INTERIM REPORT

(NINE MONTHS)
30 SEPTEMBER 2019

INTERIM REPORT TO OUR STOCKHOLDERS

The GraceKennedy Group reported improved performance for the third quarter of 2019, with revenue of J$25.54 billion and net profit of J$1.44 billion, relative to the corresponding period of 2018. Profit before tax for the three month period was J$277.0 million or 17.0% higher than the corresponding period of 2018. GraceKennedy Limited positioned itself for future growth and the on-going implementation of transformational structural and process improvement initiatives is producing positive results and improving stockholder value. The Group expects to meet its financial targets for 2019 while achieving improved operating performance.

For the nine months ended September 30, 2019, the GraceKennedy Group achieved revenues of J$77.03 billion, representing an increase of 4.3% or J$3.20 billion over the corresponding period of 2018. Net profit after tax for the nine month period was J$3.71 billion, representing a marginal increase of 0.1% or J$2.04 million relative to the corresponding period of 2018. Net profit attributable to stockholders for the nine month period was J$3.27 billion, 1.7% or J$54.2 million higher than that of the corresponding period of 2018. Our results were impacted by increases in non-operating expenses as a consequence of the adoption of the new accounting standard on leases, IFRS 16 and the previously adopted IAS 19 post-employment benefit expenses, resulting in a combined negative impact of J$489.0 million. Profit before other income for the nine month period was J$2.88 billion, 30.2% or J$668.1 million higher than that of the corresponding period of 2018, indicating an improved operating margin. Earnings per stock unit for the period was J$3.30 (2018: J$3.24).

Stockholders will recall that the GraceKennedy Group is a net earner of foreign exchange and has net foreign assets, whose values are subject to movements in foreign currency exchange rates. During the period January to September 2019, the volatility in the Jamaican foreign exchange market, particularly in the US Dollar exchange rate had a significant negative effect on the Group's results when compared to the corresponding period of 2018.

Over the nine month period, stockholders' equity increased by J$7.65 billion to J$52.26 billion. On the adoption of IFRS 16 on January 1, 2019, the Group recognized a right-of-use asset of approximately J$6.4B shown in fixed assets, with a corresponding amount being recognized as a lease liability shown in bank and other loans.

The Food Trading segment recorded improved revenue and profitability for the reporting period when compared to the corresponding period of 2018 due mainly to the performance of our Jamaican and USA food businesses.

Our Jamaican foods distribution business experienced growth in both revenue and pre-tax profits coupled with improved operating margins. All core products reported higher sales when compared to the corresponding period of 2018 with Grace Corned Beef showing double digit growth. Our chain of Jamaican supermarkets, Hi-Lo Foods Stores, showed improved operating performance when compared to the corresponding period of 2018. Customer count for the chain for the nine month period increased by six percent (6%) when compared to the corresponding period of 2018. Our investments in the Catherine's Peak brand of pure spring water and Consumer Brands Limited continue to perform well. Our manufacturing companies, Grace Agro Processors (GAP) and GAP Denbigh continue to broaden their supplier base for raw materials. This is expected to improve production yields, reduce shortages and improve quality control for our raw materials while strengthening our network of farmers. GAP Denbigh commenced its export of Grace Canned Ackee, Grace Canned Callaloo and Grace Jerked Seasoning to the USA, UK and Canada.

GraceKennedy Foods (USA) LLC continues to show improved performance for the nine month period when compared to the corresponding period of 2018. Revenue for the Grace brand grew double digits primarily driven by improved sales of Grace Frozen Patties, Grace Corned Beef, Grace Sardines and Grace Mackerel.

On October 7, GraceKennedy opened its new Grace/La Fe distribution facility in Woodbridge, New Jersey. GraceKennedy invested US$5 million in outfitting the new facility, which boasts a state of the art layout, fully compliant with all health and safety standards. This investment is expected to drive increased operating efficiencies and improve staff and customer satisfaction. We continue to invest in brand building activities for the La Fe brand and re-launched the La Fe brand in May with the brand being promoted as fresh, healthy and convenient.

Grace Foods UK's performance was impacted by the decline in sales of its Nurishment brand. We are currently in the process of rolling out the Nurishment re-launch plans which include a new label design for the can and a new advertising campaign. Additionally, a new format, Nurishment in a PET bottle, will be launched in the first quarter of 2020.

