



INTERIM REPORT

**(SIX MONTHS)
30 JUNE 2023**

INTERIM REPORT TO OUR STOCKHOLDERS

GraceKennedy Limited (GK) is pleased to report its financial results for the six months ended June 30, 2023. During this period, GK achieved revenues of J\$78.23 billion, representing an increase of 7.8% or J\$5.64 billion over the corresponding period in 2022. Profit before tax (PBT) was J\$6.14 billion or J\$716.7 million higher than the same period in 2022, an increase of 13.2%. Net profit attributable to stockholders was J\$4.19 billion, an increase of 14.3% over the comparable period in 2022. Earnings per stock unit for the period was J\$4.22 (2022: J\$3.70).

Our GK team is optimistic about the remainder of 2023, as we emerge stronger and more resilient from the challenges and uncertainties that characterized our operating environment over the past few years. Revenue and profit are ahead of target, and our team remains highly focused on the execution of our strategic initiatives.

Following on the positive results, a dividend of J\$0.52 per stock unit has been declared, payable on September 22, 2023, totalling approximately J\$515 million. This is the third interim payment for 2023 and brings the year-to-date total dividend pay-out to approximately J\$1.5 billion.

Performance of Business Segments

Foods

GK's food business recorded an overall growth in revenues and profits in the first half of 2023.

Our Jamaican food distribution business continued to perform well, with Grace Foods & Services, Consumer Brands Limited and World Brands Services (WBS) all recording healthy growth in revenues and pre-tax profits. In April, GK Foods & Services Limited entered into an agreement with Nestlé Jamaica Limited to expand our channel and product coverage for the Nestlé portfolio, on a non-exclusive basis, through WBS. This has already begun to yield meaningful benefits for our distribution business.

GK's Jamaican supermarket chain, Hi-Lo Food Stores, also recorded strong growth in revenues and PBT during the period. Our new Hi-Lo Negril location continues its strong performance, above expectations.

GK's manufacturing business achieved improved results over the corresponding period of 2022, recording increases in revenues and PBT. The merger of two of our local manufacturing divisions, National Processors and Grace Food Processors (GFP) Canning into NALCAN is complete, and all lines are now in operation. The installation of a new solar power system at GFP (Meats) is on track to be completed by the end of the third quarter of 2023, and our Grace Agro-Processors Denbigh operation has started to realise energy cost savings from its solar power plant which became operational in 2022. Both solar projects reduce GK's reliance on conventional energy sources while creating a more environmentally friendly footprint.

Our international food distribution business also recorded an improved performance over the same period in the prior year, achieving growth in revenues and PBT. Grace Foods UK, GK Foods USA LLC and GK Belize all recorded growth in revenues and PBT. While inflationary pressures and changes in consumer behaviour have negatively impacted Grace Foods Canada, a recovery plan, which was implemented in the second quarter of 2023, has already begun to produce positive results.

Financial Services

GraceKennedy Financial Group (GKFG) delivered a positive performance in the first half of 2023, driven by strong top-line growth.

Our Insurance segment experienced exceptional growth during the period, due, in part, to the successful expansion of our life insurance portfolio following GK's acquisition of Scotia Insurance Caribbean which has been rebranded GK Life. In April, GK Life secured regulatory approval to expand into the Dutch Caribbean via St. Maarten, adding a thirteenth market to its business, and operations in that territory are set to commence before the end of the year. GK Life is positioned to launch its core insurance digital platform later this year.

Our Money Services segment also played an important role in GKFG's profitability in the first half of the year, delivering stable profits, implementing efficiency measures, and demonstrating resilience despite the impact of reduced remittance inflows to Jamaica during this period. GK Money Services is expanding our Jamaican remittance business through its strategic partnership with Unicomer Jamaica Limited and its network of Courts retail stores in Jamaica, which was announced earlier this year.

Our Banking and Investments segment reported mixed results for the first half of the year. First Global Bank (FGB), our Jamaican commercial bank, and SigniaGlobe Financial Group Inc, our jointly owned merchant banking business in Barbados, both reported healthy results, while our investment advisory arm, GK Capital Management, faced challenges to its profitability, including an underperforming equity market in Jamaica and higher interest rates.

