



**INTERIM REPORT**

**(NINE MONTHS)  
30 SEPTEMBER 2008**

## INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the quarter ended September 30, 2008.

The Group achieved Revenues for the nine month period of \$40,159.1 million (2007: \$35,374.5 million), an increase of \$4,784.6 million or 13.5%. The Net Profit Attributable to Equity holders of the Company increased by \$1.6 million over the corresponding period of 2007, moving from \$1,673.4 million to \$1,675.0 million. This represents earnings per stock unit of \$5.10 (2007: \$5.14).

Despite a very challenging environment, GK Foods had a satisfactory third quarter achieving an increase of 4% and 15 % on sales and profits respectively, when compared with the corresponding period last year. The major areas of concern are the impact of rapidly increasing prices from suppliers, notably on dairy and other products manufactured in Jamaica and the downturn in the UK foodservice business, particularly sales to pubs and restaurants caused by the recession in that country. In order to counteract these concerns, we have launched a new low cost cheese, Country Gold, in Jamaica and for the export markets. This cheese will sell at approximately 20% below the traditional tinned cheese prices and so far the results have been positive. In the United Kingdom we have also developed and launched a number of new products under the Rio Pacific brand which should have a positive impact on our foodservice business. During the quarter we made further progress in the Indian, Ghanaian, and South Korean markets. These are new frontiers which offer significant opportunities.

With regard to our Grace owned brands, sales year to date have grown 12% in US dollars when compared to the corresponding period last year.

GK Investments had a challenging third quarter. Revenues from the majority of business segments rose marginally above the prior year comparative period. Profits from all business segments were however below expectations.

During the period, First Global Bank Limited successfully negotiated a US\$6M loan facility with the Inter-American Investment Corporation to fund loans to small and medium sized enterprises. The bank also booked its third transaction under an Inter-American Development Bank Trade Finance facility. This is a continuation of a strategy geared at engaging the multilateral funding agencies to provide appropriately priced loans to the productive sectors and comes at a time when global credit liquidity is tight.

Allied Insurance Brokers Limited has been aggressive in its pursuit of new business and this has begun to pay off as a significant part of its growth has come from this initiative. 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 the Turks and Caicos Islands. The acquisition became effective on October 1, 2008. This move will significantly increase our access to a high growth market.

Money Services, particularly Western Union remittances originating from the United States, have grown marginally over the corresponding prior period, despite the economic climate. Our plans to rollout new agent locations in the United Kingdom are progressing in a competitive market. We continue to work with Western Union to identify countries within the Caribbean, or where the Diaspora is concentrated, that are beneficial for the group to transact business.

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

Douglas R. Orane  
Chairman & Chief Executive Officer

November 13, 2008

# GraceKennedy Limited

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

QUARTER ENDED 30 SEPTEMBER 2008

(Unaudited)

	3 months to 30/09/2008 \$'000	9 months to 30/09/2008 \$'000	3 months to 30/09/2007 \$'000	9 months to 30/09/2007 \$'000
<b>Revenue</b>	12,829,195	40,159,106	12,434,559	35,374,466
Expenses	12,213,794	38,026,776	11,672,944	33,304,965
	615,401	2,132,330	761,615	2,069,501
Other income	210,255	582,003	162,773	533,093
<b>Profit from Operations</b>	825,656	2,714,333	924,388	2,602,594
Interest income – non-financial services	109,283	312,452	82,444	271,028
Interest expense – non-financial services	(133,890)	(423,101)	(179,260)	(514,255)
Share of results of associated companies	17,352	84,080	16,781	86,572
<b>Profit before Taxation</b>	818,401	2,687,764	844,353	2,445,939
Taxation	(261,888)	(860,084)	(253,306)	(733,782)
<b>Profit for the period</b>	556,513	1,827,680	591,047	1,712,157
<b>Attributable to:</b>				
Equity holders of the Company	513,121	1,675,046	566,538	1,673,408
Minority interest	43,392	152,634	24,509	38,749
	556,513	1,827,680	591,047	1,712,157

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

<b>Basic</b>	\$1.56	\$5.10	\$1.74	\$5.14
<b>Diluted</b>	\$1.55	\$5.06	\$1.72	\$5.09

# GraceKennedy Limited

## CONSOLIDATED BALANCE SHEET

30 SEPTEMBER 2008

(Unaudited)

