

THE CHAIRMAN'S REPORT 2008

The year 2008 was a challenging one, signaling a general downturn in the global economy. Our subsidiary companies experienced mixed results based on their level of vulnerability to declining consumer and business confidence. However, overall, GraceKennedy Limited weathered the storm to turn in a creditable performance.

The Group achieved Revenues for the twelve month period of \$53,462.3 million (2007: \$48,749.4 million), an increase of \$4,712.9 million or 9.7%. The Net Profit Attributable to Equity holders of the Company decreased by \$1,143.9 million over the corresponding period of 2007, moving from \$3,435.5 million to \$2,291.6 million. This represents earnings per stock unit of \$6.98 (2007: \$10.55). In November 2007, GraceKennedy Limited completed the sale of 25% of the shareholding in GraceKennedy Money Services Caribbean SRL to the Western Union affiliate MT Caribbean Holdings which resulted in a gain on sale of \$1,384.1 million. If this one-off gain is excluded from the 2007 results, the Group's 2008 net profit attributable to equity holders would have reflected an increase of 11.7% over 2007.

GraceKennedy Limited made two dividend payments in 2008, totaling \$378.3 million, compared to \$375.2 million for 2007.

GK FOODS

GK Foods had mixed financial results for 2008. The year was characterized by significant price movements due primarily to the steep increases in fuel and commodities. This had a significant impact on consumer demand during the year. Notwithstanding these challenges new product introduction has been reasonably robust, with the division realizing US\$19 million in revenues from the sale of new products.

Our brand building also had reasonable success during the year with sales of Grace owned brands worldwide growing by 8% to US\$215million of which 53% was sold outside of Jamaica. The most impressive growth took place in the UK which had an overall increase of 12 % due to the performance of Nurishment, our milk based meal supplement; La Mexicana, our TexMex food brand; and the Grace brand itself. We also saw significant growth in the US North East and the Caribbean.

During the latter part of the year we began construction of a new 230,000 square foot distribution centre, located just south of Spanish Town and 20 kilometres west of Kingston. This position is optimal for islandwide distribution. On completion, internal efficiencies are expected to increase considerably.

Domestic Business

The year was a very challenging one but one in which we made significant progress in changing many of our business processes to achieve greater efficiencies in a very competitive marketplace.

One of the big challenges we face in manufacturing is how to achieve greater utilization of factory capacity. The New Product Development Team has been charged with the responsibility of addressing this issue. In consultation with the management of National Processors (NALPRO), they have introduced new products which are expected to increase capacity utilization by approximately 50% during 2009. Similarly, major changes have been introduced at both the meat and canning factories. At the meat plant the installation of a new vienna packing line is targeted to increase capacity by 30% to meet the increasing demand for this product, as consumers seek more affordable alternatives.

In the distributive arm of the business we continued the very successful "Pass on the Love" campaign which was launched in 2007. We also expanded the van sales fleet to better service the market place, in pursuit of our objective of getting closer to our consumers.

Our retailing arm Hi-Lo Food Stores had a particularly good year with customer counts and profits showing significant increases.

During the year we introduced a number of new products including a lower cost cheese. This was developed at our Dairy Industries plant and is being marketed under the Country Gold brand.

International Business

Most of the companies in our International Business Division performed very well during 2008. Grace Foods International Limited, GraceKennedy (Ontario) Inc. and GraceKennedy Belize Limited all had significantly improved results. In the United Kingdom, Chadha Oriental Foods Limited., a subsidiary of Grace Foods (UK) Limited also had a very good year, with increasing demand for its products sourced from Asia.

Another subsidiary of Grace Foods (UK) Limited, Funnybones Foodservice Limited, our food service business, faced many challenges during the year. This company caters primarily to pubs and restaurants, businesses that have been negatively impacted by the contraction in the UK economy. Several thousand pubs closed in the UK in the last year, and one major pub chain customer went into administration resulting in a considerable loss to our subsidiary. We implemented an action plan to set the company back on a path to competitiveness and are already seeing positive results based on the changes made.

A key part of the success of our international business has been the ongoing stream of new products being introduced. A significant introduction has been a

new variant of Nurishment in PET plastic packaging format. This will be targeted primarily at potential new users. The initial launch saw the product being introduced in several hundred stores in the UK and will be launched in a number of new markets during 2009. The range of Grace Instant Porridges and Grace Snacks were also launched in a number of new markets including the USA, Canada and the United Kingdom.

GK INVESTMENTS

The subsidiaries under GK Investments reported generally positive results. The exception was Hardware & Lumber Limited which saw a decline in business due mainly to a major downturn in the construction industry and tightened consumer spending.

Banking and Investments

At First Global we continued the focus on solidifying the brand by integrating key areas of First Global Bank Limited (FGB), First Global Financial Services Limited (FGFS) and Signia Financial Group Inc. to realize inter-company synergies, and also rolled out the brand in Trinidad & Tobago by renaming One 1 Financial Limited, First Global Trinidad & Tobago Ltd. (FGTT). In January, First Global Bank opened its fifth branch. The bank recorded significant growth in its loan portfolio during the year.

