



**INTERIM REPORT**

**(THREE MONTHS)  
31 MARCH 2013**



GraceKennedy Limited

## INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the quarter ended March 31, 2013. The Group achieved revenues for the period of \$16,062.3 million (2012: \$15,596.1 million), a \$466.2 million or 3.0% increase over the corresponding quarter of 2012. Net profit attributable to owners of the Company increased by \$37.9 million or 5.8% compared to the corresponding period of 2012, moving from \$651.8 million to \$689.7 million. This profit performance is encouraging given the impact of the recent National Debt Exchange (NDX) and Private Debt Exchange (PDX). A “one-time” loss of \$215.5 million was recorded in the Income Statement representing the write-off of unamortized premiums from instruments exchanged. Earnings per stock unit for the period were \$2.06 (2012: \$1.96).

On February 27, 2013, the Board of Directors approved an interim dividend which was paid on March 27, 2013 of 70 cents per stock unit. This is a 17% increase over the corresponding period in 2012.

The first quarter of 2013 was a good one for the Foods Division. This was reflected in improved profit performance. Leading markets were Jamaica, Canada, Belize and the USA. Our international business benefitted from our marketing efforts with the main focus being to gain consumer acceptance from specific market segments. These efforts will result in revenue growth and a better understanding of the culture and taste preferences of these new groups of consumers. These customers are within new countries using new and existing channels. Our expansion on the west coast of North America continues as planned, and we have gained additional listings in the top retail chains in the UK. Our venture into Ghana is going well and advertising has begun in that market. Our focus on the Dutch and German markets in Europe has resulted in improved distribution and consumer access; we expect to benefit from this tactical shift later in the year.

The GraceKennedy Financial Group (GKFG) ended the first quarter of 2013 with mixed results. Jamaica’s operations were impacted by the recent NDX and PDX. The money services segment had a good quarter, reporting growth in revenues and pre-tax profits over the comparable period last year. First Global Bank’s loans and deposits grew steadily over the comparable period in 2012. Faced with lower yields on GOJ investments due to the NDX, JIIC has intensified its focus on improving operational efficiency and offering exceptional customer solutions. GraceKennedy Money Services (GKMS) recently took over the operations of Western Union in the British Virgin Islands, and also introduced Bill Express to the Eastern Caribbean, beginning with four locations in Antigua.

The GraceKennedy Foundation Annual Lecture was held on March 5, 2013. The lecturer was Dr. Anna Kasafi Perkins, Lecturer and Programme Officer at the University of the West Indies. The Lecture was entitled “*Moral Dis-ease Making Jamaica Ill? Re-engaging the Conversation on Morality.*” She spoke of the moral despair and disengagement that can undermine our Country’s efforts at moral regeneration, attacking the core character of the Jamaican person and misshaping their values, attitudes and habits away from the call to be good citizens. The lecture was very well received.

The GraceKennedy Group and the Inter-Secondary School Sports Association (ISSA) again worked together to ensure the successful staging of the 2013 ISSA/GraceKennedy Boys' and Girls' Championships in March. Approximately 207 schools participated in the 103<sup>rd</sup> staging of the championships. The event was a success with 30 records broken and continued exposure of the athletic abilities of our youth.

Other activities during the quarter included a donation of 13 computer labs deployed mostly to primary schools through the Western Union I-Pledge programme as well as another successful staging of Western Union's Reading Week. GraceKennedy launched its internship programme on March 4, with ten university students being given the opportunity over the next 12 months to work in various subsidiaries of GraceKennedy.

GraceKennedy mourned the passing of an outstanding nutritionist, former employee, mentor, friend and invaluable consultant to our company, Dr Heather Little-White, OD on January 23, 2013. On April 9, 2013, the company again mourned the passing of cultural icon and another former employee, Dr the Hon. Olive Lewin, OJ. Her ground-breaking work in folk music has had a major impact on Jamaica, and GraceKennedy was privileged to have been in a position to support her life's mission of strengthening our indigenous culture. Jamaica has lost two national treasures, and we offer our sincere condolences to their family and friends.

Dr. Parris Lyew Ayee Jr. was appointed to the GraceKennedy Limited Board on March 6, 2013. We look forward to his contribution as a member of the Board.

The recent approval of an IMF Extended Fund Facility has given rise to both optimism and the need for frugality. These times require prudence and your company is committed to increasing our value proposition to all stakeholders. We have participated in the NDX and the PDX in the interest of national development. We look forward to the benefits that are to be eventually derived from this national sacrifice. We are committed to doing our part to ensure its success.

