



**INTERIM REPORT**

**(THREE MONTHS)  
31 MARCH 2023**

## INTERIM REPORT TO OUR STOCKHOLDERS

GraceKennedy (GK) is pleased to report its financial results for the first quarter of 2023. For the three months ended March 31, 2023, GK achieved revenues of J\$39.09 billion, representing an increase of 7.8% or J\$2.84 billion over the corresponding period in 2022. Profit before other income was J\$1.96 billion, a J\$414.8 million or 26.8% increase over prior year. Profit before tax (PBT) was J\$3.09 billion or J\$528.1 million higher than the corresponding period in 2022; while net profit after tax was J\$2.26 billion, representing an increase of 20.7% or J\$387.6 million over prior year. Net profit attributable to stockholders was J\$2.12 billion, 22.4% or J\$387.8 million higher than the corresponding period in 2022. Earnings per stock unit for the period was J\$2.13 (2022: J\$1.74).

GK has been successful in executing strategic initiatives to address headwinds including inflation, higher interest rates, fluctuating foreign currency markets and the increased costs of inputs. We have focused on improving efficiencies, cost controls, and customer engagement, and closely managing the cost of funding and raw material sourcing, which has enhanced our operating performance. We have also seen improvements in logistics and freight rates and anticipate that this trend will continue in the coming months, to the benefit of our business.

### Performance of Business Segments

#### *Foods*

GK's food businesses remained focused on growing our Grace and Grace-owned brands, improving operational efficiencies, and expanding our manufacturing and distribution portfolios. The division recorded overall growth in revenue and PBT when compared to the corresponding period of 2022.

Our Jamaican food distribution business delivered a strong performance, with Grace Foods & Services (GFS), Consumer Brands Limited (CBL) and World Brands Services (WBS) all recording increases in revenue and PBT over prior year.

GK's chain of Jamaican supermarkets, Hi-Lo Food Stores (Hi-Lo), built on its strong 2022 performance, achieving growth in profitability compared to the same period last year. In January, Hi-Lo hosted the official opening of its new supermarket in Negril, Jamaica. This new store continues to do well and has surpassed all targets for the quarter.

Our Jamaican manufacturing business grew its revenue and profits during the first quarter of 2023, with positive performances recorded by Grace Food Processors Meats (GFP Meats) and Dairy Industries Jamaica Limited (DIJL). With the merger of two of our other manufacturing facilities, National Processors (Nalpro) and GFP Canning (Canning), into a single facility, NALCAN, which was completed in 2022, we expect to improve operational efficiency.

Our international food business recorded overall growth in revenue and PBT, with cost savings initiatives being successfully implemented across all markets. GK Foods USA performed particularly well, reporting strong growth in PBT. GK Belize and Grace Foods UK also reported growth in PBT; however, Grace Foods Canada's performance was negatively impacted by shipping logistics costs.

### *Financial Services*

GraceKennedy Financial Group (GKFG) delivered double-digit top-line growth compared to the same period in 2022.

Our GK Money Services (GKMS) remittance business continues to operate in a highly competitive global remittance environment and recover from the inflationary pressures of 2022. Nevertheless, through scaled up marketing efforts, competitive pricing, and other strategic initiatives, we have seen improved results. In the first quarter of 2023 GKMS delivered increased revenue and profit over prior year. Growth was primarily driven by the improved performance of GKMS' remittance business in Jamaica and Guyana, with strong performances also recorded in the Cayman Islands and the Bahamas.

In March, GKMS signed an agreement with Unicomer Jamaica Limited to offer Western Union (WU) services at its retail stores. Subject to regulatory and other approvals, this new venture will ultimately result in 50 WU locations being added across the island with increased customer convenience.

GKMS has also entered into an agreement with National Commercial Bank Jamaica Limited to offer Western Union services via their digital wallet – Lynk. That agreement is also subject to the necessary regulatory and other approvals, with launch of that service anticipated for later this year.