Digital Transformation

We continue to add new features and customer touchpoints to our GK One mobile wallet app. Customers can now register for the app using their passport, and load funds to their mobile wallet at several of our Bill Express locations. App features are also in development which will allow GK One users to complete peer-to-peer fund transfers and access a broader range of GK services, including third-party insurance offerings and sending remittances. We are also actively working on expanding the GK One app to other territories in the Caribbean.

GK Capital Management launched its new online IPO platform, GK One Wealth, to enhance its digital capabilities and improve accessibility for its clients. Plans to expand FGB's digital offerings are well-advanced, and the bank continues to encourage its customers to use its various digital channels to execute transactions, including the Global Access online platform, mobile app, and smart ATMs.

We Care

GK's environmental, social and governance (ESG) agenda is advancing, as we prepare to release our inaugural ESG Impact Report later this year.

Meanwhile, GK's well-established programme of corporate social responsibility, led by our GK Foundation (GKF) and Grace & Staff Community Development Foundation (Grace & Staff), continues to make a positive impact on lives in the communities we serve.

Grace & Staff assisted over 1,350 students by contributing to their cost of tuition for the 2022/23 academic year. Grace & Staff also recently secured funding from the USAID Youth Empower Project to implement two more phases of our Youth Boost project, which provides cognitive behavioural therapy sessions, skills training, work experience and family planning to 'at risk' young men and boys from vulnerable Jamaican communities.

GKF continues its efforts to protect the Kingston Harbour through various environmental projects aimed at improving solid waste management and restoring mangroves. During the reporting period GKF, in collaboration with The Ocean Clean up, Clean Harbours Jamaica and the Benioff Foundation, continued to implement the Kingston Harbour Cleanup Project. The project installed and maintains waste trapping barriers at the mouths of gullies which empty into the Kingston Harbour. Beach clean ups and other outreach activities support this work by raising awareness about the pollution problem facing the Harbour.

In early July, GKF welcomed the 2023 GK Birthright Programme interns, four university students from the Jamaican Diaspora in the USA, UK, and Canada. The programme is designed to reconnect second and third generation Jamaicans with, and instil pride in, their Jamaican heritage. The participants are completing a five-week internship at GK and will also be engaging in cultural tours and activities.

In May we were pleased to receive a special Centennial Award from the Jamaica Chamber of Commerce recognizing GK's 100 years of service to Jamaica.

Our 2023 results to date reflect the hard work and dedication of our team, who remain committed to building a bright future for GraceKennedy. We are confident that with our strong foundation and the ongoing support of our GK Family – our team, customers, shareholders, business partners, and the communities we serve – GK will continue to achieve growth and success while remaining true to our core principles of Honesty, Integrity and Trust.

We are building a bright future through great people. Our story continues.



Gordon V. Shirley, OJ
Chairman



Don G. Wehby, CD
Group Chief Executive Officer

July 31, 2023

GraceKennedy Limited
CONSOLIDATED INCOME STATEMENT
SIX MONTHS ENDED 30 JUNE 2023
(Unaudited)

	3 months to 30/06/2023 \$'000	6 months to 30/06/2023 \$'000	Restated 3 months to 30/06/2022 \$'000	Restated 6 months to 30/06/2022 \$'000
Revenue from products and services	37,690,455	75,408,344	35,275,363	70,337,872
Interest revenue	1,446,828	2,822,312	1,057,563	2,252,081
Revenues (Note 2)	39,137,283	78,230,656	36,332,926	72,589,953
Direct and operating expenses	(36,811,507)	(73,894,799)	(34,034,640)	(68,690,533)
Net impairment losses on financial assets	(82,994)	(132,994)	(61,541)	(117,397)
Expenses	(36,894,501)	(74,027,793)	(34,096,181)	(68,807,930)
Profit before other income	2,242,782	4,202,863	2,236,745	3,782,023
Other income	981,679	1,902,151	708,532	1,607,487
Profit from Operations	3,224,461	6,105,014	2,945,277	5,389,510
Interest income – non-financial services	157,285	313,768	137,895	255,303
Interest expense – non-financial services	(455,878)	(799,037)	(322,439)	(643,592)
Share of results of associates and joint ventures	124,865	523,902	101,355	425,709
Profit before Taxation	3,050,733	6,143,647	2,862,088	5,426,930
Taxation	(823,699)	(1,658,786)	(779,015)	(1,473,605)
Net Profit for the period	2,227,034	4,484,861	2,083,073	3,953,325
Profit attributable to:				
Owners of GraceKennedy Limited	2,074,355	4,191,084	1,939,106	3,668,011
Non-controlling interests	152,679	293,777	143,967	285,314
	2,227,034	4,484,861	2,083,073	3,953,325