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 dedicated 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

May 9, 2013

**GraceKennedy Limited**  
CONSOLIDATED INCOME STATEMENT  
THREE MONTHS ENDED 31 MARCH 2013  
(Unaudited)

	3 months to 03/31/2013 \$'000	Restated 3 months to 03/31/2012 \$'000
Revenue	16,062,260	15,596,121
Expenses	15,434,238	14,854,334
	628,022	741,787
Other income	433,731	239,355
<b>Profit from Operations</b>	<b>1,061,753</b>	<b>981,142</b>
Interest income – non-financial services	78,755	78,172
Interest expense – non-financial services	(131,207)	(156,635)
Share of results of associated companies	131,821	103,479
<b>Profit before Taxation</b>	<b>1,141,122</b>	<b>1,006,158</b>
Taxation	(365,130)	(281,780)
<b>NET PROFIT FOR THE PERIOD</b>	<b>775,992</b>	<b>724,378</b>
<b>Profit attributable to:</b>		
<b>Owners of GraceKennedy Limited</b>	689,699	651,848
<b>Non-controlling interests</b>	86,293	72,530
	775,992	724,378

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

<b>Basic</b>	\$2.06	\$1.96
<b>Diluted</b>	\$2.06	\$1.95

**GraceKennedy Limited**  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
THREE MONTHS ENDED 31 MARCH 2013  
(Unaudited)

	3 months to 03/31/2013 \$'000	Restated 3 months to 03/31/2012 \$'000
Profit for the period	775,992	724,378
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial loss on post-employment obligations	(496,306)	(295,739)
	(496,306)	(295,739)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	217,424	57,713
Fair value losses	(117,397)	(50,286)
	100,027	7,427
Other comprehensive income for the period, net of tax	(396,279)	(288,312)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>379,713</b>	<b>436,066</b>
<b>Total comprehensive income attributable to:</b>		
<b>Owners of GraceKennedy Limited</b>	281,283	362,136
<b>Non-controlling interests</b>	98,430	73,930
	379,713	436,066

# GraceKennedy Limited

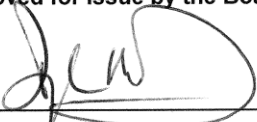
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 MARCH 2013

(Unaudited)

	March 31 2013 \$'000	Restated December 31 2012 \$'000	Restated March 31 2012 \$'000
<b>ASSETS</b>			
Cash and deposits	8,643,814	10,989,655	12,486,183
Investment securities	18,531,851	16,308,785	12,492,474
Pledged assets <sup>(3)</sup>	27,606,680	29,431,618	27,788,660
Receivables	10,397,343	8,507,124	9,104,103
Inventories	6,656,142	6,569,375	6,459,002
Loans receivable	14,697,510	13,881,176	12,259,202
Taxation recoverable	791,130	911,888	1,146,170
Investments in associates	1,030,848	899,027	900,384
Intangible assets	2,223,107	2,106,404	1,909,004
Fixed assets	7,117,579	7,250,809	6,999,627
Deferred tax assets	1,529,210	1,421,327	1,242,790
Pension plan asset	5,162,814	5,842,256	7,103,506
<b>Total Assets</b>	<b>104,388,028</b>	<b>104,119,444</b>	<b>99,891,105</b>
<b>LIABILITIES</b>			
Deposits	16,233,688	15,768,039	14,263,617
Securities sold under agreements to repurchase	26,280,412	27,711,820	25,667,689
Bank and other loans	10,843,415	10,338,328	11,569,641
Payables	14,171,376	13,510,563	12,626,734
Taxation	230,906	300,557	298,118
Provisions	7,889	6,839	7,882
Deferred tax liabilities	1,607,010	1,727,001	2,467,277
Other post-employment obligations	3,029,344	2,887,948	2,780,484
<b>Total Liabilities</b>	<b>72,404,040</b>	<b>72,251,095</b>	<b>69,681,442</b>
<b>EQUITY</b>			
<b>Capital &amp; reserves attributable to the company's owners</b>			
Share capital	774,001	808,079	655,103
Capital and fair value reserves	4,600,278	4,695,304	4,744,502
Retained earnings	20,655,995	20,714,969	19,536,312
Banking reserves	2,000,704	2,000,704	1,942,967
Other reserves	2,689,068	2,483,781	2,151,349
	30,720,046	30,702,837	29,030,233
<b>Non-controlling interests</b>	<b>1,263,942</b>	<b>1,165,512</b>	<b>1,179,430</b>
<b>Total Equity</b>	<b>31,983,988</b>	<b>31,868,349</b>	<b>30,209,663</b>
<b>Total Equity and Liabilities</b>	<b>104,388,028</b>	<b>104,119,444</b>	<b>99,891,105</b>

Approved for issue by the Board of Directors on 9 May 2013 and signed on its behalf by:

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

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

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

THREE MONTHS ENDED 31 MARCH 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	-	-	(50,286)	356,109	-	56,313	362,136	73,930	436,066
Issue of shares	2,146	61,135	-	-	-	-	61,135	-	61,135
Employee share option scheme	-	-	-	5,707	-	-	5,707	-	5,707
Total transactions with owners	2,146	61,135	-	5,707	-	-	66,842	-	66,842
Transfers between reserves:									
To capital reserves	-	-	479	(479)	-	-	-	-	-
Balance at 31 March 2012 (Restated)	332,401	655,103	4,744,502	19,536,312	1,942,967	2,151,349	29,030,233	1,179,430	30,209,663
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	-	-	(117,397)	193,393	-	205,287	281,283	98,430	379,713
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

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS THREE MONTHS ENDED 31 MARCH 2013 (Unaudited)