GK's insurance segment reported increased revenue for GK General Insurance Company Limited (GKGI) and Key Insurance Company Limited. In February, GKGI announced its new partnership with Scotia General Insurance Agency Limited. GKGI is the underwriter of ScotiaProtect, a new digital platform which allows Scotiabank Jamaica's customers to secure quotations, purchase policies and make insurance claims. This latest innovation has, to date, been performing above target.

GK's Jamaican commercial bank, First Global Bank Limited (FGB), performed exceptionally well during the reporting period, ending the first quarter of 2023 with a notable increase in profit over prior year. FGB has continued to focus on executing strategic initiatives to improve its operational efficiency.

Conversely, our Jamaican investment business, GK Capital Management Limited (GK Capital), recorded a decline in revenue and profitability. This was primarily attributed to unrealized gains recorded in the prior year period associated with the execution of two IPOs by GK Capital, which contrasts with the first quarter of 2023, when these gains did not recur. GK Capital has also been negatively impacted by the below par performance of Jamaica's equity market.

In March, GK Capital and the largest mutual fund service provider in Trinidad and Tobago, the Trinidad & Tobago Unit Trust Corporation (TTUTC), officially launched new Collective Investment Scheme products through GK Mutual Funds Limited. GK Mutual Funds offers Jamaican investors a suite of diversified investment solutions focused on stability, and sustainable wealth creation.

### **Digital Transformation**

GK's commitment to digital innovation continues to be well received, with our new GK ONE mobile app gaining considerable traction in the Jamaican remittance market since its launch in November 2022. The app boasts several features, including a digital wallet and a companion pre-paid Visa card. The pre-paid Visa card can be used anywhere Visa cards are accepted and can now also be topped-up at over 80 Bill Express locations in Jamaica. Subject to regulatory and other approvals, we anticipate that our GK ONE app will be rolled out in two Caribbean territories outside of Jamaica in 2023, Trinidad & Tobago and Guyana.

Our Hi-Lo e-commerce platform, Hi-Lo Online, which was launched in 2021, has also been performing well. We continue to carry out updates and upgrades to the app and website to develop convenient online grocery shopping solutions for our customers.

## **Mergers & Acquisitions**

In March GK completed its acquisition of Scotia Insurance Caribbean Limited (SICL) which will be rebranded GK Life. In addition to the seven Caribbean markets it currently serves, (Anguilla, Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines), GK Life will also offer credit protection insurance in the five territories where SICL operated (Barbados, Belize, the British Virgin Islands, the Cayman Islands, and the Turks & Caicos Islands). The acquisition is in keeping with GK's strategy to grow our insurance business in the Caribbean, as we continue to expand the GKFG's footprint in the region.

In February, GK increased our ownership stake in Catherine's Peak Bottling Company Limited from 35% to 70%. Catherine's Peak Bottling Company Limited is the owner of the Catherine's Peak pure spring water brand. The transaction places GK in a stronger strategic position within the Jamaican spring water market. The decision to expand our ownership of Catherine's Peak is in line with the growth strategy for our Jamaican food business, which seeks to acquire brands with broad consumer appeal capable of growing both locally and internationally.

## **We Care**

GK is committed to supporting the communities within which we operate around the world, through our well-established programme of corporate social responsibility, led by our GK Foundation (GKF) and Grace & Staff Community Development Foundation (Grace & Staff), and our new environmental, social and governance (ESG) agenda.

In February, GKF announced the appointment of Professor Lila Rao-Graham as the new holder of the GraceKennedy funded S. Carlton Alexander Chair in Management Studies at the University of the West Indies (UWI) Mona. GKF also announced that our Group CEO, Don Wehby will be the first patron of its GK Campus Connect Food Bank. The Food Bank was established in 2019 to assist financially challenged tertiary students in Jamaica, meeting their nutritional needs under GKF's 'Feed the Future' campaign.

Grace & Staff continued its work in support of education and community development during the quarter. The Foundation provided tuition support to over 1,300 secondary and tertiary students in Jamaica and delivered a variety of development workshops and seminars targeted at students and parents. Classes also continued at the six homework centres operated by Grace & Staff across Jamaica.

In March 2023 GK Foods made a sizeable donation of Grace products and Easter gift packages from DIJL to the Jamaica Fire Brigade, in recognition of the firefighters' valiant efforts in tackling a record-breaking number of bushfires since the start of the year.

