

# GraceKennedy Limited

## INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the quarter ended March 31, 2007.

The Group achieved Revenues for the period of \$10,568.9 million (2006: \$8,776.5 million), an increase of \$1,792.4 million or 20.4%. The Net Profit Attributable to Equity holders of the Company increased by \$117.8 million over the corresponding period of 2006, moving from \$476.8 million to \$594.6 million, an increase of 24.7%. This represents earnings per stock unit of \$1.83 (2006: \$1.46).

On March 20, 2007, the Board of Directors approved an interim dividend payment to be made on May 28, 2007 of \$147 million, which represents 45 cents per stock unit based on the existing 326 million issued shares.

For the first quarter, GK Foods generated strong results both in terms of revenues and profit. Although all companies in the division generated positive results, our domestic companies performed particularly well. The sale of new products for the first quarter represents 14% of total sales, which is in keeping with our target. Our newest product, Grace Instant Porridge, has performed way above expectations. This product, which is produced in our own National Processors factory at Temple Hall, will also shortly be launched in the overseas markets.

As a part of our strategy to grow internationally, on February 28, 2007, we acquired a leading U.K. ethnic and specialty food supplier, WT (Holdings) Limited ("WT Foods"). WT Foods, which is located in Welwyn Garden City, England, comprises three main businesses; namely Enco, Chadha and Funnybones. Enco caters to the Afro-Caribbean community with brands such as Encona Sauces, Nurishment (a milk based drink) and Dunn's River. Chadha caters to the oriental wholesalers, retailers and cash & carries, while Funnybones operates in the food service sector and targets the pubs, and Texan and Mexican style restaurants. Our Grace Brand, which commands a strong presence in the Caribbean community in the U.K., is being integrated into the operations of Enco. The results for our first month of operations are in line with expectations and we are confident that this level of performance will continue.

GK Investments recorded good results for the first quarter of 2007. Hardware & Lumber Ltd's performance for the period was encouraging. The company's financial results showed net profit of \$24.6 million compared to net profit of \$3.1 million for the comparative period in 2006. Sales increased by 26% moving from \$1,269 million in 2006 to \$1,599 million in 2007. First Global Bank Limited will be opening its fourth branch by the end of the second quarter, to be located in Mandeville. This is in keeping with the strategy of meeting the needs of the customer throughout the island. The GKRS Group performed well for the first quarter with profit before tax exceeding the prior year by 43%. Jamaica International Insurance Company Limited, now branded as JIIC, and Allied Insurance Brokers Limited continue to lead the insurance industry through innovation in technology, designed to streamline processes, reduce turnaround time and improve efficiencies internally.

On April 24, 2007, GraceKennedy acquired a 30% stake in Trident Insurance Company Limited, a general insurance company located in Barbados. Trident Insurance has been offering property, motor and accident insurance for over thirty years. It is a profitable entity with significant growth potential.

We are pleased to have commenced sponsorship of the annual Boys' and Girls' Athletic Championships, popularly known as "Champs" in March this year and also the nutrition programme of the National Football team, the Reggae Boyz. As a local company, we view these activities as an investment in our young people to build character, discipline and the drive for excellence.

GraceKennedy Limited celebrated its 85<sup>th</sup> Anniversary on February 14, 2007. We are marking our celebrations with a number of activities throughout the year.

Thanks to my colleague directors, management and staff who continue to be dedicated to the efforts of the GraceKennedy Group in achieving its objectives. We also wish to thank our customers, consumers, suppliers and all stakeholders for their continuing support as we grow our businesses in response to our customers' needs.



Douglas R. Orane  
Chairman & Chief Executive Officer

May 10, 2007

# GraceKennedy Limited

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

QUARTER ENDED 31 MARCH 2007

(Unaudited)

	3 months to 31/03/2007 \$'000	3 months to 31/03/2006 \$'000
<b>Revenue</b>	10,568,852	8,776,531
Expenses	9,863,260	8,260,672
	705,592	515,859
Other income	134,553	149,063
<b>Profit from Operations</b>	840,145	664,922
Interest income – non-financial services	103,317	91,515
Interest expense – non-financial services	(157,056)	(103,563)
Share of results of associated companies	57,386	38,144
<b>Profit before Taxation</b>	843,792	691,018
Taxation	(253,138)	(207,306)
<b>Profit for the period</b>	590,654	483,712
<b>Attributable to:</b>		
<b>Equity holders of the Company</b>	594,589	476,790
<b>Minority interest</b>	(3,935)	6,922
	590,654	483,712

