

# GraceKennedy Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT - Unaudited  
 QUARTER ENDED 30 JUNE 2005

	<b>3 months to 30/06/2005 \$'000</b>	<b>6 months to 30/06/2005 \$'000</b>	<b>3 months to 30/06/2004 \$'000 ***</b>	<b>6 months to 30/06/2004 \$'000 ***</b>
<b>Revenues</b>	8,248,938	16,375,026	7,471,581	14,809,637
Expenses	7,839,795	15,383,113	7,002,997	13,766,017
<b>Operating Income</b>	409,143	991,913	468,584	1,043,620
Other income	133,407	230,613	102,819	152,784
<b>Profit from Operations</b>	542,550	1,222,526	571,403	1,196,404
Finance income	93,836	167,595	20,961	56,271
Share of results of associated companies	(8,549)	72,470	5,632	57,107
<b>Profit before Taxation</b>	627,837	1,462,591	597,996	1,309,782
Taxation	(195,146)	(460,203)	(155,440)	(371,555)
<b>Profit for the period</b>	432,691	1,002,388	442,556	938,227
<b>Attributable to:</b>				
<b>Equity holders of the Company</b>	414,734	967,350	418,726	895,239
<b>Minority interest</b>	17,957	35,038	23,830	42,988
	432,691	1,002,388	442,556	938,227
<b>Earnings per share for profit attributable to the equity holders of the Company</b> (expressed in \$ per share)				
<b>Basic</b>	\$1.27	\$2.96	\$1.29	\$2.77
<b>Diluted</b>	\$1.24	\$2.90	\$1.26	\$2.70

\*\*\* : Restated to comply with changes in IFRS

# GraceKennedy Limited

CONSOLIDATED BALANCE SHEET - Unaudited

QUARTER ENDED 30 JUNE 2005

	June 2005 \$ '000	December 2004 \$ '000 ***	June 2004 \$ '000 ***
<b>NET ASSETS EMPLOYED</b>			
<b>Non-Current Assets</b>			
Fixed assets	2,220,687	2,175,647	2,058,205
Intangible assets	894,902	312,751	366,116
Investments in associates	496,511	414,516	373,718
Investments	2,970,547	2,947,076	4,065,023
Long term receivables	2,128,532	1,746,285	646,113
Deferred tax assets	611,992	601,249	592,804
Pension plan asset	4,592,481	4,409,317	4,070,547
	<b>13,915,652</b>	<b>12,606,841</b>	<b>12,172,526</b>
<b>Current Assets</b>			
Inventories	3,219,242	3,329,331	2,206,830
Receivables	5,879,739	5,636,348	4,903,158
Long term receivables - current portion	1,447,325	789,424	1,722,127
Taxation recoverable	527,287	531,965	417,798
Cash and short term investments	31,734,628	29,789,656	25,510,644
	<b>42,808,221</b>	<b>40,076,724</b>	<b>34,760,557</b>
<b>Current Liabilities</b>			
Payables	8,166,218	7,304,489	5,855,400
Provisions	9,769	8,979	27,749
Taxation	216,519	467,916	165,101
Bank and short term loans	2,633,720	2,052,007	1,851,628
Long term liabilities - current portion	183,792	177,060	88,901
Deposits	7,902,764	4,185,409	3,664,595
Securities sold under agreement to repurchase	17,551,323	20,335,155	18,695,385
	<b>36,664,105</b>	<b>34,531,015</b>	<b>30,348,759</b>
<b>Net Current Assets</b>	<b>6,144,116</b>	<b>5,545,709</b>	<b>4,411,798</b>
	<b>20,059,768</b>	<b>18,152,550</b>	<b>16,584,324</b>
<b>FINANCED BY</b>			
<b>Capital &amp; reserves attributable to the equity holders of the Company</b>			
Share Capital	326,770	325,817	323,960
Capital and fair value reserves	3,213,636	2,955,592	2,682,515
Retained earnings	8,801,704	7,966,712	6,962,797
Reserve funds	696,529	696,529	643,207
Translation gains and other reserves	1,283,242	1,268,612	1,171,708
	<b>14,321,881</b>	<b>13,213,262</b>	<b>11,784,187</b>
<b>Minority Interest</b>	<b>752,455</b>	<b>507,527</b>	<b>503,297</b>
<b>Total Equity</b>	<b>15,074,336</b>	<b>13,720,789</b>	<b>12,287,484</b>
<b>Non-Current Liabilities</b>			
Provisions	6,221	6,516	6,221
Long Term Liabilities	1,787,239	1,474,367	1,463,623
Deferred Tax Liabilities	2,291,308	2,103,422	1,956,627
Other post-retirement obligations	900,664	847,456	870,369
	<b>4,985,432</b>	<b>4,431,761</b>	<b>4,296,840</b>
	<b>20,059,768</b>	<b>18,152,550</b>	<b>16,584,324</b>

Approved for issue by the Board of Directors on 28 July 2005 and signed on its behalf by:

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

QUARTER ENDED 30 JUNE 2005

(Unaudited)

	Attributable to equity holders of the Company							Minority Interest	Total Equity
	*** : Restated to comply with changes in IFRS								
	No. of Shares	Share Capital	Capital and Fair Value Reserve	Retained Earnings	Reserve Fund	Other Reserves	Total		
'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2004	323,466	323,466	3,448,660	5,995,247	643,207	1,157,759	11,568,339	460,032	12,028,371
Net gains/(losses) not recognised in the profit and loss account, net of tax:									
Foreign currency translation adjustments	-	-	-	-	-	(3,249)	(3,249)	311	(2,938)
Fair value adjustments	-	-	127,169	-	-	-	127,169	-	127,169
Revaluation surplus	-	-	(702,674)	-	-	-	(702,674)	-	(702,674)
Other	-	-	(1,813)	-	-	-	(1,813)	(34)	(1,847)
Total	-	-	(577,318)	-	-	(3,249)	(580,567)	277	(580,290)
Profit for the period	-	-	-	895,239	-	-	895,239	42,988	938,227
Issue of shares at a premium	494	494	13,003	-	-	-	13,497	-	13,497
Transfers between reserves	-	-	(201,830)	201,830	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	17,198	17,198	-	17,198
Dividends paid	-	-	-	(129,519)	-	-	(129,519)	-	(129,519)
Other	-	-	-	-	-	-	-	-	-
Balance at 30 June 2004	323,960	323,960	2,682,515	6,962,797	643,207	1,171,708	11,784,187	503,297	12,287,484
Balance at 1 January 2005	325,817	325,817	2,955,592	7,966,712	696,529	1,268,612	13,213,262	507,527	13,720,789
Net gains/(losses) not recognised in the profit and loss account:									
Foreign currency translation adjustments	-	-	-	-	-	(10,574)	(10,574)	114	(10,460)
Fair value adjustments	-	-	240,399	-	-	-	240,399	-	240,399
Revaluation surplus	-	-	-	-	-	-	-	-	-
Other	-	-	565	-	-	-	565	-	565
Total	-	-	240,964	-	-	(10,574)	230,390	114	230,504
Profit for the period	-	-	-	967,350	-	-	967,350	35,038	1,002,388
Issue of shares at a premium	953	953	31,709	-	-	-	32,662	-	32,662
Increase in minority interest	-	-	-	-	-	-	-	229,376	229,376
Transfers between reserves	-	-	(14,629)	14,629	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	25,204	25,204	-	25,204
Dividends paid	-	-	-	(146,987)	-	-	(146,987)	-	(146,987)
Dividends paid by subsidiary to minority interest	-	-	-	-	-	-	-	(19,600)	(19,600)
Other	-	-	-	-	-	-	-	-	-
Balance at 30 June 2005	326,770	326,770	3,213,636	8,801,704	696,529	1,283,242	14,321,881	752,455	15,074,336

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

QUARTER ENDED 30 JUNE 2005

(Unaudited)

	30/06/2005 \$'000	30/06/2004 \$'000
<b>SOURCES/(USES) OF CASH:</b>		
<b>Operating Activities</b>		
Profit for the period	1,002,388	938,227
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	589,835	221,902
Cash provided by operating activities	1,592,223	1,160,129
Cash provided by/(used in) financing activities	3,295,855	(744,616)
Cash (used in)/provided by investing activities	(3,868,888)	300,655
Increase in cash and cash equivalents	1,019,190	716,168
Cash and cash equivalents at beginning of year	3,703,864	2,160,145
Exchange and translation gains on net foreign cash balances	2,368	6,474
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>4,725,422</b>	<b>2,882,787</b>

# GraceKennedy Limited

## FINANCIAL INFORMATION BY BUSINESS SEGMENT

QUARTER ENDED 30 JUNE 2005

(Unaudited)

6 months to 30 June 2005	Food Trading \$'000	Retail & Trading \$'000	Financial Services \$'000	Maritime \$'000	Information \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>							
External sales	6,671,631	5,061,510	3,280,174	-	1,361,711		16,375,026
Inter-segment sales	345,566	672	62,773	-	-	(409,011)	-
<b>Total Revenue</b>	<b>7,017,197</b>	<b>5,062,182</b>	<b>3,342,947</b>	<b>-</b>	<b>1,361,711</b>	<b>(409,011)</b>	<b>16,375,026</b>

<b>RESULT</b>							
Segment Result	124,325	134,321	597,294	-	244,149	(599)	1,099,490
Unallocated income						123,036	123,036
Profit from operations							1,222,526
Finance income - net	107,029	(52,620)	87,774	-	24,813	599	167,595
Share of associates	82,319	11,988	(18,261)	-	(3,576)	-	72,470
Profit before Taxation	313,673	93,689	666,807	-	265,386	123,036	1,462,591
Taxation							(460,203)
<b>Profit for the period</b>							<b>1,002,388</b>

Attributable to:

Equity holders of the Company	967,350
Minority Interest	35,038
<b>Total</b>	<b>1,002,388</b>