### *ISSA/GraceKennedy Boys' and Girls' Championships (Champs) 2023*

Champs continues to be GK's single largest sponsorship and exemplifies our commitment to investing in our schools, our youth and their talent, and Jamaica. Champs 2023 was staged between March 28 and April 1 and saw over 3,200 junior athletes competing in various track and field events. GK invested over J\$170 million in this year's event, with contributions from the Grace, Western Union, and First Global Bank brands.

### *Environmental, Social and Governance*

In late 2022 GK engaged Nasdaq to support the development of our ESG programme. During the quarter, Nasdaq conducted a materiality assessment to provide insights into our stakeholders' perceptions of key risks and opportunities for growth related to each dimension of ESG. In the coming months, the results of the materiality assessment will be used to help establish GK's ESG goals. We will also begin measuring our contributions towards these goals as we continue building out our ESG monitoring framework across the Group. GK's first ESG report is on track to be published in late 2023.

Thanks to the dedicated efforts of our GK team and the support of our customers, business partners, shareholders, and the communities we serve around the world, GraceKennedy has had a positive start to 2023. The unwavering loyalty and commitment of all our stakeholders to GK's vision is instrumental in driving our growth and setting us on a path towards continued success.

*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

May 11, 2023

**GraceKennedy Limited**  
CONSOLIDATED INCOME STATEMENT  
THREE MONTHS ENDED 31 MARCH 2023  
(Unaudited)

	3 months to 31/03/2023 \$'000	Restated 3 months to 31/03/2022 \$'000
Revenue from products and services	37,717,889	35,062,509
Interest revenue	1,375,484	1,194,518
<b>Revenues</b> (Note 2)	<b>39,093,373</b>	<b>36,257,027</b>
Direct and operating expenses	(37,083,292)	(34,655,893)
Net impairment losses on financial assets	(50,000)	(55,856)
<b>Expenses</b>	<b>(37,133,292)</b>	<b>(34,711,749)</b>
<b>Profit before other income</b>	<b>1,960,081</b>	<b>1,545,278</b>
Other income	920,472	898,955
<b>Profit from Operations</b>	<b>2,880,553</b>	<b>2,444,233</b>
Interest income – non-financial services	156,483	117,408
Interest expense – non-financial services	(343,159)	(321,153)
Share of results of associates and joint ventures	399,037	324,354
<b>Profit before Taxation</b>	<b>3,092,914</b>	<b>2,564,842</b>
Taxation	(835,087)	(694,590)
<b>Net Profit for the period</b>	<b>2,257,827</b>	<b>1,870,252</b>
<b>Profit attributable to:</b>		
<b>Owners of GraceKennedy Limited</b>	2,116,729	1,728,905
<b>Non-controlling interests</b>	141,098	141,347
	2,257,827	1,870,252

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

<b>Basic</b>	\$2.13	\$1.74
<b>Diluted</b>	\$2.11	\$1.73

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THREE MONTHS ENDED 31 MARCH 2023

(Unaudited)

	3 months to 31/03/2023 \$'000	Restated 3 months to 31/03/2022 \$'000
<b>Profit for the period</b>	2,257,827	1,870,252
<b>Other comprehensive income:</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Changes in fair value of equity instruments at fair value through other comprehensive income	(70,578)	29,799
Remeasurements of post-employment benefit obligations	43,000	(389,792)
	(27,578)	(359,993)
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Foreign currency translation adjustments	125,197	(154,529)
Changes in fair value of debt instruments at fair value through other comprehensive income	(23,658)	(290,812)
Share of other comprehensive income of associates and joint ventures	(12,656)	(10,773)
	88,883	(456,114)
<b>Other comprehensive income for the period, net of tax</b>	61,305	(816,107)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	2,319,132	1,054,145
<b>Total comprehensive income attributable to:</b>		
Owners of GraceKennedy Limited	2,183,542	909,810
Non-controlling interests	135,590	144,335
	2,319,132	1,054,145