Grace Foods Canada Inc. has strengthened its distribution presence in Western Canada with additional listings of Grace Jerked Chicken Wings and other frozen products in Sobeys, the second largest supermarket chain in Canada. Earlier this year the company secured numerous listings with Federated and Calgary Co-op, a regional chain in Western Canada.

The GraceKennedy Financial Group (GKFG) reported growth in revenues and pre-tax profit for the nine month period over the corresponding period in 2018.

The Banking and Investments segment reported an increase in revenue and pre-tax profit for the nine month period compared to the corresponding period in 2018. First Global Bank Limited (FGB)'s focus on financial inclusion has driven further growth in loans disbursed to Small and Medium Enterprises. FGB opened four (4) bank agents in the quarter in Buff Bay in Portland, Junction in St. Elizabeth, Morant Bay in St. Thomas and New Kingston in St. Andrew under the FGB Money Link Brand in keeping with its Financial Inclusion Strategy. This brings the total number of Money Link agents across Jamaica to eight (8).

The Insurance segment reported an increase in revenue and pre-tax profit for the nine month period compared to the corresponding period in 2018. The segment continues to perform well with existing operations achieving growth and various new initiatives forming a base for future growth. GK General Insurance Company Limited (GKGI) reported revenue growth in its motor, engineering and property portfolios. Motor claims continued to perform within expected levels and this resulted in improved core business results. GKGI continues to play a major role in the insurance sector, providing insurance products for many of the large infrastructure projects across Jamaica.

The Money Services segment reported a marginal decline in both revenue and pre-tax profit for the nine month period compared to the corresponding period of 2018. The business continues to enhance customer convenience through digital offerings which have showed increasing adoption by customers since introduction. These offerings include WU.com, a digital money transfer platform which allows customers 24/7 access to send funds electronically to over 200 countries, and Direct to Bank where customers can receive money through Western Union for deposit to their bank accounts. Our strategic focus on growth is being supported by our network expansion increasing our presence in Jamaica and regionally through a combination of traditional and digital channels. The Group's continued investment in enhanced compliance measures has positioned the business for growth as we solidify our market leadership. Our overseas operations in this segment delivered strong performance with Guyana, British Virgin Islands, Cayman and the Bahamas showing growth over the corresponding period of 2018.

GraceKennedy was pleased to recognize some 150 community members who were involved in the construction of the new GraceKennedy Headquarters at 42-56 Harbour Street, Kingston at an appreciation event that was held on August 8.

The company was able to facilitate the certification of valuable skill sets acquired by 23 young men from surrounding communities through their work on the project.

Corporate Social Responsibility continues to be an integral part of the Group's culture. GraceKennedy continues to invest in our youth and encourage academic excellence as a key factor in nation-building. In keeping with this focus, the GraceKennedy Foundation awarded scholarships valued at J$20 Million to 90 university students for the academic year 2019-2020. The Foundation through its GK Campus Connect Food Bank continues to assist students at the University of the West Indies, Mona Campus and the University of Technology with food items to help meet their nutritional needs. Our Foods Division has committed food items in support of this initiative.

The Grace & Staff Community Development Foundation celebrated its 40th anniversary. We are proud to celebrate this significant milestone as we continue to contribute to sustainable development and show our communities and stakeholders that "We Care". The Foundation currently provides scholarships and other support to over 600 students and is working to achieve its target of assisting 1000 students in Jamaica by 2022.

GraceKennedy participated in the International Coastal Clean Up activities in Jamaica on September 21 with a team of 364 volunteers. The team collected over 7,800 kgs of garbage and plastics from Gun Boat Beach and Buccaneer Beach along the Palisadoes strip in Kingston, exceeding the collection over previous years. Environmental sustainability is a key focus of the GraceKennedy Foundation's mission.

We take this opportunity to thank our stakeholders for their continued support and trust in our mission to realize our vision of becoming a Global Consumer Group, guided always by our core principles of Honesty, Integrity and Trust.

