



INTERIM REPORT

**(NINE MONTHS)
30 SEPTEMBER 2023**



INTERIM REPORT TO OUR STOCKHOLDERS

GraceKennedy Limited (GK) is pleased to report its financial results for the nine months ended September 30, 2023. During this period, GK achieved revenues of J\$117.8 billion, an increase of 9.7% or J\$10.4 billion over the corresponding period in 2022. Profit before tax (PBT) was J\$8.8 billion, or J\$1.1 billion higher than the same period in 2022, representing an increase of 14.0%; while net profit after tax was J\$6.4 billion, an increase of J\$795 million or 14.2%. Net profit attributable to stockholders was J\$6.0 billion, an increase of 15.3% or J\$790 million over the comparable period in 2022. Earnings per stock unit for the period was J\$6.02 (2022: J\$5.23).

Our strong financial performance in the first nine months of 2023 is a testament to GK's resilience, adaptability, and unwavering commitment to excellence. Our dedicated team has executed well on our strategy, improving efficiencies, allowing us to navigate the ever-evolving business landscape with confidence.

Following on the positive results, a dividend of J\$0.65 per stock unit has been declared, payable on December 15, 2023, totalling approximately J\$643 million. This is the fourth and final dividend payment by GK for 2023 and brings the year-to-date total dividend pay-out to approximately J\$2.15 billion.

Performance of Business Segments

Foods

GK's food business demonstrated a strong performance in the first nine months of 2023, with notable growth in both revenue and PBT.

Our Jamaican food distribution segment achieved commendable results, arising from the strong performance of Grace Foods & Services, Consumer Brands Limited, and World Brands Services. This growth was driven by strategic focus on enhancing brand visibility, expanding distribution points, and effective margin management.

GK's manufacturing business also delivered improved results compared to prior year, bolstered by the strong performance of Grace Food Processors (Meats). Grace Agro-Processors encountered challenges however, due to a prolonged and intense drought in Jamaica.

GK's chain of supermarkets in Jamaica, Hi-Lo Food Stores (Hi-Lo), continues to display a robust performance in 2023, driven by increased sales. Hi-Lo remains committed to enhancing its customers' shopping experience and is scheduled to commence renovations at four of its stores by year's end.

Our international food business experienced improved performance in comparison to the same period last year. Strong growth in revenue and profitability was achieved by GK Foods USA and Grace Foods UK, while GK Belize and Grace Foods LACA also saw growth. Our La Fe and Grace brands experienced significant growth in the US market. Grace Foods Canada continues to work at overcoming operational challenges and inflationary pressures in its local market.

Financial Services

GraceKennedy Financial Group (GKFG) delivered a positive performance in the first nine months of 2023, driven by strong top-line growth.

Our insurance segment sustained growth throughout the period. GK General Insurance Company (GKGI) and Key Insurance, surpassed their results from the previous year. Allied Insurance Brokers also delivered a strong performance, reflecting the company's dedication to cultivating and strengthening client relationships. Canopy Insurance, our group health insurance company, also saw an improvement in its year-over-year results.

GraceKennedy Money Services (GKMS) saw a slight dip in revenue and profit compared to 2022. Global economic challenges impacted our money services segment, particularly in the remittance and currency trading businesses. Our bill payment business, Bill Express, experienced growth, driven by digital expansion and the addition of major billers to its portfolio. To further drive growth in its business, GKMS is expanding its offerings, accessibility, and convenience for customers. An example of this is our partnership with Unicomer Jamaica to offer Western Union services at its Courts retail stores across the island. Currently seven Courts stores provide Western Union services, and more Courts locations are expected to add Western Union services by year-end.

Our banking and investments segment reported growth in revenue, but continues to navigate local market challenges, which led to a decline in overall profitability. First Global Bank, our Jamaican commercial bank, delivered positive results, exceeding prior year revenue and profit, driven by significant growth in its net loans and deposits. Meanwhile, our investment and advisory arm, GK Capital Management, continues to face challenges to its profitability, including an underperforming equity market in Jamaica and higher interest rates.

In September GKFG opened its twentieth GK One store at the University of the West Indies (UWI) Mona campus in Kingston, Jamaica. The store has been well-received and is easily accessible to students, staff, and residents of the surrounding communities.