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

Basic	\$2.09	\$4.22	\$1.96	\$3.70
Diluted	\$2.07	\$4.19	\$1.93	\$3.66

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SIX MONTHS ENDED 30 JUNE 2023

(Unaudited)

	3 months to 30/06/2023 \$'000	6 months to 30/06/2023 \$'000	Restated 3 months to 30/06/2022 \$'000	Restated 6 months to 30/06/2022 \$'000
Profit for the period	2,227,034	4,484,861	2,083,073	3,953,325
Other comprehensive income:				
<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	(95,701)	(166,279)	49,425	79,224
Remeasurements of post-employment benefit obligations	42,999	85,999	404,733	14,941
Share of other comprehensive income of associates and joint ventures	(10,060)	(10,060)	1,457	1,457
	(62,762)	(90,340)	455,615	95,622
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Foreign currency translation adjustments	563,358	688,555	(651,756)	(806,285)
Changes in fair value of debt instruments at fair value through other comprehensive income	24,985	1,327	(248,718)	(539,530)
Share of other comprehensive income of associates and joint ventures	56,125	43,469	(48,394)	(59,167)
	644,468	733,351	(948,868)	(1,404,982)
Other comprehensive income for the period, net of tax	581,706	643,011	(493,253)	(1,309,360)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,808,740	5,127,872	1,589,820	2,643,965
Total comprehensive income attributable to:				
Owners of GraceKennedy Limited	2,635,303	4,818,845	1,472,331	2,382,141
Non-controlling interests	173,437	309,027	117,489	261,824
	2,808,740	5,127,872	1,589,820	2,643,965

GraceKennedy Limited

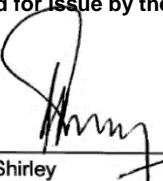
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

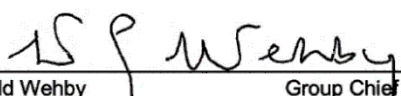
30 JUNE 2023

(Unaudited)

	30 June 2023 \$'000	Restated 31 December 2022 \$'000	Restated 30 June 2022 \$'000
ASSETS			
Cash and deposits	22,899,014	25,178,016	31,727,511
Investment securities	52,150,515	47,501,347	38,031,684
Pledged assets	-	28,875	6,457,573
Receivables	22,873,409	19,213,541	20,144,055
Inventories	22,174,829	22,029,962	19,645,649
Loans receivable	38,570,800	36,800,390	34,850,513
Taxation recoverable	1,338,856	1,431,955	1,191,247
Investments in associates and joint ventures	5,116,997	5,346,501	5,232,466
Investment properties	789,900	789,900	765,900
Intangible assets	9,858,641	6,368,497	6,254,285
Fixed assets	28,761,261	28,369,118	25,390,829
Deferred tax assets	1,476,148	1,355,301	1,614,139
Pension plan asset	1,860,991	1,824,473	5,351,186
Total Assets	207,871,361	196,237,876	196,657,037
LIABILITIES			
Deposits	55,073,891	52,655,288	50,193,837
Securities sold under agreements to repurchase	497	28,469	4,801,036
Bank and other loans	32,080,676	28,318,585	27,927,965
Payables	32,272,414	31,495,009	31,789,825
Taxation	1,106,421	1,213,519	989,035
Provisions	51,520	49,467	48,268
Deferred tax liabilities	1,709,159	1,803,487	1,835,046
Other post-employment obligations	4,538,631	4,298,567	5,524,194
Total Liabilities	126,833,209	119,862,391	123,109,206
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	378,632	264,596	352,682
Capital and fair value reserves	8,804,860	8,994,935	7,022,839
Retained earnings	57,514,103	54,229,178	53,709,054
Banking reserves	4,220,711	4,220,711	3,920,711
Other reserves	5,495,542	4,864,388	4,787,348
Equity attributable to owners of the company	76,413,848	72,573,808	69,792,634
Non-Controlling Interests	4,624,304	3,801,677	3,755,197
Total Equity	81,038,152	76,375,485	73,547,831
Total Equity and Liabilities	207,871,361	196,237,876	196,657,037