Gordon V. Shirley, OJ	Donald G. Wehby, CD
Chairman	Group Chief Executive Officer

November 7, 2019

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT
NINE MONTHS ENDED 30 SEPTEMBER 2019
(Unaudited)

	3 months to 9/30/2019 $'000	9 months to 9/30/2019 $'000	3 months to 9/30/2018 $'000	9 months to 9/30/2018 $'000
Revenue from products and services	24,469,925	73,928,195	24,467,582	70,796,464
Interest revenue	1,073,975	3,105,207	993,428	3,033,109
Revenues (Note 2)	25,543,900	77,033,402	25,461,010	73,829,573
Direct and operating expenses	(24,154,185)	(73,790,552)	(24,608,240)	(71,370,780)
Net impairment losses on financial assets	(162,385)	(362,281)	(76,477)	(246,318)
Expenses	(24,316,570)	(74,152,833)	(24,684,717)	(71,617,098)
Profit before other income	1,227,330	2,880,569	776,293	2,212,475
Other income	736,363	1,927,075	816,738	2,268,128
Profit from Operations	1,963,693	4,807,644	1,593,031	4,480,603
Interest income – non-financial services	111,374	322,784	107,944	321,260
Interest expense – non-financial services	(288,083)	(761,382)	(139,765)	(425,502)
Share of results of associates and joint ventures	85,169	453,432	34,111	321,442
Profit before Taxation	1,872,153	4,822,478	1,595,321	4,697,803
Taxation	(430,595)	(1,109,170)	(335,017)	(986,538)
Net Profit for the period	1,441,558	3,713,308	1,260,304	3,711,265
Profit attributable to:				
Owners of GraceKennedy Limited	1,259,756	3,271,203	1,063,279	3,216,973
Non-controlling interests	181,802	442,105	197,025	494,292
	1,441,558	3,713,308	1,260,304	3,711,265
Earnings per Stock Unit for profit attributable to the owners of the company during the period:				
(expressed in $ per stock unit):				
Basic	$1.27	$3.30	$1.07	$3.24
Diluted	$1.27	$3.29	$1.07	$3.24

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
NINE MONTHS ENDED 30 SEPTEMBER 2019
(Unaudited)

	3 months to 9/30/2019 $'000	9 months to 9/30/2019 $'000	3 months to 9/30/2018 $'000	9 months to 9/30/2018 $'000
Profit for the period	1,441,558	3,713,308	1,260,304	3,711,265
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Gains on revaluation of land and buildings	18,099	17,908	-	-
Changes in fair value of equity instruments at fair value through other comprehensive income	(6,257)	593,896	27,693	22,622
Remeasurements of post-employment benefit obligations	191,684	3,754,469	1,066,759	1,143,407
Share of other comprehensive income of associates and joint ventures	-	(5,587)	-	-
	203,526	4,360,686	1,094,452	1,166,029
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation adjustments	280,066	707,548	353,186	718,315
Changes in fair value of debt instruments at fair value through other comprehensive income	129,695	418,025	(41,653)	(258,473)
Share of other comprehensive income of associates and joint ventures	35,861	64,047	32,743	69,262
	445,622	1,189,620	344,276	529,104
Other comprehensive income for the period, net of tax	649,148	5,550,306	1,438,728	1,695,133
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,090,706	9,263,614	2,699,032	5,406,398
Total comprehensive income attributable to:				
Owners of GraceKennedy Limited	1,893,133	8,793,990	2,484,643	4,872,652
Non-controlling interests	197,573	469,624	214,389	533,746
	2,090,706	9,263,614	2,699,032	5,406,398

GraceKennedy Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2019

(Unaudited)