	03/31/2013	Restated 03/31/2012
	\$'000	\$'000
<b>SOURCES/(USES) OF CASH:</b>		
<b>Operating Activities</b>		
Profit for the period	775,992	724,378
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(3,884,480)	(495,085)
Cash (used in)/provided by operating activities	(3,108,488)	229,293
Cash used in financing activities	(324,263)	(400,939)
Cash provided by investing activities	741,569	349,527
(Decrease)/Increase in cash and cash equivalents	(2,691,182)	177,881
Cash and cash equivalents at beginning of year	9,575,048	10,958,017
Exchange and translation gains on net foreign cash balances	114,976	80
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>6,998,842</b>	<b>11,135,978</b>

# GraceKennedy Limited

## FINANCIAL INFORMATION BY OPERATING SEGMENT

THREE MONTHS ENDED 31 MARCH 2013

(Unaudited)

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
<b>REVENUE</b>							
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)	-
<b>Total Revenue</b>	<b>11,124,756</b>	<b>1,547,785</b>	<b>1,185,954</b>	<b>1,012,630</b>	<b>1,271,391</b>	<b>(80,256)</b>	<b>16,062,260</b>

<b>RESULT</b>							
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)
<b>Net Profit for the period</b>							<b>775,992</b>

Attributable to:

Owners of GraceKennedy Limited	689,699
Non-controlling interests	86,293
	<b>775,992</b>

3 months to 31 March 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	10,584,519	1,510,785	1,312,642	1,005,529	1,182,646	-	15,596,121
Inter-segment sales	64,709	1,028	4,716	8,792	-	(79,245)	-
<b>Total Revenue</b>	<b>10,649,228</b>	<b>1,511,813</b>	<b>1,317,358</b>	<b>1,014,321</b>	<b>1,182,646</b>	<b>(79,245)</b>	<b>15,596,121</b>

<b>RESULT</b>							
Operating results	412,364	22,206	209,810	42,421	371,771	759	1,059,331
Unallocated expense	-	-	-	-	-	(78,189)	(78,189)
Profit from operations	-	-	-	-	-	-	981,142
Finance income	2,889	2,336	9,778	2,597	8,670	51,902	78,172
Finance expense	(103,718)	(19,261)	(18,187)	(1,794)	(242)	(13,433)	(156,635)
Share of associates	92,023	-	15,402	(3,946)	-	-	103,479
Profit before Taxation	403,558	5,281	216,803	39,278	380,199	(38,961)	1,006,158
Taxation							(281,780)
<b>Net Profit for the period</b>							<b>724,378</b>

Attributable to:

Owners of GraceKennedy Limited	651,848
Non-controlling interests	72,530
	<b>724,378</b>



# GraceKennedy Limited

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 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	31 March 2012 \$'000
Equity attributable to owners of GraceKennedy Limited as previously reported	<b>32,777,751</b>	<b>29,337,896</b>	<b>30,061,919</b>
Decrease in Investments in associates	(6,566)	(27,255)	(27,255)
Increase in Deferred tax assets	377,277	179,088	167,948
Decrease in Pension plan asset	(2,628,157)	(783,323)	(1,259,310)
Decrease in Deferred tax liabilities	455,573	261,107	419,769
Increase in Other post-employment obligations	(439,869)	(537,267)	(503,847)
Decrease in Non-controlling interests	166,828	171,009	171,009
Decrease in Retained earnings	(2,074,914)	(736,641)	(1,031,686)
Equity attributable to owners of GraceKennedy Limited as restated	<b>30,702,837</b>	<b>28,601,255</b>	<b>29,030,233</b>

<b>Reconciliation of profit for the period ended:</b>	12 months to 31/12/2012 \$'000	3 months to 31/03/2012 \$'000
Profit attributable to owners of GraceKennedy Limited as previously reported	<b>3,512,590</b>	<b>651,154</b>
Decrease in Expenses	26,998	1,041
Decrease in share of results of associated companies	(2,203)	-
Increase in Taxation	(67,604)	(347)
Decrease in profit attributable to non-controlling interests (Decrease)/Increase in Net Profit	9,107 (33,702)	- 694
Profit attributable to owners of GraceKennedy Limited as restated	<b>3,478,888</b>	<b>651,848</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>\$1.96</b>
Decrease due to restatement	(\$0.10)	\$0.00
EPS as restated	<b>\$10.42</b>	<b>\$1.96</b>
	<u>Diluted</u>	<u>Diluted</u>
EPS as previously reported	<b>\$10.51</b>	<b>\$1.95</b>
Decrease due to restatement	(\$0.10)	\$0.00
EPS as restated	<b>\$10.41</b>	<b>\$1.95</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	3 months to 31/03/2012 \$'000
Total comprehensive income attributable to owners of GraceKennedy Limited as previously reported	<b>3,923,433</b>	<b>657,181</b>
(Decrease)/Increase in Profit attributable to owners of GraceKennedy Limited	(33,702)	694
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)	(295,739)
Decrease in Total comprehensive income, net of tax	(1,338,273)	(295,045)
Total comprehensive income attributable to owners of GraceKennedy Limited as restated	<b>2,585,160</b>	<b>362,136</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.