Mergers & Acquisitions

In August, GK entered into an agreement to acquire Unibev Limited, a Jamaican manufacturing company specializing in fully integrated spring water production, from sourcing raw materials to packaging. The acquisition, which was completed in October, advances our position in the growing spring water market in Jamaica, fortifying our supply chain and building on our recent investments in this space, including our acquisition of 876 spring water and our increased stake in Catherine's Peak.

Our other 2023 acquisition, Scotia Insurance Caribbean, which has been rebranded GK Life, is also performing very well. GK Life is now operating in 13 markets across the Caribbean, as we continue to grow our insurance business in the region.

Digital Transformation

We continue to enhance the functionality of our GK One app. GK One users can now conduct peer-to-peer transfers using the app, allowing them to move funds between mobile wallets in seconds. Users can also top-up their mobile wallet at several Bill Express locations in Jamaica. Plans to expand offerings within the app, and its reach to other Caribbean territories, are also well underway.

GK Life is poised to launch its core insurance platform in the final quarter of 2023. The platform, which will initially be available in the Antigua market, will eventually be rolled out to all territories served by GK Life, and is anticipated to drive further growth and enhance the operational efficiency of the business.

Cross-Selling

In September, we hosted the first ever 'GK Marketplace' at our headquarters in downtown Kingston. The initiative, which is designed to promote cross-selling amongst our team, featured booths from 12 GK subsidiaries and attracted over 280 GK team members.

Share Buy-Back

In August we received the requisite regulatory approvals for our share buy-back programme, which was announced earlier this year. Under the programme, GK will proceed with repurchasing up to 1% of our Company's shares in issue, over a period of up to one year. The repurchase of shares will commence in November and will be conducted on the open market through our stockbrokers in Jamaica and Trinidad & Tobago, using cash reserves.

Our Board of Directors believes that investing in our own Company is a good use of capital for long term returns. We are confident in our long-term strategic objectives and the share buy-back will support us in achieving our 2030 vision, as it provides an opportunity to enhance shareholder value by helping to raise earnings per share.

We Care

In September, GK proudly published our inaugural Environmental, Social, and Governance (ESG) report. The 'We Care' report highlights GK's long and outstanding commitment to responsible business practices and introduces our seven ESG goals, each aligned with one of our five ESG themes. Each goal is also aligned with the United Nations Sustainable Development Goals. Preliminary targets have been set for each goal, outlining the initial steps we will take to advance our ESG agenda, which underpins GK's 2030 vision. Going forward, comprehensive performance metrics will also be incorporated into the report.

The inaugural ESG Report can be found at <https://www.gracekennedy.com/media-center-reports/esg-reports/>

GK continues to support the communities within which we operate through our active corporate social responsibility programmes. This included over J\$64 million in back-to-school support to students in Jamaica ahead of the 2023/2024 academic year.

Recognition & Awards

In September, GKF received the 2022 RJRGleaner Honour Award in Science and Technology in recognition of its work to protect Jamaica's natural environment, specifically through the Kingston Harbour Cleanup Project (KHCP). The KHCP is implementing strategies to prevent solid waste from entering the Kingston Harbour and to raise awareness about solid waste pollution in Jamaica.

Our Group CEO, Don Wehby, was awarded the Mona School of Business & Management 10th Anniversary Outstanding Business Leader Award in September, for his accomplishments as the leader of a publicly listed company in Jamaica and his "relentless contribution to nation building".

2023 has been characterised by resilience, growth, and adaptability in GK's business. This is in line with our unwavering commitment to creating value for our customers, shareholders, and the communities we serve. Our team consistently strives for excellence in all that we do and remains dedicated to achieving our 2030 vision of being the number one Caribbean brand in the world.

We are building a bright future together through great people. Our story continues.



