



**INTERIM REPORT**

**(NINE MONTHS)  
30 SEPTEMBER 2011**



**GraceKennedy**  
**GraceKennedy Limited**

STOCKHOLDERS' REPORT

The Directors present the unaudited results of the Group for the nine months ended September 30, 2011.

The Group achieved Revenues for the period of \$43,798 million (2010: \$41,507 million), an increase of \$2,291 million or 5.5%. The Net Profit Attributable to owners of the Company increased by \$372 million compared to the corresponding period of 2010, moving from \$1,549 million to \$1,921 million an increase of 24.0%. This represents earnings per stock unit of \$5.83 (2010: \$4.70).

In comparison with the third quarter of the prior year, there was improvement in both revenues and profits. For the three months ended September 30, 2011, the Group achieved Revenues for the period of \$14,834 million (2010: \$13,442 million), an increase of \$1,392 million or 10.4%. The Net Profit Attributable to owners of the Company increased by \$387 million compared to the corresponding period of 2010, moving from \$317 million to \$704 million an increase of 122.1%.

On September 28, 2011, a second interim dividend of 45 cents per stock unit was paid to stockholders on record as at September 6, 2011.

GK Foods Division had good results for the 3<sup>rd</sup> quarter despite our operations being affected by higher than expected increases in raw material and energy costs. In order to counteract these increased costs, we continue to seek new and improved sources of raw materials as well as more efficient operating systems and equipment.

A plant upgrade at our main juice bottling facility is going as planned and will improve our capability to launch new products. The expansion in North America continues through the strengthening of existing channels and the development of new ones in the US and Canada. Our UK operation is focused on further growth in the existing market and building its capability to execute on export opportunities in Europe and Africa.

As we continue to endorse "Grace We Care" by promoting well being and health, GFP Meats hosted a health fair for staff members. This was timely as the team paid tribute by planting a tree in honour of a staff member who passed away earlier this year.

The Financial Services Division's performance continued to improve this quarter, returning increased revenues and profits over prior year.

The Money Services segment continues to do well. The increased volumes at GraceKennedy Remittance Services Limited and GraceKennedy Payment Services Limited contributed significantly to the increased profits. The collection arrangement with the Jamaica Public Service Company Limited has performed well and customer numbers have increased.

The Banking and Investments segment saw relative improvement when compared to prior year, with First Global Bank Limited having an encouraging quarter and First Global Financial Services Limited recording strong year over year profit movement for the nine months to September 2011.

Jamaica International Insurance Company Limited (JIIC) was the major contributor to the improved performance in the insurance segment following a difficult 2010. JIIC's performance is as a result of the successful implementation of focused efficiency initiatives and portfolio realignments which have resulted in better underwriting results. JIIC and COK Sodality Co-Operative Credit Union Ltd, Jamaica's largest Credit Union, have forged a strategic partnership. This will essentially create a one stop shop for COK members as well as achieve JIIC's future strategic objectives of increasing premium income and brand awareness.

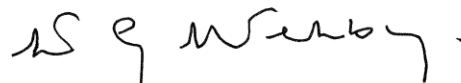
In keeping with our commitment to Corporate Social Responsibility, First Global and the Ministry of Education teamed up in September to launch 'Music – Perfect Pitch for a Sound Education' which will see music being used as the driving force behind improving literacy and numeracy levels in Grade 3 children in six primary schools across the island.

Grace and Staff Community Development Foundation has been selected as the recipient of The 2011 Gleaner Honour Award in the category 'Voluntary Service' for its support of community development and the care of the less fortunate. The Gala Awards Luncheon was held on Monday, November 7, 2011 at the Jamaica Pegasus Hotel.

We thank our consumers, customers, suppliers and all stakeholders for their continuing relationships with us as we chart our way forward. We wish to express our gratitude to our colleague directors, management and staff for their dedication to the GraceKennedy Group in our efforts to satisfy the needs of our customers.