	September 30 2019 $'000	December 31 2018 $'000	September 30 2018 $'000
ASSETS			
Cash and deposits	14,178,342	14,824,799	13,066,670
Investment securities	34,050,448	28,261,306	33,311,247
Pledged assets	7,087,602	9,931,362	5,339,979
Receivables	16,874,040	15,226,423	17,996,446
Inventories	12,424,116	12,784,061	11,355,920
Loans receivable	28,700,819	26,469,557	26,439,126
Taxation recoverable	647,406	764,826	352,328
Investments in associates and joint ventures	3,259,500	2,964,841	1,981,896
Investment properties	628,000	628,000	618,000
Intangible assets	4,058,459	4,128,043	4,365,012
Fixed assets	23,734,580	14,300,969	12,907,413
Deferred tax assets	1,357,319	1,410,080	1,470,565
Pension plan asset	7,478,787	3,269,925	7,824,818
Assets classified as held for sale	318,135	271,208	-
Total Assets	154,797,553	135,235,400	137,029,420
LIABILITIES			
Deposits	36,599,325	34,371,026	36,136,663
Securities sold under agreements to repurchase	6,038,413	7,208,337	4,199,184
Bank and other loans	25,020,495	16,529,313	15,560,581
Payables	23,473,804	23,201,686	22,807,253
Taxation	670,104	464,890	468,299
Provisions	56,773	-	-
Deferred tax liabilities	2,028,972	687,069	1,513,052
Other post-employment obligations	6,202,904	6,083,687	5,757,464
Total Liabilities	100,090,790	88,546,008	86,442,496
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	496,819	490,354	521,158
Capital and fair value reserves	7,241,503	6,346,838	5,417,340
Retained earnings	38,350,947	32,306,560	35,166,990
Banking reserves	3,120,711	3,118,867	3,044,111
Other reserves	3,053,325	2,351,808	4,247,001
	52,263,305	44,614,427	48,396,600
Non-Controlling Interests	2,443,458	2,074,965	2,190,324
Total Equity	54,706,763	46,689,392	50,586,924
Total Equity and Liabilities	154,797,553	135,235,400	137,029,420

Approved for issue by the Board of Directors on 7 November 2019 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 2019
(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	$'000	$'000
Balance at 1 January 2018	992,654	540,951	5,483,796	31,818,489	3,044,111	3,428,449	44,315,796	1,785,813	46,101,609
Profit for the period	-	-	-	3,216,973	-	-	3,216,973	494,292	3,711,265
Other comprehensive income for the period	-	-	(235,851)	1,143,407	-	748,123	1,655,679	39,454	1,695,133
Total comprehensive income for the period	-	-	(235,851)	4,360,380	-	748,123	4,872,652	533,746	5,406,398
Transactions with owners:									
Purchase of treasury shares	(436)	(26,368)	-	-	-	-	(26,368)	-	(26,368)
Share-based payments	-	-	-	-	-	78,305	78,305	-	78,305
Transfer of treasury shares to employees	161	6,575	1,301	-	-	(7,876)	-	-	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(129,235)	(129,235)
Dividends paid	-	-	-	(843,785)	-	-	(843,785)	-	(843,785)
Total transactions with owners	(275)	(19,793)	1,301	(843,785)	-	70,429	(791,848)	(129,235)	(921,083)
Transfers between reserves:									
To capital reserves	-	-	168,094	(168,094)	-	-	-	-	-
Balance at 30 September 2018	992,379	521,158	5,417,340	35,166,990	3,044,111	4,247,001	48,396,600	2,190,324	50,586,924
Balance at 1 January 2019	991,865	490,354	6,346,838	32,306,560	3,118,867	2,351,808	44,614,427	2,074,965	46,689,392
Profit for the period	-	-	-	3,271,203	-	-	3,271,203	442,105	3,713,308
Other comprehensive income for the period	-	-	1,024,242	3,754,469	-	744,076	5,522,787	27,519	5,550,306
Total comprehensive income for the period	-	-	1,024,242	7,025,672	-	744,076	8,793,990	469,624	9,263,614
Transactions with owners:									
Issue of shares	94	2,644	-	-	-	-	2,644	-	2,644
Sale of treasury shares	178	10,885	-	-	-	-	10,885	-	10,885
Purchase of treasury shares	(1,380)	(90,995)	-	-	-	-	(90,995)	-	(90,995)
Share-based payments charged	-	-	-	-	-	99,666	99,666	-	99,666
Share-based payments exercised	-	-	-	-	-	(26,460)	(26,460)	(637)	(27,097)
Transfer of shares to employees	5	312	-	-	-	(312)	-	-	-
Transfer of treasury shares to employees	1,902	83,619	33,054	-	-	(115,453)	1,220	(1,220)	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(99,274)	(99,274)
Dividends paid	-	-	-	(1,142,072)	-	-	(1,142,072)	-	(1,142,072)
Total transactions with owners	799	6,465	33,054	(1,142,072)	-	(42,559)	(1,145,112)	(101,131)	(1,246,243)
Transfers between reserves:									
From capital reserves	-	-	(162,631)	162,631	-	-	-	-	-
To banking reserves	-	-	-	(1,844)	1,844	-	-	-	-
Balance at 30 September 2019	992,664	496,819	7,241,503	38,350,947	3,120,711	3,053,325	52,263,305	2,443,458	54,706,763