Gordon V. Shirley, OJ
Chairman



Don G. Wehby, CD
Group Chief Executive Officer

November 9, 2023

GraceKennedy Limited
CONSOLIDATED INCOME STATEMENT
NINE MONTHS ENDED 30 SEPTEMBER 2023
(Unaudited)

	3 months to 30/09/2023 \$'000	9 months to 30/09/2023 \$'000	Restated 3 months to 30/09/2022 \$'000	Restated 9 months to 30/09/2022 \$'000
Revenue from products and services	38,058,935	113,467,279	33,647,812	103,985,684
Interest revenue	1,521,433	4,343,745	1,197,832	3,449,913
Revenues (Note 2)	39,580,368	117,811,024	34,845,644	107,435,597
Direct and operating expenses	(37,574,334)	(111,469,133)	(33,242,658)	(101,933,191)
Net impairment losses on financial assets	(100,226)	(233,220)	(95,745)	(213,142)
Expenses	(37,674,560)	(111,702,353)	(33,338,403)	(102,146,333)
Profit before other income	1,905,808	6,108,671	1,507,241	5,289,264
Other income	855,603	2,757,754	751,662	2,359,149
Profit from Operations	2,761,411	8,866,425	2,258,903	7,648,413
Interest income – non-financial services	161,106	474,874	168,624	423,927
Interest expense – non-financial services	(415,254)	(1,214,291)	(275,674)	(919,266)
Share of results of associates and joint ventures	114,508	638,410	113,535	539,244
Profit before Taxation	2,621,771	8,765,418	2,265,388	7,692,318
Taxation	(707,877)	(2,366,663)	(615,277)	(2,088,882)
Net Profit for the period	1,913,894	6,398,755	1,650,111	5,603,436
Profit attributable to:				
Owners of GraceKennedy Limited	1,774,191	5,965,275	1,507,504	5,175,515
Non-controlling interests	139,703	433,480	142,607	427,921
	1,913,894	6,398,755	1,650,111	5,603,436

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

Basic	\$1.79	\$6.02	\$1.52	\$5.23
Diluted	\$1.77	\$5.97	\$1.51	\$5.17

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NINE MONTHS ENDED 30 SEPTEMBER 2023

(Unaudited)

	3 months to 30/09/2023 \$'000	9 months to 30/09/2023 \$'000	Restated 3 months to 30/09/2022 \$'000	Restated 9 months to 30/09/2022 \$'000
Profit for the period	1,913,894	6,398,755	1,650,111	5,603,436
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss:</i>				
Losses on revaluation of land and buildings	(6,742)	(6,742)	-	-
Changes in fair value of equity instruments at fair value through other comprehensive income	(94,988)	(261,267)	(85,658)	(6,434)
Remeasurements of post-employment benefit obligations	224,323	310,322	(778,874)	(763,933)
Share of other comprehensive income of associates and joint ventures	-	(10,060)	-	1,457
	122,593	32,253	(864,532)	(768,910)
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Foreign currency translation adjustments	(47,572)	640,983	(131,346)	(937,631)
Changes in fair value of debt instruments at fair value through other comprehensive income	(3,235)	(1,908)	(92,137)	(631,667)
Share of other comprehensive income of associates and joint ventures	15,518	58,987	24,128	(35,039)
	(35,289)	698,062	(199,355)	(1,604,337)
Other comprehensive income for the period, net of tax	87,304	730,315	(1,063,887)	(2,373,247)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,001,198	7,129,070	586,224	3,230,189
Total comprehensive income attributable to:				
Owners of GraceKennedy Limited	1,865,685	6,684,530	434,669	2,816,810
Non-controlling interests	135,513	444,540	151,555	413,379
	2,001,198	7,129,070	586,224	3,230,189

GraceKennedy Limited

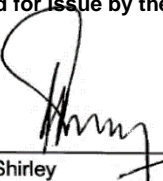
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

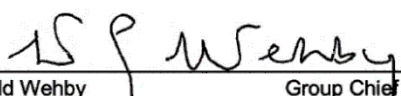
30 SEPTEMBER 2023

(Unaudited)