Douglas Orane  
Executive Chairman



Don Wehby  
Group Chief Executive Officer

November 10, 2011

## GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT  
NINE MONTHS ENDED 30 SEPTEMBER 2011  
(Unaudited)

	3 months to 09/30/2011 \$'000	9 months to 09/30/2011 \$'000	3 months to 09/30/2010 \$'000	9 months to 09/30/2010 \$'000
<b>Revenue</b>	14,833,872	43,797,634	13,441,789	41,507,354
Expenses	13,878,962	41,456,836	13,114,621	39,513,195
	954,910	2,340,798	327,168	1,994,159
Other income	246,221	799,170	323,262	768,985
<b>Profit from Operations</b>	1,201,131	3,139,968	650,430	2,763,144
Interest income – non-financial services	74,120	249,660	87,330	286,673
Interest expense – non-financial services	(172,214)	(521,972)	(224,672)	(672,974)
Share of results of associated companies	31,123	147,536	(10,115)	90,515
<b>Profit before Taxation</b>	1,134,160	3,015,192	502,973	2,467,358
Taxation	(347,717)	(874,406)	(150,889)	(740,207)
<b>NET PROFIT FOR THE PERIOD</b>	786,443	2,140,786	352,084	1,727,151
<b>Profit attributable to:</b>				
<b>Owners of GraceKennedy Limited</b>	704,034	1,921,294	317,241	1,549,394
<b>Non-controlling interests</b>	82,409	219,492	34,843	177,757
	786,443	2,140,786	352,084	1,727,151

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

<b>Basic</b>	\$2.13	\$5.83	\$0.96	\$4.70
<b>Diluted</b>	\$2.13	\$5.80	\$0.96	\$4.68

## GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
NINE MONTHS ENDED 30 SEPTEMBER 2011  
(Unaudited)

	3 months to 09/30/2011 \$'000	9 months to 09/30/2011 \$'000	3 months to 09/30/2010 \$'000	9 months to 09/30/2010 \$'000
Profit for the period	786,443	2,140,786	352,084	1,727,151
Other comprehensive income:				
Foreign currency translation adjustments	(33,520)	22,727	91,584	(179,773)
Fair value (losses)/gains	(338,256)	312,441	198,400	887,879
Revaluation losses	-	(27,365)	-	-
Other comprehensive income for the period, net of tax	(371,776)	307,803	289,984	708,106
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	414,667	2,448,589	642,068	2,435,257
<b>Total comprehensive income attributable to:</b>				
<b>Owners of GraceKennedy Limited</b>	331,112	2,228,232	605,732	2,265,881
<b>Non-controlling interests</b>	83,555	220,357	36,336	169,376
	414,667	2,448,589	642,068	2,435,257

# GraceKennedy Limited

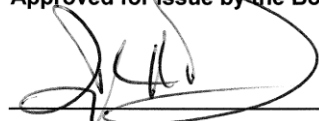
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2011

(Unaudited)

	September 30 2011 \$'000	December 31 2010 \$'000	September 30 2010 \$'000
<b>ASSETS</b>			
Cash and deposits	13,835,727	13,609,782	12,331,930
Investment securities	41,534,535	41,049,236	38,564,786
Receivables	8,656,586	7,580,739	8,015,651
Inventories	6,498,390	5,727,961	5,632,777
Loans receivable	11,359,448	10,401,441	10,896,222
Taxation recoverable	1,060,159	1,339,110	1,501,931
Investments in associates	849,124	725,826	737,589
Intangible assets	1,913,511	2,042,293	2,172,431
Fixed assets	6,721,626	6,692,471	6,568,682
Deferred tax assets	899,957	923,572	1,321,861
Pension plan asset	8,268,413	7,973,705	7,864,377
<b>Total Assets</b>	<b>101,597,476</b>	<b>98,066,136</b>	<b>95,608,237</b>
<b>LIABILITIES</b>			
Deposits	14,643,444	13,033,915	13,130,720
Securities sold under agreements to repurchase	26,012,310	26,521,041	24,014,084
Bank and other loans	13,037,474	13,764,164	14,560,493
Payables	12,515,614	11,785,359	11,916,668
Taxation	489,892	361,824	445,823
Provisions	6,221	8,037	10,114
Deferred tax liabilities	2,659,512	2,541,777	2,457,721
Other post-employment obligations	2,272,799	2,206,862	2,131,732
<b>Total Liabilities</b>	<b>71,637,266</b>	<b>70,222,979</b>	<b>68,667,355</b>
<b>EQUITY</b>			
<b>Capital &amp; reserves attributable to the company's owners</b>			
Share capital	589,745	574,216	574,295
Capital and fair value reserves	4,846,784	4,443,059	3,868,765
Retained earnings	18,894,836	17,459,342	16,763,884
Banking Reserves	2,222,315	2,222,315	2,222,315
Other reserves	2,071,810	1,998,873	2,238,672
	28,625,490	26,697,805	25,667,931
<b>Non-controlling interests</b>	<b>1,334,720</b>	<b>1,145,352</b>	<b>1,272,951</b>
<b>Total equity</b>	<b>29,960,210</b>	<b>27,843,157</b>	<b>26,940,882</b>
<b>Total Equity and Liabilities</b>	<b>101,597,476</b>	<b>98,066,136</b>	<b>95,608,237</b>