	SEPTEMBER 2008 \$'000	DECEMBER 2007 \$'000	SEPTEMBER 2007 \$'000
<b>ASSETS</b>			
Cash and deposits	7,133,795	8,109,924	8,421,809
Investment securities	43,169,434	39,448,435	37,823,985
Receivables	9,126,631	7,919,134	8,746,186
Inventories	5,137,622	5,017,771	4,520,036
Loans receivable	8,628,585	5,747,738	6,160,705
Taxation recoverable	493,990	703,959	700,162
Investments in associates	835,941	763,442	811,954
Intangible assets	2,487,027	2,512,117	3,121,462
Fixed assets	3,527,868	2,993,412	2,854,334
Deferred tax assets	371,617	241,177	56,911
Pension plan asset	7,067,689	6,548,653	6,383,227
<b>Total Assets</b>	<b>87,980,199</b>	<b>80,005,762</b>	<b>79,600,771</b>
<b>LIABILITIES</b>			
Deposits	15,362,446	11,846,600	11,726,376
Securities sold under agreement to repurchase	27,044,115	22,607,385	23,665,958
Bank and other loans	6,979,259	10,026,439	10,341,982
Payables	11,755,442	9,737,925	10,544,834
Taxation	263,658	690,872	530,095
Provisions	9,310	6,810	11,310
Deferred tax liabilities	2,104,019	2,100,629	1,938,988
Other post-retirement obligations	1,544,801	1,376,132	1,370,979
<b>Total Liabilities</b>	<b>65,063,050</b>	<b>58,392,792</b>	<b>60,130,522</b>
<b>EQUITY</b>			
<b>Capital &amp; reserves attributable to the equity holders of the Company</b>			
Share capital	542,834	419,739	418,562
Capital and fair value reserves	2,922,941	3,564,283	3,601,495
Retained earnings	15,075,584	13,564,901	12,039,923
Reserve funds	776,884	776,884	776,884
Other reserves	1,866,091	1,712,710	1,805,574
	21,184,334	20,038,517	18,642,438
<b>Minority Interest</b>	<b>1,732,815</b>	<b>1,574,453</b>	<b>827,811</b>
<b>Total Equity</b>	<b>22,917,149</b>	<b>21,612,970</b>	<b>19,470,249</b>
<b>Total Equity and Liabilities</b>	<b>87,980,199</b>	<b>80,005,762</b>	<b>79,600,771</b>

Approved for issue by the Board of Directors on 13 November 2008 and signed on its behalf by:

Douglas Orane

Chairman

Fay McIntosh

Chief Financial Officer

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

QUARTER ENDED 30 SEPTEMBER 2008

(Unaudited)

	Attributable to equity holders of the Company							Minority Interest	Total Equity
	No. of Shares	Share Capital	Capital and	Retained Earnings	Reserve Fund	Other Reserves	Total		
			Fair Value Reserve						
'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2007	325,248	405,686	3,835,045	10,513,278	776,884	1,628,082	17,158,975	773,382	17,932,357
Foreign currency translation adjustments	-	-	-	-	-	169,159	169,159	1,487	170,646
Fair value losses	-	-	(234,688)	-	-	-	(234,688)	-	(234,688)
Other	-	-	1,273	-	-	-	1,273	-	1,273
Net expense recognised directly in equity	-	-	(233,415)	-	-	169,159	(64,256)	1,487	(62,769)
Profit for the period	-	-	-	1,673,408	-	-	1,673,408	38,749	1,712,157
Total recognised income for the period	-	-	(233,415)	1,673,408	-	169,159	1,609,152	40,236	1,649,388
Issue of shares	1,433	47,285	-	-	-	-	47,285	-	47,285
Purchase of treasury shares	(663)	(34,409)	(135)	-	-	-	(34,544)	-	(34,544)
Employee share option scheme	-	-	-	-	-	8,333	8,333	-	8,333
Dividends paid	-	-	-	(146,763)	-	-	(146,763)	-	(146,763)
Balance at 30 September 2007	326,018	418,562	3,601,495	12,039,923	776,884	1,805,574	18,642,438	827,811	19,470,249
Balance at 1 January 2008	326,135	419,739	3,564,283	13,564,901	776,884	1,712,710	20,038,517	1,574,453	21,612,970
Foreign currency translation adjustments	-	-	-	-	-	152,622	152,622	5,728	158,350
Fair value losses	-	-	(787,850)	-	-	-	(787,850)	-	(787,850)
Revaluation surplus	-	-	141,300	-	-	-	141,300	-	141,300
Net expense recognised directly in equity	-	-	(646,550)	-	-	152,622	(493,928)	5,728	(488,200)
Profit for the period	-	-	-	1,675,046	-	-	1,675,046	152,634	1,827,680
Total recognised income for the period	-	-	(646,550)	1,675,046	-	152,622	1,181,118	158,362	1,339,480
Issue of shares	1,731	54,818	-	-	-	-	54,818	-	54,818
Issue of treasury shares	914	68,277	5,208	-	-	-	73,485	-	73,485
Employee share option scheme	-	-	-	-	-	759	759	-	759
Dividends paid	-	-	-	(164,363)	-	-	(164,363)	-	(164,363)
Balance at 30 September 2008	328,780	542,834	2,922,941	15,075,584	776,884	1,866,091	21,184,334	1,732,815	22,917,149