	30 September 2023 \$'000	Restated 31 December 2022 \$'000	Restated 30 September 2022 \$'000
ASSETS			
Cash and deposits	29,496,154	25,178,016	34,104,710
Investment securities	51,565,117	47,501,347	36,961,377
Pledged assets	309,540	28,875	6,772,184
Receivables	26,273,998	19,213,541	19,472,481
Inventories	20,303,465	22,029,962	20,079,554
Loans receivable	40,116,829	36,800,390	35,635,016
Taxation recoverable	1,416,616	1,431,955	1,183,709
Investments in associates and joint ventures	5,224,192	5,346,501	5,364,089
Investment properties	789,900	789,900	765,900
Intangible assets	9,471,159	6,368,497	6,179,430
Fixed assets	28,738,211	28,369,118	25,199,401
Deferred tax assets	1,522,470	1,355,301	1,918,884
Pension plan asset	3,313,733	1,824,473	2,981,349
Total Assets	218,541,384	196,237,876	196,618,084
LIABILITIES			
Deposits	61,032,226	52,655,288	49,626,851
Securities sold under agreements to repurchase	312,227	28,469	5,401,173
Bank and other loans	30,483,923	28,318,585	29,460,971
Payables	35,690,195	31,495,009	31,242,846
Taxation	1,331,280	1,213,519	966,276
Provisions	52,359	49,467	49,275
Deferred tax liabilities	1,659,032	1,803,487	1,898,849
Other post-employment obligations	5,848,622	4,298,567	4,448,115
Total Liabilities	136,409,864	119,862,391	123,094,356
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	292,150	264,596	229,253
Capital and fair value reserves	8,699,894	8,994,935	6,852,301
Retained earnings	58,996,629	54,229,178	53,962,044
Banking reserves	4,220,711	4,220,711	3,920,711
Other reserves	5,572,068	4,864,388	4,749,429
Equity attributable to owners of the company	77,781,452	72,573,808	69,713,738
Non-Controlling Interests	4,350,068	3,801,677	3,809,990
Total Equity	82,131,520	76,375,485	73,523,728
Total Equity and Liabilities	218,541,384	196,237,876	196,618,084

Approved for issue by the Board of Directors on 9 November 2023 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 2023

(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 2022 (Restated)	990,009	284,387	7,409,599	50,952,186	3,920,711	5,672,330	68,239,213	3,441,131	71,680,344
Profit for the period	-	-	-	5,175,515	-	-	5,175,515	427,921	5,603,436
Other comprehensive income for the period	-	-	(629,168)	(763,933)	-	(965,604)	(2,358,705)	(14,542)	(2,373,247)
Total comprehensive income for the period	-	-	(629,168)	4,411,582	-	(965,604)	2,816,810	413,379	3,230,189
Transactions with owners:									
Issue of shares	21	1,533	-	-	-	-	1,533	-	1,533
Sale of treasury shares	1,857	128,843	63,804	-	-	(73,627)	119,020	-	119,020
Purchase of treasury shares	(2,982)	(298,172)	-	-	-	-	(298,172)	-	(298,172)
Transfer of non-controlling interests	-	-	-	-	-	-	-	53,145	53,145
Share-based payments charged	-	-	-	-	-	322,208	322,208	-	322,208
Share-based payments exercised	-	-	-	-	-	(60,042)	(60,042)	(1,332)	(61,374)
Transfer of shares to employees	25	1,576	-	-	-	(1,576)	-	-	-
Transfer of treasury shares to employees	1,450	111,086	33,768	-	-	(144,260)	594	(594)	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(95,739)	(95,739)
Dividends paid	-	-	-	(1,427,426)	-	-	(1,427,426)	-	(1,427,426)
Total transactions with owners	371	(55,134)	97,572	(1,427,426)	-	42,703	(1,342,285)	(44,520)	(1,386,805)
Transfers between reserves:									
From capital reserves	-	-	(25,702)	25,702	-	-	-	-	-
Balance at 30 September 2022 (Restated)	990,380	229,253	6,852,301	53,962,044	3,920,711	4,749,429	69,713,738	3,809,990	73,523,728
Balance at 1 January 2023 (Restated)									
Balance at 1 January 2023 (Restated)	990,793	264,596	8,994,935	54,229,178	4,220,711	4,864,388	72,573,808	3,801,677	76,375,485
Profit for the period	-	-	-	5,965,275	-	-	5,965,275	433,480	6,398,755
Other comprehensive income for the period	-	-	(280,009)	310,322	-	688,942	719,255	11,060	730,315
Total comprehensive income for the period	-	-	(280,009)	6,275,597	-	688,942	6,684,530	444,540	7,129,070
Transactions with owners:									
Purchase of treasury shares	(2,250)	(175,168)	-	-	-	-	(175,168)	-	(175,168)
Transfer of non-controlling interests	-	-	-	-	-	-	-	211,261	211,261
Share-based payments charged	-	-	-	-	-	313,168	313,168	-	313,168
Share-based payments exercised	-	-	-	-	-	(108,038)	(108,038)	(676)	(108,714)
Transfer of shares to employees	48	4,061	-	-	-	(4,061)	-	-	-
Transfer of treasury shares to employees	2,332	198,661	(15,032)	-	-	(182,331)	1,298	(1,298)	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(105,436)	(105,436)
Dividends paid	-	-	-	(1,508,146)	-	-	(1,508,146)	-	(1,508,146)
Total transactions with owners	130	27,554	(15,032)	(1,508,146)	-	18,738	(1,476,886)	103,851	(1,373,035)
Balance at 30 September 2023	990,923	292,150	8,699,894	58,996,629	4,220,711	5,572,068	77,781,452	4,350,068	82,131,520

