



**INTERIM REPORT**

**(THREE MONTHS)  
31 MARCH 2012**



## GraceKennedy Limited

### STOCKHOLDERS' REPORT

GraceKennedy's Board of Directors is pleased to present the unaudited results of the Group for the quarter ended March 31, 2012. The Group achieved revenues for the period of \$15,596 million (2011: \$14,367 million), an increase of 8.6% or \$1,229 million over the corresponding quarter of 2011. Net profits attributable to owners of the Company increased by \$40 million or 6.5% compared to the corresponding period of 2011, moving from \$611 million to \$651 million. This represents earnings per stock unit of \$1.96 (2011: \$1.85).

On February 28, 2012, the Board of Directors approved an interim dividend to be paid on May 28, 2012 of 60 cents per stock unit or a 9% increase over the 55 cents per stock unit dividend declared for the corresponding period in 2011. This represents a payout of approximately \$199 million from retained earnings.

The GK Foods Division had a good first quarter. Strengthening our brands continues to be a key driver for this Division. Domestic operations experienced a boost through the re-launch of the Chillin range of beverages, now produced on a newly installed line in our GK Foods & Services Canning factory. We presented this product at this year's annual Inter-Secondary School Sports Association (ISSA) Boys' & Girls' Championships sponsored by the GraceKennedy Group and were pleased with the response. There were improvements in manufacturing efficiencies as we intensified our efforts to package our products more cost effectively and increase the choices offered to the consumer. We also strengthened the reach of our local distribution network for our third party brands through additional van sales routes across the island.

Our international operations continue to expand through new partnerships on the west coast of the USA and in Canada. We launched an exciting new range of cooking sauces and marinades in Canada which we plan to extend to the USA. We also remain committed to growing the Grace brands in the Latin American and Caribbean region and have seen growth in revenues in our Belize operations. Our business in the United Kingdom continues to perform well, in line with expectations and will be our springboard for further growth in Africa and continental Europe. We are proud of the fact that our Jamaican made Tropical Rhythms juice drink is now being exported to Ghana. We anticipate further growth in that region.

The GraceKennedy Financial Group ended the first quarter with improved results, as revenues and pre-tax profits surpassed prior year performance. Our remittance and bill payment businesses led the way and continued their strong performance recording healthy growth in transaction volumes. First Global Bank Ltd recorded commendable growth in both loans and deposits. We continue to diversify our insurance offerings with the creation of innovative microinsurance products such as "Bill Protect" and "Insure It". In February 2012, in our commitment to provide innovative and excellent customer service, the GraceKennedy Financial Center was officially opened: a 'one stop financial centre' right in the heart of downtown Kingston, home to new First Global Bank, First Global Financial Services and JIIC locations.

The GraceKennedy Foundation Annual Lecture was held on March 13, 2012. The lecture, entitled *Jamaica & GraceKennedy Dreams Converging, Roads Diverging*, was presented by Mr James Moss-Solomon, retired Director of GraceKennedy Limited. The Lecture was well attended and received.

The GraceKennedy Group and ISSA collaborated to ensure another successful staging of the ISSA/GraceKennedy Boys' and Girls' Championships in April 2012. Just under 3,000 athletes from 224 schools competed in events over four days, to provide thousands of patrons with an impressive display of talent and sportsmanship worthy of the international athletics stage.

In recognition of its 90<sup>th</sup> anniversary, GraceKennedy launched a full media advertising campaign emphasizing the wide range of goods and services offered by the Group under the tag line "This is the home we've built for you". The campaign incorporated and highlighted several companies in the Group that impact the daily lives of our loyal consumers.

Among the highlights of our 90<sup>th</sup> anniversary celebrations were thanksgiving services, one in Kingston on February 12<sup>th</sup> just ahead of our official birthday on February 14<sup>th</sup>, and the other on March 4<sup>th</sup> in Montego Bay.