6 months to 30 June 2004	Food Trading \$'000	Retail & Trading \$'000	Financial Services \$'000	Maritime \$'000	Information \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>							
External sales	5,372,526	4,996,858	2,916,369	178,320	1,345,564		14,809,637
Inter-segment sales	300,986	627	94,375	8,998	-	(404,986)	-
<b>Total Revenue</b>	<b>5,673,512</b>	<b>4,997,485</b>	<b>3,010,744</b>	<b>187,318</b>	<b>1,345,564</b>	<b>(404,986)</b>	<b>14,809,637</b>

<b>RESULT</b>							
Segment Result	28,992	113,744	538,541	36,000	249,482	108,365	1,075,124
Unallocated income						121,280	121,280
Profit from operations							1,196,404
Finance income - net	100,534	(45,293)	70,245	4,252	34,898	(108,365)	56,271
Share of associates	58,688	3,798	(2,871)	2,240	(4,748)	-	57,107
Profit before Taxation	188,214	72,249	605,915	42,492	279,632	121,280	1,309,782
Taxation							(371,555)
<b>Profit for the period</b>							<b>938,227</b>

Attributable to:

Equity holders of the Company	895,239
Minority Interest	42,988
<b>Total</b>	<b>938,227</b>

# GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
QUARTER ENDED 30 JUNE 2005

## 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 2004, with the exception of amendments to IAS 36 – Impairment of Assets, IAS 38 – Intangible Assets and IAS 39 – Financial Instruments: Recognition and Measurement which became effective 1 January 2005; and the adoption of IFRS 2 – Share-based Payment and IFRS 3 – Business Combinations. The effect of IAS 36, IAS 38 and IFRS 3 is explained in notes 1(c) and 1(d). With the application of the amendment to IAS 39, investments previously in the category of originated debt were reclassified as available for sale. IFRS 2 was adopted on 1 January 2005 with retrospective application for all share options granted after 7 November 2002. These options include those granted under the Managers' Stock Option Plan but exclude the Directors' Stock Option Plan.

These financial statements are presented in Jamaican dollars.

The adoption of IFRS 2 resulted in:

	6 months to 30/06/2005	12 months to 31/12/2004	6 months to 30/06/2004	12 months to 31/12/2003
Increase in other reserves (\$'000)	76,451	51,247	31,062	13,864
Decrease in retained earnings (\$'000)	76,451	51,247	31,062	13,864
Increase in expenses (\$'000)	25,204	37,383	17,198	13,864
Decrease in basic earnings per share (\$)	0.08	0.12	0.05	0.04
Decrease in diluted earnings per share (\$)	0.08	0.12	0.05	0.04

## **(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.

## **Intangible Assets**

Included in intangible assets is Goodwill which represents the excess of the value of consideration paid over the net assets acquired. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses, it is no longer amortised. Other intangible assets with an indefinite useful life are not subject to amortisation and are tested at least annually for impairment and carried at cost less accumulated impairment losses. Intangible assets with a finite useful life are amortised on a straight line basis to write off the carrying value over their estimated useful lives (8 – 10 years).

## **(c) Impairment of assets**

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

## **(d) Investments**

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.

## **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.

### **Employee benefits (continued)**

#### *(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*

Share options are granted to management and key employees. Options are granted at the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous ten days prior to the grant date and are exercisable at that price. Options are exercisable when they vest, which is in three equal annual instalments beginning one year from the date of grant and have a contractual option term of six years.

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.

When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

### **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.

### **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.

### **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 borrowings in current liabilities on the balance sheet.

### **Segment reporting**

The Group is organized into four (five in 2004) business segments which provide products and services that are subject to risks and returns dissimilar to each other:

- *Food Trading* - Merchandising of general goods and food products, both locally and internationally; processing and distribution of dairy and meat products;
- *Retail and Trading* - Merchandising of agricultural and pharmaceutical supplies, stationery, hardware and lumber; institutional and airline catering; operation of a chain of supermarkets;
- *Financial Services* - General insurance and insurance brokerage; commercial banking; investment management; lease and trade financing; stock brokerage; pension management; property rental; mutual fund management;
- *Information* - Operation of money transfer services; bill payment services and international telecommunications services.
- *Maritime* - Shipping agencies and other maritime services. The Group exited this business segment at the end of 2004.

## **Comparative information**

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, comparative figures have been restated to comply with the adoption of IFRS 2.

## **2. Rights Issue by Hardware & Lumber Limited**

Hardware & Lumber Limited offered a renounceable rights issue to its shareholders, GraceKennedy Limited renounced its right to the offer making it available to the minority shareholders. Arising from the rights issue the Group's percentage shareholdings in Hardware and Lumber Limited was reduced from 69.7% to 58.1%; thus resulting in a gain on the dilution of ownership of \$108 million and an increase of \$229 million in the minority interest as shown in the statement of changes in equity.

Don Wehby  
Chief Financial Officer  
28 July 2005