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

NINE MONTHS ENDED 30 SEPTEMBER 2023

(Unaudited)

	30/09/2023 \$'000	30/09/2022 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities (Note 3)	13,829,556	1,831,315
Financing Activities		
Loans received	12,281,435	8,616,936
Loans repaid	(10,769,056)	(7,933,209)
Dividends paid by subsidiary to non-controlling interests	(105,436)	(95,739)
Purchase of treasury shares	(175,168)	(298,172)
Sale of treasury shares	-	119,020
Issue of shares	-	1,533
Exercise of share based payments	(108,714)	(61,374)
Interest paid – non financial services	(1,147,530)	(880,971)
Dividends	(1,508,146)	(1,427,426)
	(1,532,615)	(1,959,402)
Investing Activities		
Additions to fixed assets	(1,599,073)	(1,327,127)
Proceeds from disposal of fixed assets	75,303	89,866
Additions to investments	(11,265,471)	(7,958,971)
Cash outflow on acquisition of subsidiaries	(2,400,387)	(85,970)
Cash outflow on purchase of interest in associates and joint ventures	-	(452,093)
Proceeds from sale of investments	7,773,043	13,274,678
Additions to intangibles	(713,994)	(629,598)
Interest received – non financial services	433,812	481,216
	(7,696,767)	3,392,001
Increase in cash and cash equivalents	4,600,174	3,263,914
Cash and cash equivalents at beginning of year	22,431,565	27,911,182
Exchange and translation gains/(losses) on net foreign cash balances	295,902	(143,493)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	27,327,641	31,031,603

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT

NINE MONTHS ENDED 30 SEPTEMBER 2023

(Unaudited)

9 months to 30 September 2023	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	92,171,085	6,711,774	12,259,398	6,584,871	83,896	117,811,024
Inter-segment sales	198,560	226,777	784,744	-	(1,210,081)	-
Total Revenue	92,369,645	6,938,551	13,044,142	6,584,871	(1,126,185)	117,811,024
RESULT						
Operating results	5,524,800	406,708	1,329,891	2,424,544	113,930	9,799,873
Unallocated expense	-	-	-	-	(933,448)	(933,448)
Profit from operations	-	-	-	-	-	8,866,425
Finance income	10,354	1,854	67,801	62,678	332,187	474,874
Finance expense	(650,432)	(158,452)	(8,394)	(98,035)	(298,978)	(1,214,291)
Share of associates and joint ventures	406,359	228,723	3,328	-	-	638,410
Profit before Taxation	5,291,081	478,833	1,392,626	2,389,187	(786,309)	8,765,418
Taxation						(2,366,663)
Net Profit for the period						6,398,755
Attributable to:						
Owners of GraceKennedy Limited						5,965,275
Non-controlling interests						433,480
						6,398,755

9 months to 30 September 2022 (Restated)	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	85,475,976	5,702,680	9,607,806	6,649,135	-	107,435,597
Inter-segment sales	181,001	207,879	730,932	-	(1,119,812)	-
Total Revenue	85,656,977	5,910,559	10,338,738	6,649,135	(1,119,812)	107,435,597
RESULT						
Operating results	4,234,691	717,333	935,999	2,458,866	79,773	8,426,662
Unallocated expense	-	-	-	-	(778,249)	(778,249)
Profit from operations	-	-	-	-	-	7,648,413
Finance income	8,582	4,234	39,431	40,123	331,557	423,927
Finance expense	(509,040)	(74,097)	(5,278)	(92,314)	(238,537)	(919,266)
Share of associates and joint ventures	428,577	184,576	(73,909)	-	-	539,244
Profit before Taxation	4,162,810	832,046	896,243	2,406,675	(605,456)	7,692,318
Taxation						(2,088,882)
Net Profit for the period						5,603,436
Attributable to:						
Owners of GraceKennedy Limited						5,175,515
Non-controlling interests						427,921
						5,603,436