Approved for issue by the Board of Directors on 31 July 2023 and signed on its behalf by:


 Gordon Shirley Chairman


 Donald Wehby Group Chief Executive Officer

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 JUNE 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	-	-	-	3,668,011	-	-	3,668,011	285,314	3,953,325
Other comprehensive income for the period	-	-	(454,864)	14,941	-	(845,947)	(1,285,870)	(23,490)	(1,309,360)
Total comprehensive income for the period	-	-	(454,864)	3,682,952	-	(845,947)	2,382,141	261,824	2,643,965
Transactions with owners:									
Sale of treasury shares	1,632	117,300	53,396	-	-	-	170,696	-	170,696
Purchase of treasury shares	(1,464)	(153,450)	-	-	-	-	(153,450)	-	(153,450)
Transfer of non-controlling interests	-	-	-	-	-	-	-	53,145	53,145
Share-based payments charged	-	-	-	-	-	165,721	165,721	-	165,721
Share-based payments exercised	-	-	-	-	-	(60,496)	(60,496)	(309)	(60,805)
Transfer of treasury shares to employees	1,450	104,445	40,409	-	-	(144,260)	594	(594)	-
Dividends paid	-	-	-	(951,785)	-	-	(951,785)	-	(951,785)
Total transactions with owners	1,618	68,295	93,805	(951,785)	-	(39,035)	(828,720)	52,242	(776,478)
Transfers between reserves:									
From capital reserves	-	-	(25,701)	25,701	-	-	-	-	-
Balance at 30 June 2022 (Restated)	991,627	352,682	7,022,839	53,709,054	3,920,711	4,787,348	69,792,634	3,755,197	73,547,831
Balance at 1 January 2023 (Restated)									
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	-	-	-	4,191,084	-	-	4,191,084	293,777	4,484,861
Other comprehensive income for the period	-	-	(175,043)	85,999	-	716,805	627,761	15,250	643,011
Total comprehensive income for the period	-	-	(175,043)	4,277,083	-	716,805	4,818,845	309,027	5,127,872
Transactions with owners:									
Purchase of treasury shares	(1,080)	(88,686)	-	-	-	-	(88,686)	-	(88,686)
Transfer of non-controlling interests	-	-	-	-	-	-	-	519,077	519,077
Share-based payments charged	-	-	-	-	-	208,779	208,779	-	208,779
Share-based payments exercised	-	-	-	-	-	(108,038)	(108,038)	(676)	(108,714)
Transfer of shares to employees	48	4,061	-	-	-	(4,061)	-	-	-
Transfer of treasury shares to employees	2,332	198,661	(15,032)	-	-	(182,331)	1,298	(1,298)	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(3,503)	(3,503)
Dividends paid	-	-	-	(992,158)	-	-	(992,158)	-	(992,158)
Total transactions with owners	1,300	114,036	(15,032)	(992,158)	-	(85,651)	(978,805)	513,600	(465,205)
Transfers between reserves:									
Balance at 30 June 2023	992,093	378,632	8,804,860	57,514,103	4,220,711	5,495,542	76,413,848	4,624,304	81,038,152

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 30 JUNE 2023

(Unaudited)