GraceKennedy Limited
CONSOLIDATED STATEMENT OF CASH FLOWS
NINE MONTHS ENDED 30 SEPTEMBER 2019
(Unaudited)

	9/30/2019 $'000	9/30/2018 $'000
SOURCES/(USES) OF CASH:		
Operating Activities (Note 3)	3,090,150	6,089,696
Financing Activities		
Loans received	3,762,310	4,283,356
Loans repaid	(4,358,439)	(4,626,403)
Dividends paid by subsidiary to non-controlling interests	(99,274)	(129,235)
Purchase of treasury shares	(90,995)	(26,368)
Sale of treasury shares	10,885	-
Issue of shares	2,644	-
Exercise of share based payments	(27,097)	-
Interest paid – non financial services	(771,014)	(414,524)
Dividends	(1,142,072)	(843,785)
	(2,713,052)	(1,756,959)
Investing Activities		
Additions to fixed assets	(2,299,403)	(1,898,764)
Proceeds from disposal of fixed assets	47,784	27,825
Additions to assets held for sale	(31,234)	-
Additions to investments	(4,272,212)	(3,786,687)
Cash outflow on purchase of interest in associates and joint ventures	(178,323)	(88,000)
Proceeds from sale of investments	5,337,305	2,926,323
Additions to intangibles	(203,727)	(232,578)
Interest received – non financial services	301,920	337,371
	(1,297,890)	(2,714,510)
(Decrease)/increase in cash and cash equivalents	(920,792)	1,618,227
Cash and cash equivalents at beginning of year	12,278,198	9,402,295
Exchange and translation gains on net foreign cash balances	305,173	372,982
CASH AND CASH EQUIVALENTS AT END OF PERIOD	11,662,579	11,393,504

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT
NINE MONTHS ENDED 30 SEPTEMBER 2019
(Unaudited)

9 months to 30 September 2019	Food Trading $'000	Banking & Investments $'000	Insurance $'000	Money Services $'000	Consolidation Adjustments $'000	Group $'000
REVENUE						
External sales	61,145,462	4,562,852	5,540,309	5,784,779	-	77,033,402
Inter-segment sales	152,865	25,458	417,012	-	(595,335)	-
Total Revenue	61,298,327	4,588,310	5,957,321	5,784,779	(595,335)	77,033,402
RESULT						
Operating results	1,727,696	573,183	801,530	2,380,552	18,341	5,501,302
Unallocated expense	-	-	-	-	(693,658)	(693,658)
Profit from operations	-	-	-	-	-	4,807,644
Finance income	17,460	14,909	14,787	12,816	262,812	322,784
Finance expense	(559,104)	(53,392)	(6,341)	(45,840)	(96,705)	(761,382)
Share of associates and joint ventures	397,166	100,024	(43,758)	-	-	453,432
Profit before Taxation	1,583,218	634,724	766,218	2,347,528	(509,210)	4,822,478
Taxation						(1,109,170)
Net Profit for the period						3,713,308
Attributable to:						
Owners of GraceKennedy Limited						3,271,203
Non-controlling interests						442,105
						3,713,308