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS QUARTER ENDED 30 SEPTEMBER 2008 (Unaudited)

	30/09/2008 \$'000	30/09/2007 \$'000
<b>SOURCES/(USES) OF CASH:</b>		
<b>Operating Activities</b>		
Profit for the period	1,827,680	1,712,157
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	5,661,823	1,603,501
Cash provided by operating activities	7,489,503	3,315,658
Cash (used in)/provided by financing activities	(2,618,714)	1,791,064
Cash used in investing activities	(4,864,950)	(7,270,193)
Increase/(Decrease) in cash and cash equivalents	5,839	(2,163,471)
Cash and cash equivalents at beginning of year	6,251,787	8,646,625
Exchange and translation gains on net foreign cash balances	87,252	131,542
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>6,344,878</b>	<b>6,614,696</b>

# GraceKennedy Limited

## FINANCIAL INFORMATION BY BUSINESS SEGMENT

QUARTER ENDED 30 SEPTEMBER 2008

(Unaudited)

9 months to 30 September 2008	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>							
External sales	24,210,928	5,987,525	4,447,470	2,784,616	2,728,567	-	40,159,106
Inter-segment sales	33,641	14,499	55,145	335,615	-	(438,900)	-
<b>Total Revenue</b>	<b>24,244,569</b>	<b>6,002,024</b>	<b>4,502,615</b>	<b>3,120,231</b>	<b>2,728,567</b>	<b>(438,900)</b>	<b>40,159,106</b>
<b>RESULT</b>							
Segment Result	600,911	136,534	586,194	233,518	687,553	63,120	2,307,830
Unallocated income	-	-	-	-	-	406,503	406,503
Profit from operations	-	-	-	-	-	-	2,714,333
Finance income	28,985	19,598	63,938	41,013	76,814	82,104	312,452
Finance expense	(172,884)	(78,827)	(22,857)	(95)	(2,126)	(146,312)	(423,101)
Share of associates	43,585	12,772	19,801	8,960	(1,038)	-	84,080
<b>Profit before Taxation</b>	<b>500,597</b>	<b>90,077</b>	<b>647,076</b>	<b>283,396</b>	<b>761,203</b>	<b>405,415</b>	<b>2,687,764</b>
Taxation							(860,084)
<b>Profit for the period</b>							<b>1,827,680</b>
Attributable to:							
Equity holders of the Company							1,675,046
Minority Interest							152,634
							<b>1,827,680</b>

9 months to 30 September 2007	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>							
External sales	20,178,778	5,615,175	3,937,771	3,140,353	2,502,389		35,374,466
Inter-segment sales	34,076	9,945	50,343	233,777	-	(328,141)	-
<b>Total Revenue</b>	<b>20,212,854</b>	<b>5,625,120</b>	<b>3,988,114</b>	<b>3,374,130</b>	<b>2,502,389</b>	<b>(328,141)</b>	<b>35,374,466</b>
<b>RESULT</b>							
Segment Result	607,230	243,852	705,646	237,767	701,045	83,668	2,579,208
Unallocated income						23,386	23,386
Profit from operations							2,602,594
Finance income	32,099	16,495	59,179	60,276	31,781	71,198	271,028
Finance expense	(189,644)	(64,804)	(20,756)	(230)	(4,581)	(234,240)	(514,255)
Share of associates	59,601	15,073	19,092	7,570	(14,764)	-	86,572
<b>Profit before Taxation</b>	<b>509,286</b>	<b>210,616</b>	<b>763,161</b>	<b>305,383</b>	<b>713,481</b>	<b>(55,988)</b>	<b>2,445,939</b>
Taxation							(733,782)
<b>Profit for the period</b>							<b>1,712,157</b>
Attributable to:							
Equity holders of the Company							1,673,408
Minority Interest							38,749
							<b>1,712,157</b>

# GraceKennedy Limited

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS QUARTER ENDED 30 SEPTEMBER 2008

### 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 2007.

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. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, together with adjustments for actuarial gains/losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of Government securities which have terms to maturity approximating the terms of the related liability.

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

*(ii) Other post-retirement obligations*

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

*(iii) Equity compensation benefits*

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

**(f) Deferred taxation**

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

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

**(g) Provisions**

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

**(h) Cash and cash equivalents**

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

**(i) Segment reporting**

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

- *Food Trading* – Merchandising of general goods and food products, both locally and internationally; processing and distribution of food products; operation of a chain of supermarkets.
- *Retail and Trading* – Merchandising of agricultural supplies, hardware and lumber; institutional and airline catering; automotive dealership.
- *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.

**(j) Comparative information**

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