

FINAL - PRESS RELEASE - 2/14/2006 12:27 PM

**GraceKennedy's 2005 revenues increase to \$33 billion, up 7%**

GraceKennedy Limited today released its 4<sup>th</sup> quarter unaudited results for the year 2005. The results show revenues increasing by 7.5 % to \$33.0 billion from \$30.7 billion.

Douglas Orane, Chairman & CEO in his comments said, "GraceKennedy continues to show increased revenues year over year which is encouraging in a Jamaican market that particularly in recent months has been increasingly soft in terms of consumer demand. In spite of these challenges, our group made over \$2 billion in profits in 2005 demonstrating GraceKennedy's ability to make significant profits in variable market conditions. In addition, the shareholder equity of the company increased from \$13.4 billion in 2004 to \$15.3 billion, showing that the company continues to strengthen its balance sheet. We also paid \$327 million in dividends to our shareholders in 2005 compared to \$292 million in 2004, an increase of 12 %."

GraceKennedy's profit attributable to shareholders for the year 2005 was \$2.075 billion compared with \$2.171 billion in 2004, a decline of 4.4%, and

is within the forecast range which GraceKennedy gave in December regarding its profits for the year 2005.

Mr. Orane in his comments continued, “GraceKennedy is building a strong platform for future growth based on developing our GraceKennedy people, building our brands to connect with our customers and streamlining our internal operations to gain greater efficiency. These are all activities which are ongoing and which have contributed to the company’s success in varying macro economic circumstances.”

In December 2005, GraceKennedy issued a forecast that profits for the year 2006 would increase over the prior year between 5% and 15%. Mr. Orane stated that the forecast remains in place.

# GraceKennedy Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT - Unaudited  
 QUARTER ENDED 31 December 2005

	<b>3 months to 31/12/2005 \$'000</b>	<b>12 months to 31/12/2005 \$'000</b>	<b>3 months to 31/12/2004 \$'000 ***</b>	<b>12 months to 31/12/2004 \$'000 ***</b>
<b>Revenues</b>	8,176,696	33,031,615	8,383,205	30,703,792
Expenses	7,439,714	30,791,524	7,689,105	28,342,426
<b>Operating Income</b>	736,982	2,240,091	694,100	2,361,366
Other income	132,977	453,903	210,844	421,034
<b>Profit from Operations</b>	869,959	2,693,994	904,944	2,782,400
Finance income	63,578	297,044	205,641	313,777
Share of results of associated companies	17,523	100,589	22,400	83,065
<b>Profit before Taxation</b>	951,060	3,091,627	1,132,985	3,179,242
Taxation	(306,357)	(969,933)	(320,786)	(906,162)
<b>Profit for the period</b>	644,703	2,121,694	812,199	2,273,080
<b>Attributable to:</b>				
<b>Equity holders of the Company</b>	643,389	2,074,936	788,210	2,171,368
<b>Minority interest</b>	1,314	46,758	23,989	101,712
	644,703	2,121,694	812,199	2,273,080
<b>Earnings per share for profit attributable to the equity holders of the Company</b> (expressed in \$ per share)				
<b>Basic</b>	\$1.97	\$6.35	\$2.43	\$6.70
<b>Diluted</b>	\$1.93	\$6.23	\$2.38	\$6.55

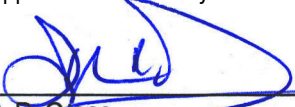
\*\*\* : Restated to comply with changes in IFRS