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2023

Notes

1. Accounting Policies

(a) Basis of preparation

This condensed consolidated interim financial report for the reporting period ended 30 September 2023 has been prepared in accordance with Accounting Standard IAS 34 'Interim Financial Reporting'.

These financial statements are presented in Jamaican dollars unless otherwise indicated.

The accounting policies followed in these interim financial statements are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of IFRS 17 'Insurance Contracts', which became effective 1 January 2023. The impact of adopting the new standard is shown in Note 4.

New standards effective in the current year

IFRS 17, 'Insurance Contracts'

IFRS 17 replaces IFRS 4 'Insurance Contracts' and requires a current measurement model where estimates are re-measured each reporting period. This standard has brought significant changes to the accounting for insurance and reinsurance contracts. The adoption of IFRS 17 from 1 January 2023 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group has applied IFRS 17 retrospectively, which resulted in the restatement of comparative information.

Contracts in scope

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. The Group does not issue insurance contracts with direct or indirect participating features, nor any features that should be accounted for separately in accordance with IFRS 17 requirements. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts and form part of a single insurance contract with all of the cash flows within its boundary.

The Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

Measurement

The Group manages insurance contracts issued by product lines, where each product line includes contracts that are subject to similar risks and are managed together. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and profitability groups: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts.

Portfolios of reinsurance contracts held are assessed for aggregation at the line of business level and are separately identified from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into profitability groups: (i) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (ii) remaining contracts in the portfolio.

1. Accounting Policies (continued)

(a) Basis of preparation (continued)

IFRS 17, 'Insurance Contracts' (continued)

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Group. The Group uses the Premium Allocation Approach to measure all the insurance contracts issued, and reinsurance contracts held, which is a simplified approach compared to the general model in IFRS 17. The Group assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise.

The Group defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts and that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cash flows will be allocated to groups of insurance contracts on a systematic and rational basis. Acquisition cash flows will either be deferred and recognised over the coverage period of contracts in a group or expensed as incurred.

The Group did not adjust the Liability for Remaining Coverage (LRC) for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money. For the Liabilities for Incurred Claims (LIC), the estimates of future cash flows were adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgment and estimation.

An explicit risk adjustment for non-financial risk was estimated separately from the other estimates. It reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfills insurance contracts. Unless the contracts are onerous, the explicit risk adjustment for non-financial risk would only be estimated for the measurement of the LIC. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

Changes to presentation and disclosure

For presentation in the statement of financial position, the Group aggregated insurance issued and reinsurance contracts held, respectively and presents separately:

Insurance and Reinsurance contracts	Consolidated Statement of Financial Position line item
Portfolios of insurance and reinsurance contracts issued that are assets	Receivables
Portfolios of insurance and reinsurance contracts issued that are liabilities	Payables
Portfolios of reinsurance contracts held that are assets	Receivables
Portfolios of reinsurance contracts held that are liabilities	Payables

For the presentation in the statement of income and comprehensive income, the Group reported the following items under the below lines in the Consolidated Income Statement:

Insurance revenue and expenses	Consolidated Income Statement line item
Insurance revenue	Revenue from products and services
Insurance service expenses	Direct and operating expenses
Net expenses from reinsurance contracts held	Direct and operating expenses
Finance expenses from insurance contracts issued	Direct and operating expenses
Finance income from reinsurance contracts held	Interest revenue

1. Accounting Policies (continued)

(a) Basis of preparation (continued)

IFRS 17, 'Insurance Contracts' (continued)

The Group did not apply the OCI option to disaggregate insurance finance income or expenses between profit or loss and OCI. The Group did not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

The Group disaggregated qualitative and quantitative information in the notes of the financial statements about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

Accounting estimates

In applying IFRS 17 measurement requirements, the following inputs and methods were used that included significant estimates.