In July, we welcomed on board Mr. Courtney Campbell, a career banker, with over 23 years experience, as Chief Executive Officer of First Global Holdings Limited (FGH). FGH is the GraceKennedy company which oversees FGB, FGFS, FGTT and our investment in Signia Financial Group Inc. in Barbados. This new position was created in order to ensure that the GraceKennedy group moves forward to gain the synergies from our financial services activities through focused leadership.

Insurance

Our insurance segment realized increases in both revenues and profits over 2007.

In October our Turks and Caicos subsidiary, First Global Insurance Brokers Limited, purchased the insurance brokerage portfolio of United Reliance International Limited, the largest insurance brokerage in that country. This move will significantly increase our access to a high-growth market.

Jamaica International Insurance Company Limited, now branded as JIIC, further expanded its regional reach by establishing an agency in Dominica. We continued our drive to employ technology in improving efficiencies, and have

successfully implemented electronic data interchange which will significantly impact our ability to exchange data with brokers.

For the year under review, Allied Insurance Brokers Limited achieved significant growth in new business, bringing on five new major general insurance clients and two new major health insurance clients.

Money Services

Despite the challenges in the global market place, our money services segment recorded strong growth in revenue and profits year over year. In June, GraceKennedy Money Services (UK) Limited, was appointed by Western Union as a master agent in the UK bringing to nine the number of countries in which this company operates. This represents a major step towards expanding to serve our Caribbean diaspora, as well as other immigrant groups. We continued to grow our BillExpress and FX Trader brands in the Caribbean region.

Retail & Trading

With the dramatic contraction in the construction industry, our Hardware & Lumber subsidiary has had to adopt a major cost reduction mode aimed at maintaining the viability of the business, as it experienced a loss for the year. In 2008 the company began implementing a number of initiatives aimed at improving efficiencies, reducing costs, and simplifying the management of the business.

The company also successfully implemented a new information system as part of a strategy geared at improving the overall operational efficiencies in its retail outlets and central warehouse.

TECHNOLOGICAL INNOVATION

GraceKennedy's group strategy involves a conscious effort to leverage Information Technology platforms for growth and competitiveness. In 2008, we continued to roll out a number of projects which served to improve our internal efficiency, and enhance our competitiveness in the marketplace.

In our GK Foods division, the focus was on supply chain management, based on our division-wide deployment of SAP. As part of this effort we were able to merge three departments, namely: Business Systems, Central Procurement and the logistics arm of Grace Foods International which will result in much greater efficiencies. We now view supply chain management as a new competitive advantage that we will carry to the marketplace.

In our GK Investments division, the implementation of Electronic Data Interchange (EDI) in the insurance segment is expected to result in improved customer service as it significantly improves the speed of transactions while reducing errors.

In March 2008, Hardware & Lumber successfully launched S2K, an enterprise management system provided by a New York based IBM Business Partner. The implementation benefits our customers by ensuring more consistent product availability, and allows our staff to better understand and anticipate our customers' needs. In all instances mentioned, the end result is the opportunity for vastly improved customer service.

DEVELOPING OUR PEOPLE

Human Resources

The quality of our human resource continues to be our greatest competitive advantage and accordingly, the development of our people is a major area of our focus. We operate globally and in order for us to effectively compete in international markets we aim to have the best people on board.

This is part of a conscious effort to ensure depth of management in all the industries in which we operate. There is now a structured succession planning process in place for all senior management functions across the group providing our managers with opportunities to gain exposure to all aspects of the business.

Our management development programmes include a combination of targeted training, board assignments, special team projects, job-rotation and mentoring.

Already we have begun to realize the benefits of our investment in succession planning as, in 2008, we were able to fill several key positions within the Group from our pool of internal candidates.

During the year in review, we also continued our highly successful Supervisory Development Programme aimed at improving the skills of our front line managers across the Group.

Backyard Gardening

Even as we invest in the career development of our GraceKennedy people, we are aware that they have lives outside of the organization, and that they are impacted in one way or another by uncertainty in the wider environment. This year, in response to changing world conditions, we launched a backyard gardening project to encourage our employees in Jamaica to save money by growing some of the fresh produce they eat. We distributed seeds to approximately 900 persons who expressed an interest, providing technical advice through our Agro-Grace division of Hardware & Lumber Limited.

BOARD AND MANAGEMENT TRANSITIONS

Mr. Peter Moss-Solomon retired from the board of GraceKennedy Limited after 33 years as a director. The announcement was made at our Annual General Meeting on May 28, 2008. As I said at that time, we wish to thank Peter for the leadership he has given over the years in helping GraceKennedy to live the values espoused by the company's founding families.

Effective February 1, 2009, Mr. Courtney Campbell was appointed CEO of GK Investments, and on February 12, 2009 he was appointed a director of GraceKennedy Limited.