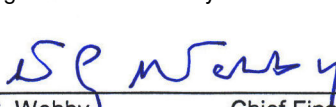
# GraceKennedy Limited

CONSOLIDATED BALANCE SHEET - Unaudited  
 QUARTER ENDED 31 December 2005

	December 2005 \$ '000	December 2004 \$ '000 ***
<b>NET ASSETS EMPLOYED</b>		
<b>Non-Current Assets</b>		
Fixed assets	2,313,731	2,175,647
Intangible assets	1,030,365	312,751
Investments in associates	475,205	414,516
Investments	3,068,676	2,947,076
Long term receivables	2,518,114	1,746,285
Deferred tax assets	599,159	601,249
Pension plan asset	5,064,748	4,409,317
	15,069,998	12,606,841
<b>Current Assets</b>		
Inventories	3,885,246	3,329,331
Receivables	6,643,867	5,636,348
Long term receivables - current portion	874,723	789,424
Taxation recoverable	538,178	531,965
Cash and short term investments	34,085,136	29,995,263
	46,027,150	40,282,331
<b>Current Liabilities</b>		
Payables	8,612,324	7,304,489
Provisions	3,064	8,979
Taxation	411,571	467,916
Bank and short term loans	3,124,577	2,052,007
Long term liabilities - current portion	481,563	177,060
Deposits	8,818,004	4,185,409
Securities sold under agreement to repurchase	18,673,923	20,335,155
	40,125,026	34,531,015
<b>Net Current Assets</b>	5,902,124	5,751,316
	20,972,122	18,358,157
<b>FINANCED BY</b>		
<b>Capital &amp; reserves attributable to the equity holders of the Company</b>		
Share Capital	327,395	325,817
Capital and fair value reserves	3,166,687	3,092,663
Retained earnings	9,536,534	7,944,154
Reserve funds	736,651	696,529
Translation gains and other reserves	1,490,795	1,291,170
	15,258,062	13,350,333
<b>Minority Interest</b>	744,234	507,527
<b>Total Equity</b>	16,002,296	13,857,860
<b>Non-Current Liabilities</b>		
Provisions	6,221	6,516
Long Term Liabilities	1,571,365	1,474,367
Deferred Tax Liabilities	2,382,807	2,171,958
Other post-retirement obligations	1,009,433	847,456
	4,969,826	4,500,297
	20,972,122	18,358,157

Approved for issue by the Board of Directors on 14 February 2006 and signed on its behalf by:

  
 D. R. Orane Chairman

  
 D.G. Wehby Chief Financial Officer

\*\*\* : Restated to comply with changes in IFRS

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY QUARTER ENDED 31 DECEMBER 2005

(Unaudited)

	Attributable to equity holders of the Company							Minority Interest	Total Equity
	No. of Shares	Share Capital	Capital and	Retained Earnings	Reserve Fund	Other Reserves	Total		
			Fair Value Reserve						
'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2004	323,466	323,466	3,448,660	5,989,205	643,207	1,163,801	11,568,339	460,032	12,028,371
Net gains/(losses) not recognised in the profit and loss account, net of tax:									
Foreign currency translation adjustments	-	-	-	-	-	73,470	73,470	574	74,044
Fair value adjustments	-	-	463,537	-	-	-	463,537	-	463,537
Revaluation surplus	-	-	(658,513)	-	-	-	(658,513)	-	(658,513)
Other	-	-	(43,938)	-	-	-	(43,938)	(15,178)	(59,116)
Total	-	-	(238,914)	-	-	73,470	(165,444)	(14,604)	(180,048)
Profit for the period	-	-	-	2,171,368	-	-	2,171,368	101,712	2,273,080
Issue of shares at a premium	2,351	2,351	71,541	-	-	-	73,892	-	73,892
Transfers between reserves	-	-	(188,624)	135,302	53,322	-	-	-	-
Employee share option scheme	-	-	-	-	-	53,899	53,899	-	53,899
Dividends paid	-	-	-	(291,918)	-	-	(291,918)	-	(291,918)
Dividends paid by subsidiary to minority interest	-	-	-	-	-	-	-	(39,613)	(39,613)
Other	-	-	-	(59,803)	-	-	(59,803)	-	(59,803)
Balance at 31 December 2004	325,817	325,817	3,092,663	7,944,154	696,529	1,291,170	13,350,333	507,527	13,857,860
Balance at 1 January 2005	325,817	325,817	3,092,663	7,944,154	696,529	1,291,170	13,350,333	507,527	13,857,860
Net gains/(losses) not recognised in the profit and loss account:									
Foreign currency translation adjustments	-	-	-	-	-	124,401	124,401	1,507	125,908
Fair value adjustments	-	-	15,079	-	-	-	15,079	-	15,079
Revaluation surplus	-	-	12,533	-	-	-	12,533	-	12,533
Other	-	-	146	-	-	-	146	-	146
Total	-	-	27,758	-	-	124,401	152,159	1,507	153,666
Profit for the period	-	-	-	2,074,936	-	-	2,074,936	46,758	2,121,694
Issue of shares at a premium	1,578	1,578	55,708	-	-	-	57,286	-	57,286
Increase in minority interest	-	-	-	-	-	-	-	229,126	229,126
Transfers between reserves	-	-	(9,442)	(30,680)	40,122	-	-	-	-
Employee share option scheme	-	-	-	-	-	75,224	75,224	-	75,224
Dividends paid	-	-	-	(326,961)	-	-	(326,961)	-	(326,961)
Dividends paid by subsidiary to minority interest	-	-	-	-	-	-	-	(40,684)	(40,684)
Other	-	-	-	(124,915)	-	-	(124,915)	-	(124,915)
Balance at 31 December 2005	327,395	327,395	3,166,687	9,536,534	736,651	1,490,795	15,258,062	744,234	16,002,296