# GraceKennedy Limited

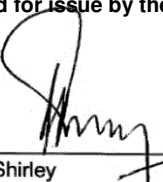
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

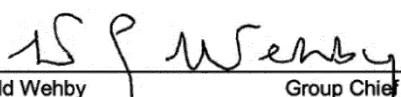
31 MARCH 2023

(Unaudited)

	31 March 2023 \$'000	Restated 31 December 2022 \$'000	Restated 31 March 2022 \$'000
<b>ASSETS</b>			
Cash and deposits	26,285,348	25,178,016	29,116,561
Investment securities	45,744,383	47,501,347	38,587,306
Pledged assets	631,842	28,875	9,501,915
Receivables	20,288,328	19,213,541	19,461,386
Inventories	22,095,258	22,029,962	19,660,587
Loans receivable	38,835,563	36,800,390	34,750,063
Taxation recoverable	1,345,578	1,431,955	1,212,165
Investments in associates and joint ventures	5,109,286	5,346,501	5,229,206
Investment properties	789,900	789,900	765,900
Intangible assets	9,651,664	6,368,497	6,211,638
Fixed assets	28,574,284	28,369,118	26,023,981
Deferred tax assets	1,413,812	1,355,301	1,570,084
Pension plan asset	1,842,302	1,824,473	6,486,607
<b>Total Assets</b>	<b>202,607,548</b>	<b>196,237,876</b>	<b>198,577,399</b>
<b>LIABILITIES</b>			
Deposits	52,253,932	52,655,288	48,719,918
Securities sold under agreements to repurchase	527,155	28,469	7,377,248
Bank and other loans	33,573,178	28,318,585	28,760,556
Payables	29,975,593	31,495,009	31,333,580
Taxation	955,454	1,213,519	875,964
Provisions	49,812	49,467	48,629
Deferred tax liabilities	1,717,825	1,803,487	1,833,113
Other post-employment obligations	4,418,599	4,298,567	6,937,916
<b>Total Liabilities</b>	<b>123,471,548</b>	<b>119,862,391</b>	<b>125,886,924</b>
<b>EQUITY</b>			
<b>Capital &amp; reserves attributable to the company's owners</b>			
Share capital	378,683	264,596	304,596
Capital and fair value reserves	8,886,676	8,994,935	7,200,178
Retained earnings	56,388,907	54,229,178	52,290,799
Banking reserves	4,220,711	4,220,711	3,920,711
Other reserves	4,806,653	4,864,388	5,389,628
<b>Equity attributable to owners of the company</b>	<b>74,681,630</b>	<b>72,573,808</b>	<b>69,105,912</b>
<b>Non-Controlling Interests</b>	<b>4,454,370</b>	<b>3,801,677</b>	<b>3,584,563</b>
<b>Total Equity</b>	<b>79,136,000</b>	<b>76,375,485</b>	<b>72,690,475</b>
<b>Total Equity and Liabilities</b>	<b>202,607,548</b>	<b>196,237,876</b>	<b>198,577,399</b>

Approved for issue by the Board of Directors on 11 May 2023 and signed on its behalf by:

  
 Gordon Shirley Chairman

  
 Donald Wehby Group Chief Executive Officer



# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

THREE MONTHS ENDED 31 MARCH 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	-	-	-	1,728,905	-	-	1,728,905	141,347	1,870,252
Other comprehensive income for the period	-	-	(268,497)	(389,792)	-	(160,806)	(819,095)	2,988	(816,107)
Total comprehensive income for the period	-	-	(268,497)	1,339,113	-	(160,806)	909,810	144,335	1,054,145
Transactions with owners:									
Sale of treasury shares	371	38,221	-	-	-	-	38,221	-	38,221
Purchase of treasury shares	(1,000)	(104,290)	-	-	-	-	(104,290)	-	(104,290)
Share-based payments charged	-	-	-	-	-	82,860	82,860	-	82,860
Share-based payments exercised	-	-	-	-	-	(60,496)	(60,496)	(309)	(60,805)
Transfer of treasury shares to employees	1,450	86,278	58,576	-	-	(144,260)	594	(594)	-
Total transactions with owners	821	20,209	58,576	-	-	(121,896)	(43,111)	(903)	(44,014)
Transfers between reserves:									
To capital reserves	-	-	500	(500)	-	-	-	-	-
Balance at 31 March 2022 (Restated)	990,830	304,596	7,200,178	52,290,799	3,920,711	5,389,628	69,105,912	3,584,563	72,690,475
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	-	-	-	2,116,729	-	-	2,116,729	141,098	2,257,827
Other comprehensive income for the period	-	-	(94,027)	43,000	-	117,840	66,813	(5,508)	61,305
Total comprehensive income for the period	-	-	(94,027)	2,159,729	-	117,840	2,183,542	135,590	2,319,132
Transactions with owners:									
Purchase of treasury shares	(889)	(73,369)	-	-	-	-	(73,369)	-	(73,369)
Transfer of non-controlling interests	-	-	-	-	-	-	-	519,077	519,077
Share-based payments charged	-	-	-	-	-	104,389	104,389	-	104,389
Share-based payments exercised	-	-	-	-	-	(108,038)	(108,038)	(676)	(108,714)
Transfer of treasury shares to employees	2,200	187,456	(14,232)	-	-	(171,926)	1,298	(1,298)	-
Total transactions with owners	1,311	114,087	(14,232)	-	-	(175,575)	(75,720)	517,103	441,383
Transfers between reserves:									
Balance at 31 March 2023	992,104	378,683	8,886,676	56,388,907	4,220,711	4,806,653	74,681,630	4,454,370	79,136,000

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

THREE MONTHS ENDED 31 MARCH 2023

(Unaudited)

	31/03/2023	31/03/2022
	\$'000	\$'000
<b>SOURCES/(USES) OF CASH:</b>		
<b>Operating Activities</b> (Note 3)	(1,920,396)	(1,940,729)
<b>Financing Activities</b>		
Loans received	3,786,326	3,012,233
Loans repaid	(1,670,156)	(3,297,458)
Purchase of treasury shares	(73,369)	(104,290)
Sale of treasury shares	-	38,221
Exercise of share based payments	(108,714)	(60,805)
Interest paid – non financial services	(312,555)	(316,123)
	1,621,532	(728,222)
<b>Investing Activities</b>		
Additions to fixed assets	(504,488)	(416,774)
Proceeds from disposal of fixed assets	42,512	30,437
Additions to investments	(1,289,924)	(3,193,532)
Cash outflow on acquisition of subsidiaries	(2,392,416)	-
Cash outflow on purchase of interest in associates and joint ventures	-	(401,093)
Proceeds from sale of investments	3,020,394	4,837,102
Additions to intangibles	(240,328)	(259,106)
Interest received – non financial services	121,071	166,051
	(1,243,179)	763,085
Decrease in cash and cash equivalents	(1,542,043)	(1,905,866)
Cash and cash equivalents at beginning of year	22,431,565	27,911,182
Exchange and translation losses on net foreign cash balances	(63,693)	(40,072)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>20,825,829</b>	<b>25,965,244</b>

# GraceKennedy Limited

## FINANCIAL INFORMATION BY OPERATING SEGMENT

THREE MONTHS ENDED 31 MARCH 2023

(Unaudited)

3 months to 31 March 2023	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>						
External sales	31,409,172	2,219,340	3,281,988	2,152,476	30,397	39,093,373
Inter-segment sales	60,950	81,277	-	-	(142,227)	-
<b>Total Revenue</b>	<b>31,470,122</b>	<b>2,300,617</b>	<b>3,281,988</b>	<b>2,152,476</b>	<b>(111,830)</b>	<b>39,093,373</b>
<b>RESULT</b>						
Operating results	2,205,025	108,737	155,711	785,273	40,285	3,295,031
Unallocated expense	-	-	-	-	(414,478)	(414,478)
Profit from operations	-	-	-	-	-	2,880,553
Finance income	2,961	1,396	22,774	22,135	107,217	156,483
Finance expense	(216,279)	(17,768)	(3,029)	(29,634)	(76,449)	(343,159)
Share of associates and joint ventures	333,213	67,340	(1,516)	-	-	399,037
Profit before Taxation	2,324,920	159,705	173,940	777,774	(343,425)	3,092,914
Taxation						(835,087)
<b>Net Profit for the period</b>						<b>2,257,827</b>
Attributable to:						
Owners of GraceKennedy Limited						2,116,729
Non-controlling interests						141,098
						<b>2,257,827</b>