**Earnings per share for profit attributable to the equity holders of the Company**  
(expressed in \$ per share)

<b>Basic</b>	\$1.83	\$1.46
<b>Diluted</b>	\$1.81	\$1.44

# GraceKennedy Limited

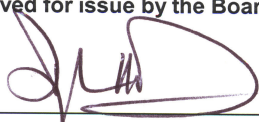
## CONSOLIDATED BALANCE SHEET

31 MARCH 2007

(Unaudited)

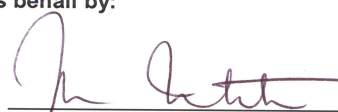
	MARCH 2007 \$'000	DECEMBER 2006 \$'000	MARCH 2006 \$'000
<b>ASSETS</b>			
Cash and deposits	7,597,689	10,071,877	5,710,735
Investment securities	36,031,623	32,973,151	32,778,645
Receivables	8,269,478	5,807,709	6,837,921
Inventories	4,314,542	3,545,919	3,499,076
Loans receivable	5,158,847	4,645,883	3,673,860
Taxation recoverable	549,520	584,161	522,843
Investments in associates	715,085	657,699	513,348
Intangible assets	3,014,936	984,824	1,025,326
Fixed assets	2,811,688	2,347,625	2,305,014
Deferred tax assets	845,349	823,127	604,662
Pension plan asset	6,001,669	5,810,890	5,251,838
<b>Total Assets</b>	<b>75,310,426</b>	<b>68,252,865</b>	<b>62,723,268</b>
<b>LIABILITIES</b>			
Deposits	10,466,410	9,789,234	9,722,036
Securities sold under agreement to repurchase	21,867,768	22,777,553	19,826,504
Bank and other loans	9,873,048	5,750,308	5,279,102
Payables	10,172,663	7,745,203	7,350,765
Taxation	295,553	389,219	248,498
Provisions	9,106	9,285	9,285
Deferred tax liabilities	2,772,930	2,684,129	2,501,601
Other post-retirement obligations	1,240,711	1,175,577	1,072,635
<b>Total Liabilities</b>	<b>56,698,189</b>	<b>50,320,508</b>	<b>46,010,426</b>
<b>EQUITY</b>			
<b>Capital &amp; reserves attributable to the equity holders of the Company</b>			
Share capital	417,543	405,686	325,988
Capital and fair value reserves	3,890,118	3,835,045	3,840,256
Retained earnings	11,107,867	10,513,278	9,513,324
Reserve funds	776,884	776,884	736,651
Other reserves	1,650,059	1,628,082	1,542,850
	17,842,471	17,158,975	15,959,069
<b>Minority Interest</b>	<b>769,766</b>	<b>773,382</b>	<b>753,773</b>
<b>Total Equity</b>	<b>18,612,237</b>	<b>17,932,357</b>	<b>16,712,842</b>
<b>Total Equity and Liabilities</b>	<b>75,310,426</b>	<b>68,252,865</b>	<b>62,723,268</b>

Approved for issue by the Board of Directors on 10 May 2007 and signed on its behalf by:



Douglas Orane

Chairman



Fay McIntosh

Chief Financial Officer

## GraceKennedy Limited

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

QUARTER ENDED 31 MARCH 2007

(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 2006	325,744	325,744	3,150,866	9,536,534	736,651	1,490,795	15,240,590	744,234	15,984,824
Foreign currency translation adjustments	-	-	-	-	-	41,752	41,752	531	42,283
Fair value adjustments	-	-	177,662	-	-	-	177,662	-	177,662
Other	-	-	2,892	-	-	-	2,892	2,086	4,978
Net income recognised directly in equity	-	-	180,554	-	-	41,752	222,306	2,617	224,923
Profit for the period	-	-	-	476,790	-	-	476,790	6,922	483,712
Total recognised income for the period	-	-	180,554	476,790	-	41,752	699,096	9,539	708,635
Issue of shares at a premium	327	327	15,632	-	-	-	15,959	-	15,959
Purchase of treasury shares	(83)	(83)	(6,796)	-	-	-	(6,879)	-	(6,879)
Transfers between reserves	-	-	500,000	(500,000)	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	10,303	10,303	-	10,303
Balance at 31 March 2006	325,988	325,988	3,840,256	9,513,324	736,651	1,542,850	15,959,069	753,773	16,712,842
Balance at 1 January 2007	325,248	405,686	3,835,045	10,513,278	776,884	1,628,082	17,158,975	773,382	17,932,357
Foreign currency translation adjustments	-	-	-	-	-	19,199	19,199	319	19,518
Fair value adjustments	-	-	55,107	-	-	-	55,107	-	55,107
Other	-	-	11	-	-	-	11	-	11
Net income recognised directly in equity	-	-	55,118	-	-	19,199	74,317	319	74,636
Profit for the period	-	-	-	594,589	-	-	594,589	(3,935)	590,654
Total recognised income for the period	-	-	55,118	594,589	-	19,199	668,906	(3,616)	665,290
Issue of shares	1,121	34,226	-	-	-	-	34,226	-	34,226
Purchase of treasury shares	(458)	(22,369)	(45)	-	-	-	(22,414)	-	(22,414)
Employee share option scheme	-	-	-	-	-	2,778	2,778	-	2,778
Balance at 31 March 2007	325,911	417,543	3,890,118	11,107,867	776,884	1,650,059	17,842,471	769,766	18,612,237