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

QUARTER ENDED 31 DECEMBER 2005

(Unaudited)

	31/12/2005 \$'000	31/12/2004 \$'000
<b>SOURCES/(USES) OF CASH:</b>		
<b>Operating Activities</b>		
Profit for the period	2,121,694	2,273,080
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(526,075)	(547,695)
Cash provided by operating activities	1,595,619	1,725,385
Cash provided by/(used in) financing activities	3,736,088	(526,604)
Cash (used in)/provided by investing activities	(4,282,070)	334,685
Increase in cash and cash equivalents	1,049,637	1,533,466
Cash and cash equivalents at beginning of year	3,703,864	2,160,145
Exchange and translation gains on net foreign cash balances	52,354	10,253
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>4,805,855</b>	<b>3,703,864</b>

# GraceKennedy Limited

## FINANCIAL INFORMATION BY BUSINESS SEGMENT

QUARTER ENDED 31 DECEMBER 2005

(Unaudited)

12 months to 31 December 2005	Food Trading \$'000	Retail & Trading \$'000	Financial Services \$'000	Maritime \$'000	Information \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>							
External sales	13,112,987	10,132,413	6,927,329	-	2,858,886		33,031,615
Inter-segment sales	589,717	4,097	341,380	-	-	(935,194)	-
<b>Total Revenue</b>	<b>13,702,704</b>	<b>10,136,510</b>	<b>7,268,709</b>	<b>-</b>	<b>2,858,886</b>	<b>(935,194)</b>	<b>33,031,615</b>
<b>RESULT</b>							
Segment Result	235,654	229,686	1,218,784	-	562,713	28,927	2,275,764
Unallocated income						418,230	418,230
Profit from operations							2,693,994
Finance income - net	170,790	(102,240)	218,265	-	39,156	(28,927)	297,044
Share of associates	111,355	21,086	(28,429)	-	(3,423)	-	100,589
Profit before Taxation	517,799	148,532	1,408,620	-	598,446	418,230	3,091,627
Taxation							(969,933)
<b>Profit for the period</b>							<b>2,121,694</b>
Attributable to:							
Equity holders of the Company							2,074,936
Minority Interest							46,758
							<b>2,121,694</b>

12 months to 31 December 2004	Food Trading \$'000	Retail & Trading \$'000	Financial Services \$'000	Maritime \$'000	Information \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>							
External sales	11,414,118	10,467,354	6,021,565	256,889	2,543,866		30,703,792
Inter-segment sales	440,875	2,814	130,088	29,297	-	(603,074)	-
<b>Total Revenue</b>	<b>11,854,993</b>	<b>10,470,168</b>	<b>6,151,653</b>	<b>286,186</b>	<b>2,543,866</b>	<b>(603,074)</b>	<b>30,703,792</b>
<b>RESULT</b>							
Segment Result	144,220	411,191	1,173,610	(24,720)	607,615	20,575	2,332,491
Unallocated income						449,909	449,909
Profit from operations							2,782,400
Finance income - net	244,684	(108,294)	136,459	10,033	51,470	(20,575)	313,777
Share of associates	52,702	13,441	(13,846)	1,984	28,784	-	83,065
Profit before Taxation	441,606	316,338	1,296,223	(12,703)	687,869	449,909	3,179,242
Taxation							(906,162)
<b>Profit for the period</b>							<b>2,273,080</b>
Attributable to:							
Equity holders of the Company							2,171,368
Minority Interest							101,712
							<b>2,273,080</b>