3 months to 31 March 2022 (Restated)	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>						
External sales	29,513,485	1,755,996	2,848,440	2,139,106	-	36,257,027
Inter-segment sales	60,117	75,287	-	-	(135,404)	-
<b>Total Revenue</b>	<b>29,573,602</b>	<b>1,831,283</b>	<b>2,848,440</b>	<b>2,139,106</b>	<b>(135,404)</b>	<b>36,257,027</b>
<b>RESULT</b>						
Operating results	1,479,180	391,510	195,453	801,863	19,382	2,887,388
Unallocated expense	-	-	-	-	(443,155)	(443,155)
Profit from operations	-	-	-	-	-	2,444,233
Finance income	1,675	1,160	11,910	5,424	97,239	117,408
Finance expense	(209,519)	(12,130)	(1,894)	(30,568)	(67,042)	(321,153)
Share of associates and joint ventures	267,234	71,977	(14,857)	-	-	324,354
Profit before Taxation	1,538,570	452,517	190,612	776,719	(393,576)	2,564,842
Taxation						(694,590)
<b>Net Profit for the period</b>						<b>1,870,252</b>
Attributable to:						
Owners of GraceKennedy Limited						1,728,905
Non-controlling interests						141,347
						<b>1,870,252</b>

# GraceKennedy Limited

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 31 MARCH 2023

#### Notes

#### 1. Accounting Policies

##### (a) Basis of preparation

This condensed consolidated interim financial report for the reporting period ended 31 March 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 was 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 was 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:

<b>Insurance and Reinsurance contracts</b>	<b>Consolidated Statement of Financial Position line item</b>
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:

<b>Insurance revenue and expenses</b>	<b>Consolidated Income Statement line item</b>
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 was 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	34,948,103	32,651,653
Services transferred over time	31,468	28,942
Revenue from insurance contracts	2,738,318	2,381,914
Interest revenue	1,375,484	1,194,518
	<b>39,093,373</b>	<b>36,257,027</b>

### 3. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	31/03/2023 \$'000	Restated 31/03/2022 \$'000
Net profit	2,257,827	1,870,252
Items not affecting cash:		
Depreciation	750,703	692,215
Amortisation	199,925	177,787
Change in value of investments	13,842	(308,959)
Gain on disposal of fixed assets	(15,421)	(8,705)
Gain on disposal of investments	(5,496)	(14,293)
Share-based payments	104,389	82,860
Exchange gain on foreign balances	(44,497)	(21,004)
Interest income – non financial services	(156,483)	(117,408)
Interest income – financial services	(1,576,801)	(1,293,813)
Interest expense – non financial services	343,159	321,153
Interest expense – financial services	304,331	246,157
Taxation expense	835,087	694,590
Unremitted equity income in associates and joint ventures	(374,121)	(314,675)
Pension plan surplus	39,504	91,665
Other post-employment obligations	120,032	169,154
	2,795,980	2,266,976
Changes in working capital components:		
Inventories	74,522	(431,667)
Receivables	(788,658)	(2,615,393)
Loans receivable, net	(2,133,805)	(1,456,448)
Payables	(2,535,394)	(673,670)
Deposits	(325,283)	664,068
Securities sold under repurchase agreements	500,034	158,951
Provisions	345	326
	(2,412,259)	(2,086,857)
Interest received – financial services	1,710,619	1,191,745
Interest paid – financial services	(313,526)	(248,523)
Translation gains/(losses)	223,435	(99,234)
Taxation paid	(1,128,665)	(697,860)
<b>Net cash used in operating activities</b>	<b>(1,920,396)</b>	<b>(1,940,729)</b>