	30/06/2023 \$'000	30/06/2022 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities (Note 3)	4,358,657	433,749
Financing Activities		
Loans received	10,012,853	7,239,706
Loans repaid	(7,994,128)	(6,677,594)
Dividends paid by subsidiary to non-controlling interests	(3,503)	-
Purchase of treasury shares	(88,686)	(153,450)
Sale of treasury shares	-	170,696
Exercise of share based payments	(108,714)	(60,805)
Interest paid – non financial services	(761,673)	(655,240)
Dividends	(992,158)	(951,785)
	63,991	(1,088,472)
Investing Activities		
Additions to fixed assets	(1,097,813)	(699,649)
Proceeds from disposal of fixed assets	78,257	46,059
Additions to investments	(7,534,237)	(6,214,349)
Cash outflow on acquisition of subsidiaries	(2,400,387)	(85,970)
Cash outflow on purchase of interest in associates and joint ventures	-	(401,093)
Proceeds from sale of investments	3,476,377	10,496,993
Additions to intangibles	(537,752)	(475,729)
Interest received – non financial services	310,031	322,993
	(7,705,524)	2,989,255
(Decrease)/increase in cash and cash equivalents	(3,282,876)	2,334,532
Cash and cash equivalents at beginning of year	22,431,565	27,911,182
Exchange and translation gains/(losses) on net foreign cash balances	189,631	(233,115)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19,338,320	30,012,599

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT

SIX MONTHS ENDED 30 JUNE 2023

(Unaudited)

6 months to 30 June 2023	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	61,318,045	4,383,118	8,083,631	4,395,496	50,366	78,230,656
Inter-segment sales	127,065	152,344	-	-	(279,409)	-
Total Revenue	61,445,110	4,535,462	8,083,631	4,395,496	(229,043)	78,230,656

RESULT						
Operating results	4,011,825	313,128	686,474	1,682,631	71,037	6,765,095
Unallocated expense	-	-	-	-	(660,081)	(660,081)
Profit from operations	-	-	-	-	-	6,105,014
Finance income	7,975	2,120	47,920	38,738	217,015	313,768
Finance expense	(450,297)	(78,288)	(6,371)	(62,539)	(201,542)	(799,037)
Share of associates and joint ventures	374,986	152,205	(3,289)	-	-	523,902
Profit before Taxation	3,944,489	389,165	724,734	1,658,830	(573,571)	6,143,647
Taxation						(1,658,786)
Net Profit for the period						4,484,861

Attributable to:

Owners of GraceKennedy Limited	4,191,084
Non-controlling interests	293,777
	4,484,861

6 months to 30 June 2022 (Restated)	Food Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	57,887,965	3,731,309	6,488,475	4,482,204	-	72,589,953
Inter-segment sales	125,767	146,190	-	-	(271,957)	-
Total Revenue	58,013,732	3,877,499	6,488,475	4,482,204	(271,957)	72,589,953

RESULT						
Operating results	3,078,861	690,836	583,821	1,656,209	39,473	6,049,200
Unallocated expense	-	-	-	-	(659,690)	(659,690)
Profit from operations	-	-	-	-	-	5,389,510
Finance income	4,765	2,965	22,863	21,435	203,275	255,303
Finance expense	(387,585)	(49,849)	(3,789)	(60,512)	(141,857)	(643,592)
Share of associates and joint ventures	337,843	136,788	(48,922)	-	-	425,709
Profit before Taxation	3,033,884	780,740	553,973	1,617,132	(558,799)	5,426,930
Taxation						(1,473,605)
Net Profit for the period						3,953,325

Attributable to:

Owners of GraceKennedy Limited	3,668,011
Non-controlling interests	285,314
	3,953,325

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

Notes

1. Accounting Policies

(a) Basis of preparation

This condensed consolidated interim financial report for the reporting period ended 30 June 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:

Insurance and Reinsurance contracts	Consolidated Statement of Financial Position line item
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:

Insurance revenue and expenses	Consolidated Income Statement line item
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	68,485,232	65,017,655
Services transferred over time	63,074	62,371
Revenue from insurance contracts	6,860,038	5,257,846
Interest revenue	2,822,312	2,252,081
	<u>78,230,656</u>	<u>72,589,953</u>