Discount rates

The Group used a bottom-up approach to determine discount rates, where applicable. Risk-free discount rates were determined using observed rates for Government of Jamaica bonds. An illiquidity premium was selected using a range of approaches including the review of observed Bid-Ask spreads. The Group's claims settlement period is not expected to exceed the period over which observable market prices are available. This is not applicable for the health and life insurance businesses as they will not apply any discounting.

Risk adjustment for non-financial risk

Risk adjustments for non-financial risk was determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion. The risk adjustments for non-financial risk were determined for the liabilities for incurred claims of all contracts using a confidence level technique. They were allocated to groups of contracts based on an analysis of the risk profiles of the groups.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Group applied these techniques both gross and net of reinsurance and derived the amount of risk being transferred to the reinsurer as the difference between the two results.

Applying a confidence level technique, the Group estimated the probability distribution of the expected present value of the future cash flows from the contracts annually and calculated the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years. The target confidence level was 75 percent.

(b) Segment reporting

The principal activities of the company, its subsidiaries, associates and joint ventures (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.
- *Banking and Investment* – Commercial banking; stock brokerage; corporate finance; advisory services; and lease financing.
- *Insurance* – General insurance; health insurance; group and creditor life insurance; and insurance brokerage.
- *Money Services* – Operation of money transfer services; cambio operations and bill payment services.

2. Revenues

Revenues for the Group can be disaggregated as follows:

	2023	2022
	\$'000	\$'000
Timing of revenue recognition from contracts with customers		
Goods and services transferred at a point in time	103,167,490	96,152,544
Services transferred over time	93,389	94,431
Revenue from insurance contracts	10,206,400	7,738,709
Interest revenue	4,343,745	3,449,913
	117,811,024	107,435,597

3. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	30/09/2023 \$'000	Restated 30/09/2022 \$'000
Net profit	6,398,755	5,603,436
Items not affecting cash:		
Depreciation	2,279,212	2,177,041
Amortisation	698,726	561,942
Change in value of investments	153,753	(315,250)
Gain on disposal of fixed assets	(18,242)	(16,052)
Gain on disposal of investments	(10,750)	(46,586)
Share-based payments	313,168	322,208
Exchange (gain)/loss on foreign balances	(66,289)	112,456
Interest income – non financial services	(474,874)	(423,927)
Interest income – financial services	(4,971,163)	(3,842,531)
Interest expense – non financial services	1,214,291	919,266
Interest expense – financial services	1,011,978	873,627
Taxation expense	2,366,663	2,088,882
Unremitted equity income in associates and joint ventures	(427,443)	(421,368)
Pension plan surplus	114,462	269,959
Other post-employment obligations	360,096	507,462
	8,942,343	8,370,565
Changes in working capital components:		
Inventories	1,866,316	(850,634)
Receivables	(6,658,916)	(2,626,487)
Loans receivable, net	(3,170,185)	(2,433,529)
Payables	3,057,095	(764,405)
Deposits	7,630,780	1,802,028
Securities sold under repurchase agreements	276,911	(1,733,429)
Provisions	2,892	972
	11,947,236	1,765,081
Interest received – financial services	4,956,256	3,755,874
Interest paid – financial services	(916,814)	(943,587)
Translation gains/(losses)	381,915	(789,197)
Taxation paid	(2,539,037)	(1,956,856)
Net cash provided by operating activities	13,829,556	1,831,315

Reconciliation of movements of liabilities to cash flows arising from financing activities:

Amounts represent bank and other loans, excluding bank overdrafts

	30/9/2023 \$'000	30/9/2022 \$'000
At beginning of year	25,572,133	25,863,018
Lease liability to acquire right-of-use asset	512,738	290,953
On acquisition through business combination	314,157	-
Loans received	12,281,435	8,616,936
Loans repaid	(10,769,056)	(7,933,209)
Foreign exchange adjustments	306,596	(447,219)
Net interest movements	97,407	(2,615)
At end of period	28,315,410	26,387,864

4. Effect of New Standard

On adoption of IFRS 17, the Group identified, recognised and measured each group of insurance contracts as if IFRS 17 has always applied; derecognised any existing balances that would not have existed if IFRS 17 had always applied; and recognised the resulting net difference in equity.

The new 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.