9 months to 30 September 2018	Food Trading $'000	Banking & Investments $'000	Insurance $'000	Money Services $'000	Consolidation Adjustments $'000	Group $'000
REVENUE						
External sales	58,541,677	4,352,265	5,054,617	5,881,014	-	73,829,573
Inter-segment sales	141,600	27,225	295,931	-	(464,756)	-
Total Revenue	58,683,277	4,379,490	5,350,548	5,881,014	(464,756)	73,829,573
RESULT						
Operating results	1,520,602	401,179	733,606	2,336,691	23,748	5,015,826
Unallocated expense	-	-	-	-	(535,223)	(535,223)
Profit from operations	-	-	-	-	-	4,480,603
Finance income	8,862	28,994	14,120	31,940	237,344	321,260
Finance expense	(277,103)	(38,424)	-	(3,054)	(106,921)	(425,502)
Share of associates and joint ventures	296,252	69,075	(43,885)	-	-	321,442
Profit before Taxation	1,548,613	460,824	703,841	2,365,577	(381,052)	4,697,803
Taxation						(986,538)
Net Profit for the period						3,711,265
Attributable to:						
Owners of GraceKennedy Limited						3,216,973
Non-controlling interests						494,292
						3,711,265

Notes

1. **Accounting Policies**

(a) Basis of preparation

This condensed consolidated interim financial report for the reporting period ended 30 September 2019 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 16 'Leases', which became effective 1 January 2019. The impact of adopting the new standards are shown in Note 4.

New standards effective in the current year

IFRS 16, 'Leases'
The Group has adopted IFRS 16 from 1 January 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard in applying the simplified transition approach. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. It replaces the guidance in IAS 17, which made a distinction in classification between leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset (finance leases) and those that do not (operating leases). For a lessee, finance leases were recognised as an asset that was depreciated over the lease term and the amount due to the lessor recognised as borrowings. While operating leases were recognised as a periodic rental payment that was treated as a current expense in the income statement.

IFRS 16 introduces a single lease accounting model for lessees. It requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The standard includes an optional exemption for certain short-term leases and leases of low-value assets. For lessors, the accounting stays almost the same.

Accounting policy effective 1 January 2019

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

1. Accounting Policies (continued)

(a) Basis of preparation

IFRS 16, 'Leases' (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

(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 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:

	2019 $'000	2018 $'000
Timing of revenue recognition from contracts with customers		
Goods and services transferred at a point in time	69,551,455	66,698,717
Services transferred over time	98,808	86,284
Revenue from insurance contracts	4,277,932	4,011,463
Interest revenue	3,105,207	3,033,109
	77,033,402	73,829,573

3. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	9/30/2019 $'000	9/30/2018 $'000
Net profit	3,713,308	3,711,265
Items not affecting cash:		
Depreciation	1,643,084	826,294
Amortisation	407,036	465,766
Change in value of investments	(155,337)	(126,725)
Loss/(gain) on disposal of fixed assets	14,339	(13,353)
Gain on disposal of investments	(5,621)	(3,003)
Share-based payments	99,666	78,305
Exchange gain on foreign balances	(1,277,000)	(734,065)
Interest income – non financial services	(322,784)	(321,260)
Interest income – financial services	(3,310,191)	(3,273,712)
Interest expense – non financial services	761,382	425,502
Interest expense – financial services	583,628	603,068
Taxation expense	1,109,170	986,538
Unremitted equity income in associates and joint ventures	(235,845)	(71,522)
Pension plan surplus	523,176	246,954
Other post-employment obligations	393,138	389,088
	3,941,149	3,189,140
Changes in working capital components:		
Inventories	359,945	(102,780)
Receivables	(1,647,617)	(2,223,139)
Loans receivable, net	(1,843,649)	1,176,488
Payables	272,119	453,030
Deposits	1,232,872	1,342,713
Securities sold under repurchase agreements	(1,430,167)	156,191
Provisions	56,773	-
	941,425	3,991,643
Interest received – financial services	3,369,150	3,360,515
Interest paid – financial services	(553,767)	(615,382)
Translation gains	460,216	306,872
Taxation paid	(1,126,874)	(953,952)
Net cash provided by operating activities	3,090,150	6,089,696

Reconciliation of movements of liabilities to cash flows arising from financing activities:
Amounts represent bank and other loans, excluding bank overdrafts

	9/30/2019 $'000	9/30/2018 $'000
At beginning of year	13,982,712	13,833,665
Effect of adopting IFRS 16	6,384,074	-
Lease liability to acquire right-of-use asset	2,239,000	-
Loans received	3,762,310	4,283,356
Loans repaid	(4,358,439)	(4,626,403)
Foreign exchange adjustments	511,733	400,730
Net interest movements	(16,658)	(3,933)
At end of period	22,504,732	13,887,415

