total Equity and Liabilities	104,251,472	104,119,444	103,939,736

Approved for issue by the Board of Directors on 07 November 2013 and signed on its behalf by:



Douglas Orane

Chairman



Donald Wehby

Group Chief Executive Officer

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY NINE MONTHS ENDED 30 SEPTEMBER 2013 (Unaudited)

	Attributable to owners of the company							Non-controlling interests	Total Equity
	No. of Shares	Share Capital	Capital and	Retained Earnings	Banking Reserves	Other Reserves	Total		
			Fair Value Reserve						
	'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	-	-	(257,718)	912,584	-	206,044	860,910	222,759	1,083,669
Issue of shares	2,989	86,174	-	-	-	-	86,174	-	86,174
Transfer of non-controlling interests	-	-	-	(464)	-	-	(464)	(49,111)	(49,575)
Employee share option scheme	-	-	-	17,121	-	-	17,121	-	17,121
Dividends paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	(68,614)	(68,614)
Dividends paid	-	-	-	(432,784)	-	-	(432,784)	-	(432,784)
Total transactions with owners	2,989	86,174	-	(416,127)	-	-	(329,953)	(117,725)	(447,678)
Transfers between reserves:									
To retained earnings	-	-	(8,222)	8,222	-	-	-	-	-
Balance at 30 September 2012 (Restated)	333,244	680,142	4,528,369	19,679,654	1,942,967	2,301,080	29,132,212	1,210,534	30,342,746
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	-	-	(520,488)	403,313	-	495,231	378,056	327,630	705,686
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 subsidiary 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

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS NINE MONTHS ENDED 30 SEPTEMBER 2013 (Unaudited)

	30/09/2013 \$'000	Restated 30/09/2012 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	2,283,399	2,015,346
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(5,557,199)	2,397,955
Cash (used in)/provided by operating activities	(3,273,800)	4,413,301
Cash used in financing activities	(1,082,522)	(2,097,950)
Cash used in investing activities	(83,108)	(2,893,391)
Decrease in cash and cash equivalents	(4,439,430)	(578,040)
Cash and cash equivalents at beginning of year	9,575,048	10,958,017
Exchange and translation gains on net foreign cash balances	256,422	66,136
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,392,040	10,446,113

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT

NINE MONTHS ENDED 30 SEPTEMBER 2013

(Unaudited)

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

9 months to 30 September 2012 (Restated)	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	30,377,962	4,653,695	3,950,318	3,441,515	3,644,166	-	46,067,656
Inter-segment sales	199,231	3,991	19,347	399,598	-	(622,167)	-
Total Revenue	30,577,193	4,657,686	3,969,665	3,841,113	3,644,166	(622,167)	46,067,656

RESULT							
Operating results	883,120	93,309	488,748	307,308	1,118,672	46,662	2,937,819
Unallocated expense	-	-	-	-	-	(76,442)	(76,442)
Profit from operations	-	-	-	-	-	-	2,861,377
Finance income	33,412	4,634	21,344	11,730	60,132	132,488	263,740
Finance expense	(298,494)	(52,739)	(84,404)	(5,865)	(732)	(36,180)	(478,414)
Share of associates	103,078	-	43,409	6,133	-	-	152,620
Profit before Taxation	721,116	45,204	469,097	319,306	1,178,072	66,528	2,799,323
Taxation							(783,977)
Net Profit for the period							2,015,346

Attributable to:

Owners of GraceKennedy Limited	1,799,801
Non-controlling interests	215,545
	2,015,346

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS 30 SEPTEMBER 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)

Reconciliation of Equity at:	31 December 2012 \$'000	31 December 2011 \$'000	30 September 2012 \$'000
Equity attributable to owners of GraceKennedy Limited as previously reported	32,777,751	29,337,896	30,753,988
Decrease in Investments in associates	(6,566)	(27,255)	(27,255)
Increase in Deferred tax assets	377,277	179,088	145,668
Decrease in Pension plan asset	(2,628,157)	(783,323)	(2,211,284)
Decrease in Deferred tax liabilities	455,573	261,107	737,093
Increase in Other post-employment obligations	(439,869)	(537,267)	(437,007)
Decrease in Non-controlling interests	166,828	171,009	171,009
Decrease in Retained earnings	(2,074,914)	(736,641)	(1,621,776)
Equity attributable to owners of GraceKennedy Limited as restated	30,702,837	28,601,255	29,132,212

Reconciliation of profit for the period ended:	12 months to 31/12/2012 \$'000	9 months to 30/09/2012 \$'000
Profit attributable to owners of GraceKennedy Limited as previously reported	3,512,590	1,797,719
Decrease in Expenses	26,998	3,123
Decrease in share of results of associated companies	(2,203)	-
Increase in Taxation	(67,604)	(1,041)
Decrease in profit attributable to non-controlling interests (Decrease)/Increase in Net Profit	9,107 <u>(33,702)</u>	- <u>2,082</u>
Profit attributable to owners of GraceKennedy Limited as restated	3,478,888	1,799,801

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	\$10.52	\$5.41
Decrease due to restatement	(\$0.10)	\$0.01
EPS as restated	\$10.42	\$5.42

Earnings per Stock Unit for profit attributable to owners of GraceKennedy Limited (expressed in \$ per stock unit)	<u>Diluted</u>	<u>Diluted</u>
EPS as previously reported	\$10.51	\$5.40
Decrease due to restatement	(\$0.10)	\$0.01
EPS as restated	\$10.41	\$5.41

2. Effect of amendments to IFRS (continued)

Reconciliation of comprehensive income for the period ended:	12 months to 31/12/2012 \$'000	9 months to 30/09/2012 \$'000
Total comprehensive income attributable to owners of GraceKennedy Limited as previously reported	3,923,433	1,746,045
(Decrease)/Increase in Profit attributable to owners of GraceKennedy Limited	(33,702)	2,082
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)	(887,217)
Decrease in Total comprehensive income, net of tax	(1,338,273)	(885,135)
Total comprehensive income attributable to owners of GraceKennedy Limited as restated	2,585,160	860,910

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.