# GraceKennedy Limited

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 2005

### 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 2004, with the exception of amendments to IAS 36 – Impairment of Assets, IAS 38 – Intangible Assets and IAS 39 – Financial Instruments: Recognition and Measurement which became effective 1 January 2005; and the adoption of IFRS 2 – Share-based Payment and IFRS 3 – Business Combinations. The effect of IAS 36, IAS 38 and IFRS 3 is explained in notes 1(c) and 1(d). With the application of the amendment to IAS 39, investments previously in the category of originated debt were reclassified as available for sale. IFRS 2 was adopted on 1 January 2005 with retrospective application for all share options granted after 7 November 2002. These options include those granted under the Managers' Stock Option Plan but exclude the Directors' Stock Option Plan.

These financial statements are presented in Jamaican dollars.

The adoption of IFRS 2 resulted in:

	<b>12 months to 31/12/2005</b>	<b>12 months to 31/12/2004</b>	<b>12 months to 31/12/2003</b>
Increase in other reserves (\$'000)	149,029	73,805	19,906
Decrease in retained earnings (\$'000)	149,029	73,805	19,906
Increase in expenses (\$'000)	75,224	53,899	19,906
Decrease in basic earnings per share (\$)	0.23	0.17	0.06
Decrease in diluted earnings per share (\$)	0.23	0.16	0.06

The amendment to IAS 39 resulted in:

	<b>12 months to 31/12/2004</b>
Increase in cash and short term investments (\$'000)	205,607
Increase in capital and fair value reserves (\$'000)	137,071
Increase in deferred tax payable (\$'000)	68,536



**(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**

Included in intangible assets is Goodwill which represents the excess of the value of consideration paid over the net assets acquired. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses, it is no longer amortised. Other intangible assets with an indefinite useful life are not subject to amortisation and are tested at least annually for impairment and carried at cost less accumulated impairment losses. Intangible assets with a finite useful life are amortised on a straight line basis to write off the carrying value over their estimated useful lives (4 – 10 years).

**(d) Impairment of assets**

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

**(e) Investments**

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.

**(f) 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. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

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. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of Government securities which have terms to maturity approximating the terms of the related liability.

### **Employee benefits (continued)**

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*

Share options are granted to management and key employees. Options are granted at the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous ten days prior to the grant date and are exercisable at that price. Options are exercisable when they vest, which is in three equal annual instalments beginning one year from the date of grant and have a contractual option term of six years.

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.

When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

### **(g) 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.

### **(h) 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.

**(i) 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 borrowings in current liabilities on the balance sheet.

**(j) Segment reporting**

The Group is organized into four (five in 2004) business segments which provide products and services that are subject to risks and returns dissimilar to each other:

- *Food Trading* - Merchandising of general goods and food products, both locally and internationally; processing and distribution of dairy and meat products;
- *Retail and Trading* - Merchandising of agricultural and pharmaceutical supplies, stationery, hardware and lumber; institutional and airline catering; operation of a chain of supermarkets;
- *Financial Services* - General insurance and insurance brokerage; commercial banking; investment management; lease and trade financing; stock brokerage; pension management; property rental; mutual fund management;
- *Information* - Operation of money transfer services; bill payment services and international telecommunications services.
- *Maritime* - Shipping agencies and other maritime services. The Group exited this business segment at the end of 2004.

**(k) Comparative information**

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, comparative figures have been restated to comply with the adoption of IFRS 2 and the amendment to IAS 39.

**2. Rights Issue by Hardware & Lumber Limited**

Hardware & Lumber Limited offered a renounceable rights issue to its shareholders, GraceKennedy Limited renounced its right to the offer making it available to the minority shareholders. Arising from the rights issue the Group's percentage shareholdings in Hardware and Lumber Limited was reduced from 69.7% to 58.1%; thus resulting in a gain on the dilution of ownership of \$108 million and an increase of \$229 million in the minority interest as shown in the statement of changes in equity.



Don Wehby  
Chief Financial Officer  
14 February 2006