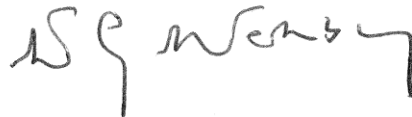
We thank you, our shareholders, for your confidence and support as we commit to value creation for all our stakeholders. Despite challenging conditions we will continue to monitor the economic environment and remain responsive to adverse events, while implementing strategies to ensure the continued growth of your Group.

We are thankful for the efforts of our past and present dedicated employees and directors in delivering these results. We thank our consumers, customers and suppliers for their continued association and tremendous support. We seek feedback on how we can improve this relationship and our service to you.

As we celebrate our 90<sup>th</sup> Anniversary we look eagerly to the future, committed to all our stakeholders, holding steadfast to our core values of "Honesty, Integrity and Trust".



Douglas R. Orane  
Executive Chairman



Don G. Wehby  
Group Chief Executive Officer

May 10, 2012

**GraceKennedy Limited**  
CONSOLIDATED INCOME STATEMENT  
THREE MONTHS ENDED 31 MARCH 2012  
(Unaudited)

	3 months to 03/31/2012 \$'000	3 months to 03/31/2011 \$'000
<b>Revenue</b>	15,596,121	14,367,210
Expenses	14,855,375	13,673,810
	740,746	693,400
Other income	239,355	270,031
<b>Profit from Operations</b>	980,101	963,431
Interest income – non-financial services	78,172	82,005
Interest expense – non-financial services	(156,635)	(189,207)
Share of results of associated companies	103,479	92,239
<b>Profit before Taxation</b>	1,005,117	948,468
Taxation	(281,433)	(265,571)
<b>NET PROFIT FOR THE PERIOD</b>	723,684	682,897
<b>Profit attributable to:</b>		
<b>Owners of GraceKennedy Limited</b>	651,154	611,336
<b>Non-controlling interests</b>	72,530	71,561
	723,684	682,897

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

<b>Basic</b>	\$1.96	\$1.85
<b>Diluted</b>	\$1.95	\$1.85

**GraceKennedy Limited**  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
THREE MONTHS ENDED 31 MARCH 2012  
(Unaudited)

	3 months to 03/31/2012 \$'000	3 months to 03/31/2011 \$'000
Profit for the period	723,684	682,897
Other comprehensive income:		
Foreign currency translation adjustments	57,713	54,224
Fair value (losses)/gains	(50,286)	285,443
Revaluation losses	-	(27,365)
Other comprehensive income for the period, net of tax	7,427	312,302
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	731,111	995,199
<b>Total comprehensive income attributable to:</b>		
<b>Owners of GraceKennedy Limited</b>	657,181	924,303
<b>Non-controlling interests</b>	73,930	70,896
	731,111	995,199

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 MARCH 2012

(Unaudited)

	March 31 2012 \$'000	December 31 2011 \$'000	March 31 2011 \$'000
<b>ASSETS</b>			
Cash and deposits	12,486,183	12,326,328	14,138,737
Investment securities	40,281,134	41,018,930	40,163,308
Receivables	9,104,103	8,492,584	8,930,950
Inventories	6,459,002	6,524,177	6,194,525
Loans receivable	12,259,202	11,911,040	9,630,014
Taxation recoverable	1,146,170	916,802	1,073,090
Investments in associates	927,639	824,160	818,065
Intangible assets	1,909,004	1,893,029	2,050,364
Fixed assets	6,999,627	6,893,248	6,708,509
Deferred tax assets	1,074,842	1,066,226	894,673
Pension plan asset	8,362,816	8,307,244	8,071,941
<b>Total Assets</b>	<b>101,009,722</b>	<b>100,173,768</b>	<b>98,674,176</b>
<b>LIABILITIES</b>			
Deposits	14,263,617	13,693,757	13,114,201
Securities sold under agreements to repurchase	25,667,689	26,451,721	24,819,897
Bank and other loans	11,569,641	11,808,923	13,351,699
Payables	12,626,734	12,252,825	13,482,271
Taxation	298,118	268,278	171,583
Provisions	7,882	7,243	6,221
Deferred tax liabilities	2,887,046	2,911,390	2,634,526
Other post-employment obligations	2,276,637	2,165,226	2,253,675
<b>Total Liabilities</b>	<b>69,597,364</b>	<b>69,559,363</b>	<b>69,834,073</b>
<b>EQUITY</b>			
<b>Capital &amp; reserves attributable to the company's owners</b>			
Share capital	655,103	593,968	574,216
Capital and fair value reserves	4,744,502	4,794,309	4,772,987
Retained earnings	20,567,998	19,911,616	17,961,424
Banking Reserves	1,942,967	1,942,967	2,222,315
Other reserves	2,151,349	2,095,036	2,059,605
	30,061,919	29,337,896	27,590,547
<b>Non-controlling interests</b>	<b>1,350,439</b>	<b>1,276,509</b>	<b>1,249,556</b>
<b>Total equity</b>	<b>31,412,358</b>	<b>30,614,405</b>	<b>28,840,103</b>
<b>Total Equity and Liabilities</b>	<b>101,009,722</b>	<b>100,173,768</b>	<b>98,674,176</b>