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

Amounts represent bank and other loans, excluding bank overdrafts

	31/3/2023 \$'000	31/3/2022 \$'000
At beginning of year	25,572,133	25,863,018
Lease liability to acquire right-of-use asset	40,950	176,764
On acquisition through business combination	314,157	-
Loans received	3,786,326	3,012,233
Loans repaid	(1,670,156)	(3,297,458)
Foreign exchange adjustments	47,626	(146,867)
Net interest movements	22,623	1,549
<b>At end of period</b>	<b>28,113,659</b>	<b>25,609,239</b>



#### 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	31 March 2022 \$'000
Equity attributable to owners of GraceKennedy Limited			
as previously reported	71,995,793	67,605,593	68,480,121
Decrease in receivables	(4,784,830)	(3,337,754)	(3,422,236)
Decrease in payables	5,403,322	4,012,123	4,088,771
Decrease in foreign currency translation	507	-	118
Increase in non-controlling interests	(40,477)	(40,749)	(40,744)
Increase in retained earnings	578,522	633,620	625,909
Decrease in other reserves	(507)	-	(118)
Adjustment to equity from adoption of IFRS 17	578,015	633,620	625,791
Equity attributable to owners of GraceKennedy Limited as restated	72,573,808	68,239,213	69,105,912

Reconciliation of profit for the period ended:	12 months to 31/12/2022 \$'000	3 months to 31/03/2022 \$'000
Profit attributable to owners of GraceKennedy Limited		
as previously reported	7,027,398	1,736,616
Increase in direct and operating expenses	(55,352)	(7,711)
Decrease in non-controlling interests	254	-
Increase/(Decrease) in Net Profit	(55,098)	(7,711)
Profit attributable to owners of GraceKennedy Limited as restated	6,972,300	1,728,905

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	\$1.75
Decrease due to restatement	(\$0.05)	(\$0.01)
EPS as restated	\$7.04	\$1.74

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	\$1.73
Decrease due to restatement	(\$0.05)	\$0.00
EPS as restated	\$6.97	\$1.73

## 5. Impact of Covid-19 and Russia/Ukraine Conflict

### Covid-19

As a result of the Covid-19 pandemic, the Group continues to be exposed to an elevated level of credit risk, liquidity risk, market risk, and price risk, with the most significant exposures relating to credit and price risk. The Group has also experienced an elevated level of supply chain risk during the period.

The nature and extent of the impact on the Group's financial position, results and cash flows continues to evolve at a moderate pace of change and the level of uncertainty with the evolution of new variants.

The Group continues to actively monitor and manage the identified risks through its Executive Management and Covid-19 Committees. In response to the specific financial risks identified, the Group has employed several measures, including robust monitoring of the loans receivable portfolio, managing investment portfolio positions, maintaining adequate safety stock levels and establishing alternative supplier relationships.

### Russia/Ukraine Conflict

In February 2022, Russian troops invaded Ukraine. The ongoing military attack has led and continues to lead to significant casualties, damage to infrastructure and disruption to economic activities in Ukraine. Additionally multiple jurisdictions have imposed economic sanctions on Russia as well as voluntary curtailment of business activities with Russian entities. The war in Ukraine and related events are likely to exacerbate the effects of current market conditions, increasing inflationary pressures and weakening the global post-pandemic recovery.

Although currently, the Group has no material direct exposure to the Russia-Ukraine war, we continue to actively monitor and evaluate the potential macroeconomic impact on our business with a focus on implementing strategies and controls to mitigate the headwinds caused by the conflict.

## 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 is to be rebranded as GK Life.

The purchase consideration for SICL comprised an initial cash payment amounting to \$3,015,518,000 and contingent consideration amounting to \$556,851,000. 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:

	<b>Catherine's Peak Bottling Company Limited \$'000</b>	<b>Scotia Insurance Caribbean Limited \$'000</b>	<b>Total \$'000</b>
Purchase consideration settled in cash	(612,500)	(3,015,518)	(3,628,018)
Cash and cash equivalents in business acquired	35,030	1,200,572	1,235,602
Cash outflow on acquisition	(577,470)	(1,814,946)	(2,392,416)

The fair value of the net assets acquired is currently under assessment.