4. Effect of new standards

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.15%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

The table below shows the reconciliation of the operating lease commitments disclosed as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019:

	January 1 2019 $'000
Operating lease commitments disclosed as at 31 December 2018	6,197,274
Discounted using the incremental borrowing rate at the date of initial application	5,186,392
Adjustments arising from different treatment of extension and termination options and changes in the index or rate affecting variable payments	1,197,682
Lease liabilities recognised on adoption of IFRS 16	6,384,074
Finance lease liabilities recognised as at 31 December 2018	77,687
Lease liabilities recognised as at 1 January 2019	6,461,761

As noted in the accounting policies for the new standards, the transition provisions applied by the Group do not require comparative figures to be restated. The total impact of adoption is therefore recognised in the opening statement of financial position on 1 January 2019.

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The adoption of IFRS 16 resulted in an increase in the lease liabilities of $6,384,074,000 and a corresponding increase in the right-of-use assets of $6,384,074,000 on 1 January 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Reliance on previous assessments on whether leases are onerous
- Reliance on previous assessments on whether a contract is, or contains, a lease applying IAS 17 and IFRIC 4
- The application of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

4. Effect of new standard (continued)

(b) Current year disclosures

The recognised right-of-use assets relate to the following types of assets:

	30 September 2019 $'000	1 January 2019 $'000
Properties	7,468,723	5,643,466
Equipment	37,065	39,663
Motor Vehicles	606,086	700,945
Total right-of-use assets	8,111,874	6,384,074

The Group incurred depreciation charges of $732,773,000 on the right-of-use assets and interest expense of $252,789,000 on the lease liabilities during the period.

5. Contingent Liability

(a) By letter dated 17 May 2018, the Guyana Revenue Authority (GRA) indicated that GraceKennedy Remittance Services Guyana ('GKRS Guyana') was "incorrectly" classified as a non-commercial company rather than a commercial company. Based on this, the GRA asserted that GKRS Guyana had wrongly paid corporation taxes at the lower non-commercial company rate. GKRS Guyana's tax liability was assessed by the GRA to be the equivalent of J$225,116,000, excluding penalties and interest if applicable. GKRS Guyana lodged objections to the GRA's assessment on the basis that the GRA wrongly assessed GKRS Guyana as a commercial company and that GKRS Guyana had filed (and the GRA had accepted), returns for a period of over 20 years as a non-commercial company. By letter dated 26 September 2018, received on 4 October 2018, the GRA indicated that it would maintain its assessments despite the objection.

GKRS Guyana filed an appeal on 26 October 2018 and defence in response filed by the GRA on 21 December 2018. Oral submissions were heard in chambers before the Judge on 27 March 2019 and on 8 July 2019, the court ruled in favour of GKRS Guyana; setting aside the decision by the GRA to reclassify the company as a commercial company and therefore reversing the decision by GRA to impose corporation tax at the commercial rate.

The GRA is appealing the court's decision, however the appeal was filed outside of the prescribed time-line. The GRA has filed an application to extend the time for the filing of the appeal so that the appeal may be heard. The hearing of that application is set for 22 November 2019. GKRS Guyana is opposing the application on the grounds that, inter alia, the time for filing an appeal had expired and the court has no jurisdiction to hear the appeal.

(b) By letter dated 20 March 2019, Tax Administration Jamaica (TAJ) raised assessments on a subsidiary company, GraceKennedy Remittance Services Limited (GKRS), under the General Consumption Tax (GCT) Act for a net tax liability of $358,870,000 (inclusive of penalties and interest) in relation to incorrect GCT input taxes claimed. GKRS lodged objections to TAJ's assessments on the basis that TAJ incorrectly disallowed the GCT input taxes.

By letter dated 18 October 2019 and in response to the objections filed, the TAJ advised of its revised assessments, totaling approximately $15,000,000. These amounts have been provided for in the financial statements.

6. Investment in Joint Venture

On the 1 July 2019, GK Investments Limited entered into a joint venture arrangement with the acquisition of a 50% interest in Pelican Power Limited. The value of GK Investments' equity interest totalled $178,323,000. The principal activities of the joint venture is the supply of power to the University of the West Indies (Mona campus) through the lease of its power plant.