Approved for issue by the Board of Directors on 10 May 2012 and signed on its behalf by:



Douglas Orane Executive Chairman



Don Wehby Group Chief Executive Officer

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

THREE MONTHS ENDED 31 MARCH 2012

(Unaudited)

	Attributable to owners of the company							Non-controlling interests	Total Equity
	No. of Shares	Share Capital	Capital and Fair Value	Retained Earnings	Banking Reserves	Other Reserves	Total		
	'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Balance at 1 January 2011	329,633	574,216	4,443,059	17,459,342	2,222,315	1,998,873	26,697,805	1,145,352	27,843,157
Total comprehensive income for the period	-	-	258,078	611,336	-	54,889	924,303	70,896	995,199
Decrease in non-controlling interests	-	-	-	(37,404)	-	4,096	(33,308)	33,308	-
Employee share option scheme	-	-	-	-	-	1,747	1,747	-	1,747
Total transactions with owners	-	-	-	(37,404)	-	5,843	(31,561)	33,308	1,747
Transfers between reserves:									
To capital reserves	-	-	71,850	(71,850)	-	-	-	-	-
Balance at 31 March 2011	329,633	574,216	4,772,987	17,961,424	2,222,315	2,059,605	27,590,547	1,249,556	28,840,103
Balance at 1 January 2012	330,255	593,968	4,794,309	19,911,616	1,942,967	2,095,036	29,337,896	1,276,509	30,614,405
Total comprehensive income for the period	-	-	(50,286)	651,154	-	56,313	657,181	73,930	731,111
Issue of shares	2,146	61,135	-	-	-	-	61,135	-	61,135
Employee share option scheme	-	-	-	5,707	-	-	5,707	-	5,707
Total transactions with owners	2,146	61,135	-	5,707	-	-	66,842	-	66,842
Transfers between reserves:									
To capital reserves	-	-	479	(479)	-	-	-	-	-
Balance at 31 March 2012	332,401	655,103	4,744,502	20,567,998	1,942,967	2,151,349	30,061,919	1,350,439	31,412,358

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

THREE MONTHS ENDED 31 MARCH 2012

(Unaudited)

	03/31/2012 \$'000	03/31/2011 \$'000
<b>SOURCES/(USES) OF CASH:</b>		
<b>Operating Activities</b>		
Profit for the period	723,684	682,897
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(494,391)	(423,905)
Cash provided by operating activities	229,293	258,992
Cash used in financing activities	(400,939)	(429,110)
Cash provided by investing activities	349,527	919,292
Increase in cash and cash equivalents	177,881	749,174
Cash and cash equivalents at beginning of year	10,958,017	11,918,047
Exchange and translation gains/(losses) on net foreign cash balances	80	(20,973)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>11,135,978</b>	<b>12,646,248</b>