Reconciliation of Equity at:	31 December 2022 \$'000	31 December 2021 \$'000	30 September 2022 \$'000
Equity attributable to owners of GraceKennedy Limited			
as previously reported	71,995,793	67,605,593	69,125,028
Decrease in receivables	(4,784,830)	(3,337,754)	(4,137,589)
Decrease in payables	5,403,322	4,012,123	4,768,509
Decrease in foreign currency translation	507	-	629
Increase in non-controlling interests	(40,477)	(40,749)	(42,210)
Increase in retained earnings	578,522	633,620	589,339
Decrease in other reserves	(507)	-	(629)
Adjustment to equity from adoption of IFRS 17	578,015	633,620	588,710
Equity attributable to owners of GraceKennedy Limited as restated	72,573,808	68,239,213	69,713,738

Reconciliation of profit for the period ended:	12 months to 31/12/2022 \$'000	9 months to 30/09/2022 \$'000
Profit attributable to owners of GraceKennedy Limited		
as previously reported	7,027,398	5,219,796
Increase in direct and operating expenses	(55,352)	(44,281)
Decrease in non-controlling interests	254	-
Increase/(Decrease) in Net Profit	(55,098)	(44,281)
Profit attributable to owners of GraceKennedy Limited as restated	6,972,300	5,175,515

Earnings per Stock Unit for profit attributable to the owners of GraceKennedy Limited: (expressed in \$ per stock unit):	Basic	Basic
EPS as previously reported	\$7.09	\$5.27
Decrease due to restatement	(\$0.05)	(\$0.04)
EPS as restated	\$7.04	\$5.23

Earnings per Stock Unit for profit attributable to the owners of GraceKennedy Limited: (expressed in \$ per stock unit):	Diluted	Diluted
EPS as previously reported	\$7.02	\$5.22
Decrease due to restatement	(\$0.05)	(\$0.05)
EPS as restated	\$6.97	\$5.17

5. Covid-19 and Russia/Ukraine Conflict

The Group continues to be exposed to the potential of Covid-19 related disruptions and the ongoing Russia/Ukraine conflict, which exposes the Group to varying levels of credit, price, and supply chain risks.

The Group actively monitors and evaluates the threats to our business and has embedded strategies and controls in our operations to respond to the existing and emerging risks.

6. Business Combinations

On 14 February 2023, the Group acquired an additional 35% of the share capital of Catherine's Peak Bottling Company Limited for a purchase consideration of \$612,500,000. The share purchase brought the Group's total shareholding in the company to 70%, having previously held 35% of the share capital since 2018. The company's main activity is the sale of Catherine's Peak pure spring bottled water. GraceKennedy is the exclusive distributor of the Catherine's Peak branded products in Jamaica.

On 31 March 2023, the Group acquired 100% of the share capital of Scotia Insurance Caribbean Limited (SICL). SICL is a licensed life insurance company, which offers credit protection to customers on personal loans, residential mortgages, personal lines of credit, personal and small business credit cards. The company currently operates in Barbados, Belize, British Virgin Islands, Cayman Islands and Turks & Caicos Islands.

The company subsequently changed its name to GK Life Insurance Caribbean Limited

The purchase consideration for SICL comprised an initial cash payment amounting to \$3,023,490,000 and contingent consideration amounting to \$563,549,000. The contingent consideration is dependent on the retention of certain distribution agreements over the next two years, with 50% being payable after one year and the remaining amount after two years.

The following table summarises the net cash outflow on the acquisitions:

	Catherine's Peak Bottling Company Limited \$'000	Scotia Insurance Caribbean Limited \$'000	Total \$'000
Purchase consideration settled in cash	(612,500)	(3,023,490)	(3,635,990)
Cash and cash equivalents in business acquired	35,030	1,200,573	1,235,603
Cash outflow on acquisition	(577,470)	(1,822,917)	(2,400,387)

7. Subsequent Event

On 26 October 2023, the Group acquired 100% of the share capital of Unibev Limited (Unibev) for a purchase consideration of approximately US\$10 million. Unibev is a Jamaican manufacturing company specializing in fully integrated beverage solutions. It is involved in all aspects of the beverage manufacturing process, including, sourcing raw materials and packaging. Its manufacturing facility, located in Spring Garden, Portland, includes a Blue Mountain spring water source.