Approved for issue by the Board of Directors on 10 November 2011 and signed on its behalf by:

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

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

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NINE MONTHS ENDED 30 SEPTEMBER 2011

(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		
Balance at 1 January 2010	329,633	573,976	2,781,614	17,305,066	627,685	2,409,301	23,697,642	1,147,370	24,845,012
Total comprehensive income for the period	-	-	887,876	1,549,394	-	(171,389)	2,265,881	169,376	2,435,257
Issue of shares	5	319	-	-	-	-	319	-	319
Transfers between reserves:									
To capital reserves	-	-	199,275	(199,275)	-	-	-	-	-
From retained earnings	-	-	-	(1,594,630)	1,594,630	-	-	-	-
Employee share option scheme	-	-	-	-	-	760	760	-	760
Dividends paid	-	-	-	(296,671)	-	-	(296,671)	-	(296,671)
Dividends paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	(43,795)	(43,795)
Total transactions with owners	5	319	199,275	(2,090,576)	1,594,630	760	(295,592)	(43,795)	(339,387)
Balance at 30 September 2010	329,638	574,295	3,868,765	16,763,884	2,222,315	2,238,672	25,667,931	1,272,951	26,940,882
Balance at 1 January 2011	329,636	574,216	4,443,059	17,459,342	2,222,315	1,998,873	26,697,805	1,145,352	27,843,157
Total comprehensive income for the period	-	-	285,076	1,921,294	-	21,862	2,228,232	220,357	2,448,589
Issue of shares	513	15,529	-	-	-	-	15,529	-	15,529
Transfer of non-controlling interests	-	-	-	(37,404)	-	4,096	(33,308)	33,308	-
Transfers between reserves:									
To capital reserves	-	-	118,649	(118,649)	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	46,979	46,979	-	46,979
Dividends paid	-	-	-	(329,747)	-	-	(329,747)	-	(329,747)
Dividends paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	(64,297)	(64,297)
Total transactions with owners	513	15,529	118,649	(485,800)	-	51,075	(300,547)	(30,989)	(331,536)
Balance at 30 September 2011	330,149	589,745	4,846,784	18,894,836	2,222,315	2,071,810	28,625,490	1,334,720	29,960,210

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

NINE MONTHS ENDED 30 SEPTEMBER 2011

(Unaudited)

	09/30/2011 \$'000	09/30/2010 \$'000
<b>SOURCES/(USES) OF CASH:</b>		
<b>Operating Activities</b>		
Profit for the period	2,140,786	1,727,151
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	169,181	(159,171)
Cash provided by operating activities	2,309,967	1,567,980
Cash used in financing activities	(1,318,683)	(2,832,175)
Cash (used in)/provided by investing activities	(543,203)	3,647,940
Increase in cash and cash equivalents	448,081	2,383,745
Cash and cash equivalents at beginning of year	11,918,047	8,798,668
Exchange and translation gains/(losses) on net foreign cash balances	10,667	(136,233)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>12,376,795</b>	<b>11,046,180</b>

# GraceKennedy Limited

## FINANCIAL INFORMATION BY OPERATING SEGMENT

NINE MONTHS ENDED 30 SEPTEMBER 2011

(Unaudited)