# GraceKennedy Limited

## FINANCIAL INFORMATION BY OPERATING SEGMENT THREE MONTHS ENDED 31 MARCH 2012 (Unaudited)

3 months to 31 March 2012	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>							
External sales	10,584,519	1,510,785	1,312,642	1,005,529	1,182,646	-	15,596,121
Inter-segment sales	64,709	1,028	4,716	8,792	-	(79,245)	-
<b>Total Revenue</b>	<b>10,649,228</b>	<b>1,511,813</b>	<b>1,317,358</b>	<b>1,014,321</b>	<b>1,182,646</b>	<b>(79,245)</b>	<b>15,596,121</b>

<b>RESULT</b>							
Operating results	412,364	22,206	209,810	42,421	371,771	759	1,059,331
Unallocated expense	-	-	-	-	-	(79,230)	(79,230)
Profit from operations	-	-	-	-	-	-	980,101
Finance income	2,889	2,336	9,778	2,597	8,670	51,902	78,172
Finance expense	(103,718)	(19,261)	(18,187)	(1,794)	(242)	(13,433)	(156,635)
Share of associates	92,023	-	15,402	(3,946)	-	-	103,479
Profit before Taxation	403,558	5,281	216,803	39,278	380,199	(40,002)	1,005,117
Taxation							(281,433)
<b>Net Profit for the period</b>							<b>723,684</b>

Attributable to:

Owners of GraceKennedy Limited	651,154
Non-controlling interests	72,530
	<b>723,684</b>

3 months to 31 March 2011	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>							
External sales	9,649,497	1,467,626	1,266,179	949,547	1,034,361	-	14,367,210
Inter-segment sales	36,231	1,543	4,087	8,807	-	(50,668)	-
<b>Total Revenue</b>	<b>9,685,728</b>	<b>1,469,169</b>	<b>1,270,266</b>	<b>958,354</b>	<b>1,034,361</b>	<b>(50,668)</b>	<b>14,367,210</b>

<b>RESULT</b>							
Operating results	366,781	42,863	217,036	51,033	322,533	3,857	1,004,103
Unallocated expense	-	-	-	-	-	(40,672)	(40,672)
Profit from operations	-	-	-	-	-	-	963,431
Finance income	3,647	902	12,182	3,542	8,110	53,622	82,005
Finance expense	(113,936)	(17,578)	(20,261)	(1,913)	(764)	(34,755)	(189,207)
Share of associates	83,121	-	12,639	(3,521)	-	-	92,239
Profit before Taxation	339,613	26,187	221,596	49,141	329,879	(17,948)	948,468
Taxation							(265,571)
<b>Net Profit for the period</b>							<b>682,897</b>

Attributable to:

Owners of GraceKennedy Limited	611,336
Non-controlling interests	71,561
	<b>682,897</b>



# GraceKennedy Limited

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS 31 MARCH 2012

### Notes

#### 1. Accounting Policies

##### (a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention, as modified by the revaluation of certain fixed and financial assets.

The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2011.

These financial statements are presented in Jamaican dollars unless otherwise indicated.

##### (b) Fixed Assets

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

##### (c) Intangible Assets

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

##### (d) Investment securities

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

**(e) Employee benefits**

*(i) Pension plan assets*

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

The asset or liability in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, together with adjustments for actuarial gains/losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

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

*(ii) Other post-retirement obligations*

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

*(iii) Equity compensation benefits*

The Group operates an equity-settled, share-based compensation plan. Share options are granted to management and key employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of non-market vesting conditions.

**(f) Deferred taxation**

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

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

**(g) Provisions**

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

**(h) Cash and cash equivalents**

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

**(i) Segment reporting**

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

- *Food Trading* – Merchandising of general goods and food products, both locally and internationally; processing and distribution of food products; operation of a chain of supermarkets.
- *Retail and Trading* – Merchandising of agricultural supplies, hardware and lumber.
- *Banking and Investment* – Commercial banking; investment management; lease and trade financing; stock brokerage; pension management; property rental; mutual fund management.
- *Insurance* – General insurance and insurance brokerage.
- *Money Services* – Operation of money transfer services; cambio operations and bill payment services.