CORPORATE SOCIAL RESPONSIBILITY

GraceKennedy Foundation

In 2008 the GraceKennedy Foundation said farewell to two pillars of the Foundation – founding member and Chairman since 2002, Peter Moss-Solomon, and Patricia Robinson, Executive Director of the Foundation since 1991. We also welcomed their successors – Professor Elsa Leo Rhynie who takes over the reins as Chairman of the Foundation, and Caroline Mahfood the new Executive Director.

The Foundation's annual lecture was presented by Ambassador Hon. Dr. Richard Bernal who spoke on the topic, 'Globalization: Everything but Alms – the EPA and Economic Development'. The well-timed and highly relevant lecture attracted a large and diverse audience.

The Foundation established a bursary in memory of the late Faustine Sharp, a former director of GraceKennedy Limited and a founding director of the Foundation. The inaugural award was made to 17 year old Chantelle Coley, a lower sixth form student at St. Andrew High School for Girls, Mrs. Sharp's alma mater.

Grace & Staff Community Development Foundation

Special thanks to staff of the Foundation and the 142 GraceKennedy staff volunteers who supported the various outreach programmes during the year under review.

We continue to be impressed with the focus of the students in our homework programmes, who have been doing extremely well despite sporadic outbreaks of violence in their communities.

In the year under review, two students from the SAT programme were awarded scholarships to Kettering University; while one student attended the People to People Youth Leadership Programme in the USA.

The Learning Institute for Central Kingston (LICK) Photo Club, now in its third year, held another exciting photo competition. Using the theme '*From the Hills to the Waterfront*', the young photographers chose to highlight the natural and historic landmarks of Kingston. The group accepted an invitation to have their work displayed at the Institute of Jamaica.

Investing in our Young People through Sports

Like the rest of Jamaica we were bitten by the Olympic bug, celebrating the wonderful achievements of our athletes in Beijing. We were pleased to welcome home and recognize in particular, Ms. Veronica Campbell-Brown, a long time protégé of our own Chief Financial Officer, Fay McIntosh.

We continued our sponsorship of the annual ISSA Boys & Girls Athletics Championships, popularly known as Champs. Our participation in the event has proven to be a big success with our branding impact increasing each year. Our First Global companies provided scholarships for the winners of some races.

Birthright Programme

The GraceKennedy Jamaican Birthright Programme continues to foster new and loyal young ambassadors for Jamaica who, in turn, share a truly positive image of the country and GraceKennedy Limited with their family and friends back home. The summer work programme is open to young people of Jamaican descent living in the diaspora.

"Thanks to GraceKennedy Ltd., we now feel that we have seen a complete picture of Jamaica...we have mixed and conversed with people from various walks of life and have danced, sang and tasted the country as an authentic Jamaican would."

These are the words of Birthright Ambassador Ipana Chambers, at the end of her internship in Jamaica in 2008. Ipana who grew up in the UK was one of four participants in the 2008 programme.

She and fellow interns, Jonathan Scott (USA), Stephanie King (USA), and Nailah Decicio-Gordon (Canada) were placed with GraceKennedy companies for their professional internship, and were also given an opportunity to experience other aspects of Jamaican culture and daily life.

The programme partners with the Jamaica Tourist Board, SuperClubs Resorts and Digicel to give these second –generation Jamaicans an unforgettable experience.

Hurricane Relief

GraceKennedy Limited supported the efforts of the Jamaican government to assist the people of Haiti in the wake of devastation of that country by four weather systems. The company's donation, which included many of our ready to eat products, left the island on September 12 aboard a coast guard vessel along with other supplies.

That initiative came on the heels of our contribution to recovery efforts in Jamaica which saw GraceKennedy and our business partner Western Union donating through United Way to assist Jamaicans who were affected by Tropical Storm Gustav.

THE FUTURE

The current global recession has had a significant negative effect on all economies in which the group operates. However, our boards and management are pro-actively engaged in anticipating the impact of these developments on each business unit, and making the required adjustments. While we are suffering the effects of this new environment, we are well positioned to manage the changes in exchange rates, our financial structure remains strong, the Group's leadership has the experience of managing through past crises, and we are confident that we will emerge from this challenge well equipped to resume solid growth.

The severity of this global crisis means that our highest priorities are ensuring effective cash management, reinforcing our internal controls and risk management, predicting changes in demand and having our businesses respond accordingly, and staying close to our customers and our staff.

THANKS TO OUR STAKEHOLDERS

I wish to sincerely thank our GraceKennedy people for their dedication to achieving our objectives. Their professionalism is to be commended in successfully working in a global environment filled with growing uncertainty in the marketplace and at the workplace, which now affects everyone's families and friends.

Our customers and consumers have been explicit in giving their feedback as to their required needs. We thank them for their communication, which acts as the

catalyst to raise our customer service, and gives us the ideas for new products and services.

We thank you, our shareholders for your continued confidence in GraceKennedy during these uncertain times. We have been through many recessionary cycles in our 87 year history and we are confident that we will emerge stronger from the current environment.

Douglas Orane
Chairman & CEO

March 25, 2009