9 months to 30 September 2011	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>							
External sales	28,858,359	4,552,144	3,964,818	3,115,702	3,306,611	-	43,797,634
Inter-segment sales	151,561	3,610	12,750	335,418	-	(503,339)	-
<b>Total Revenue</b>	<b>29,009,920</b>	<b>4,555,754</b>	<b>3,977,568</b>	<b>3,451,120</b>	<b>3,306,611</b>	<b>(503,339)</b>	<b>43,797,634</b>
<b>RESULT</b>							
Operating results	817,351	140,837	735,725	376,664	1,001,768	7,910	3,080,255
Unallocated income	-	-	-	-	-	59,713	59,713
Profit from operations	-	-	-	-	-	-	3,139,968
Finance income	11,774	1,708	37,241	12,052	42,372	144,513	249,660
Finance expense	(286,147)	(51,298)	(68,584)	(5,317)	(1,097)	(109,529)	(521,972)
Share of associates	110,681	-	42,949	(6,094)	-	-	147,536
Profit before Taxation	653,659	91,247	747,331	377,305	1,043,043	102,607	3,015,192
Taxation							(874,406)
<b>Net Profit for the period</b>							<b>2,140,786</b>
Attributable to:							
Owners of GraceKennedy Limited							1,921,294
Non-controlling interests							219,492
							<b>2,140,786</b>

9 months to 30 September 2010	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>							
External sales	25,799,465	4,176,494	4,642,766	3,660,479	3,228,150	-	41,507,354
Inter-segment sales	126,779	5,483	16,760	311,343	-	(460,365)	-
<b>Total Revenue</b>	<b>25,926,244</b>	<b>4,181,977</b>	<b>4,659,526</b>	<b>3,971,822</b>	<b>3,228,150</b>	<b>(460,365)</b>	<b>41,507,354</b>
<b>RESULT</b>							
Operating results	555,083	99,984	627,900	285,738	835,416	93,306	2,497,427
Unallocated income	-	-	-	-	-	265,717	265,717
Profit from operations	-	-	-	-	-	-	2,763,144
Finance income	19,523	524	52,891	23,624	50,955	139,156	286,673
Finance expense	(306,664)	(75,919)	(66,404)	(5,600)	(2,486)	(215,901)	(672,974)
Share of associates	108,856	-	33,829	(51,680)	(490)	-	90,515
Profit before Taxation	376,798	24,589	648,216	252,082	883,395	282,278	2,467,358
Taxation							(740,207)
<b>Net Profit for the period</b>							<b>1,727,151</b>
Attributable to:							
Owners of GraceKennedy Limited							1,549,394
Non-controlling interests							177,757
							<b>1,727,151</b>



# GraceKennedy Limited

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS 30 SEPTEMBER 2011

### 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 2010.

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; operation of a chain of supermarkets.
- *Retail and Trading* – Merchandising of agricultural supplies, hardware and lumber.
- *Banking and Investment* – Commercial banking; investment management; lease and trade financing; stock brokerage; pension management; property rental; mutual fund management.
- *Insurance* – General insurance and insurance brokerage.
- *Money Services* – Operation of money transfer services; cambio operations and bill payment services.

**2. Contingent Liabilities**

In 2000, a suit was filed jointly against a subsidiary, GraceKennedy Remittance Services Limited ("GKRS") and a software developer by Paymaster (Jamaica) Limited (Paymaster), a bills payment company. The suit claimed damages arising out of the use by the subsidiary of certain software, to which Paymaster alleged it owned the copyright.

In the judgment handed down by the Supreme Court on 30 April 2010, the court ruled in favour of GKRS and the software developer on all claims. Accordingly, the Court ordered costs to be paid by Paymaster to GKRS and the software developer and an enquiry into any damages suffered by GKRS and the software developer as a result of an injunction obtained by Paymaster in the suit. On 10 June 2010, Paymaster filed an appeal against the decision of the Supreme Court in the Court of Appeal and applied for a stay of execution, pending the appeal. Further to an application made by Paymaster to the Court of Appeal the enquiry into damages resulting from the injunction by the Supreme Court was on 6 May 2011 stayed pending appeal. The recovery of costs was not stayed and GKRS may therefore proceed to pursue the recovery of costs against Paymaster. Management has considered the advice of the company's attorneys and is of the opinion that Paymaster's appeal is unlikely to succeed.