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

QUARTER ENDED 31 MARCH 2007

(Unaudited)

	31/03/2007 \$'000	Restated 31/03/2006 \$'000
<b>SOURCES/(USES) OF CASH:</b>		
<b>Operating Activities</b>		
Profit for the period	590,654	483,712
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(1,220,756)	459,808
Cash (used in)/provided by operating activities	(630,102)	943,520
Cash provided by financing activities	3,645,366	47,859
Cash used in investing activities	(5,376,714)	(708,223)
(Decrease)/Increase in cash and cash equivalents	(2,361,450)	283,156
Cash and cash equivalents at beginning of year	8,646,625	4,130,704
Exchange and translation gains on net foreign cash balances	19,995	22,810
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>6,305,170</b>	<b>4,436,670</b>



# GraceKennedy Limited

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### QUARTER ENDED 31 MARCH 2007

#### 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 2006.

These financial statements are presented in Jamaican dollars.

##### (b) Fixed Assets

All fixed assets are initially recorded at cost. Freehold land and buildings are subsequently shown at market valuation based on biennial valuations by external independent valuers, less subsequent depreciation of buildings. All other fixed assets are carried at cost less accumulated depreciation.

##### (c) Intangible Assets

Goodwill is recorded at cost and represents the excess of the value of consideration paid over the fair value of the net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Other intangible assets, which include computer software licences, distribution channel agreements and policy contracts are recorded at cost and amortised over their estimated useful lives.

##### (d) Investment securities

The Group classifies its investments in debt and equity securities into the available-for-sale category. Available-for-sale investments are subsequently re-measured at fair value. Unrealised gains and losses arising from changes in the fair value of these investments are recorded in the Capital and fair value reserve.



**(e) Employee benefits***(i) Pension plan assets*

The Group operates a defined benefit plan. The scheme is generally funded through payments to a trustee-administered fund as determined by periodic actuarial calculations. 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.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the average remaining service lives of the related employees.

*(ii) Other post-retirement obligations*

Some Group companies provide post-retirement health care benefits, group life, gratuity and supplementary plans to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

*(iii) Equity compensation benefits*

The Group operates an equity-settled, share-based compensation plan. Share options are granted to management and key employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of non-market vesting conditions. Options are granted at the market price of the shares on the date of the grant and are exercisable at that price. Options are exercisable beginning one year from the date of grant and have a contractual option term of six years. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

**(f) Deferred taxation**

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

**(g) Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

**(h) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within bank and other loans in liabilities on the balance sheet.

**(i) Segment reporting**

The principal activities of the company, its subsidiaries and its associated companies (the Group) are as follows:

- *Food Trading* - Merchandising of general goods and food products, both locally and internationally; processing and distribution of food products; operation of a chain of supermarkets.
- *Retail and Trading* - Merchandising of agricultural supplies, hardware and lumber; institutional and airline catering.
- *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; cambio operations and bill payment services.

**(j) Comparative information**

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to reflect the requirements of new IFRS, as well as, amendments to and interpretations of existing IFRS.

**2. Business Combinations****Acquisition**

Effective 28 February 2007, the Group acquired 100% of the share capital of a United Kingdom company, WT (Holdings) Limited ("WT Foods"), a leading ethnic and specialty foods supplier.

The financial performance of WT Foods has been included in the Group's income statement for the period subsequent to acquisition. The Group's balance sheet reflects the inclusion of WT Foods' net assets acquired. Included in the purchase are intangible assets, the value of which is subject to change based on a final assessment of the business combination.