3. Cash Flows from Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	30/06/2023 \$'000	Restated 30/06/2022 \$'000
Net profit	4,484,861	3,953,325
Items not affecting cash:		
Depreciation	1,503,013	1,396,347
Amortisation	438,448	358,584
Change in value of investments	34,610	(402,258)
Gain on disposal of fixed assets	(19,405)	(12,855)
Gain on disposal of investments	(10,750)	(23,251)
Share-based payments	208,779	165,721
Exchange loss on foreign balances	80,767	76,603
Interest income – non financial services	(313,768)	(255,303)
Interest income – financial services	(3,233,377)	(2,473,968)
Interest expense – non financial services	799,037	643,592
Interest expense – financial services	642,944	534,347
Taxation expense	1,658,786	1,473,605
Unremitted equity income in associates and joint ventures	(335,767)	(364,871)
Pension plan surplus	78,148	183,855
Other post-employment obligations	240,064	338,308
	6,256,390	5,591,781
Changes in working capital components:		
Inventories	(5,049)	(416,729)
Receivables	(3,258,326)	(3,298,061)
Loans receivable, net	(1,996,704)	(1,930,847)
Payables	(360,687)	(217,425)
Deposits	2,084,386	2,727,185
Securities sold under repurchase agreements	(27,012)	(2,297,308)
Provisions	2,052	(34)
	2,695,050	158,562
Interest received – financial services	3,857,464	3,003,891
Interest paid – financial services	(831,858)	(800,803)
Translation gains/(losses)	497,646	(524,636)
Taxation paid	(1,859,645)	(1,403,265)
Net cash provided by operating activities	4,358,657	433,749

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

Amounts represent bank and other loans, excluding bank overdrafts

	30/6/2023 \$'000	30/6/2022 \$'000
At beginning of year	25,572,133	25,863,018
Lease liability to acquire right-of-use asset	246,676	222,949
On acquisition through business combination	314,157	-
Loans received	10,012,853	7,239,706
Loans repaid	(7,994,128)	(6,677,594)
Foreign exchange adjustments	335,528	(367,122)
Net interest movements	32,763	(67,904)
At end of period	28,519,982	26,213,053

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	30 June 2022 \$'000
Equity attributable to owners of GraceKennedy Limited			
as previously reported	71,995,793	67,605,593	69,190,634
Decrease in receivables	(4,784,830)	(3,337,754)	(3,490,349)
Decrease in payables	5,403,322	4,012,123	4,136,292
Decrease in foreign currency translation	507	-	752
Increase in non-controlling interests	(40,477)	(40,749)	(43,943)
Increase in retained earnings	578,522	633,620	602,752
Decrease in other reserves	(507)	-	(752)
Adjustment to equity from adoption of IFRS 17	578,015	633,620	602,000
Equity attributable to owners of GraceKennedy Limited as restated	72,573,808	68,239,213	69,792,634

Reconciliation of profit for the period ended:	12 months to 31/12/2022 \$'000	6 months to 30/06/2022 \$'000
Profit attributable to owners of GraceKennedy Limited		
as previously reported	7,027,398	3,698,879
Increase in direct and operating expenses	(55,352)	(30,868)
Decrease in non-controlling interests	254	-
Increase/(Decrease) in Net Profit	(55,098)	(30,868)
Profit attributable to owners of GraceKennedy Limited as restated	6,972,300	3,668,011

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	\$3.73
Decrease due to restatement	(\$0.05)	(\$0.03)
EPS as restated	\$7.04	\$3.70

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	\$3.69
Decrease due to restatement	(\$0.05)	(\$0.03)
EPS as restated	\$6.97	\$3.66

5. Covid-19 and Russia/Ukraine Conflict

The Group continues to be exposed to the potential of Covid-19 related disruptions and the ongoing Russia/Ukraine conflict, which exposes the Group to varying levels of credit, price, and supply chain risks.

The Group actively monitors and evaluates the threats to our business and has embedded strategies and controls in our operations to respond to the existing and emerging risks.

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 subsequently changed its name to GK Life Insurance Caribbean Limited

The purchase consideration for SICL comprised an initial cash payment amounting to \$3,023,490,000 and contingent consideration amounting to \$563,549,000. 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:

	Catherine's Peak Bottling Company Limited \$'000	Scotia Insurance Caribbean Limited \$'000	Total \$'000
Purchase consideration settled in cash	(612,500)	(3,023,490)	(3,635,990)
Cash and cash equivalents in business acquired	35,030	1,200,573	1,235,603
Cash outflow on acquisition	(577,470)	(1,822,917)	(2,400,387)

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