



INTERIM REPORT

**(SIX MONTHS)
30 JUNE 2010**

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors present the unaudited results of the Group for the six months ended June 30, 2010.

The Group achieved Revenues for the half year period of \$28,066 million (2009: \$29,504 million), a decrease of \$1,438 million or 4.9%. The Net Profit Attributable to owners of the Company decreased by \$377 million compared to the corresponding period of 2009, moving from \$1,609 million to \$1,232 million a decrease of 23.4%. This represents earnings per stock unit of \$3.74 (2009: \$4.89).

On May 13, 2010, the Board of Directors of GraceKennedy Limited approved a new policy for payment of dividends. Under the new policy the company will increase dividend payments to a minimum of 15% of Net Profit Attributable to Stockholders, up from a minimum of 10%. The decision was also taken to increase the frequency of dividend payments from two to three times per year. In a cautionary statement the Board said the policy must be viewed against the background of an unpredictable environment and is subject to available cash flow.

A dividend of 50 cents per stock unit was paid on May 27, 2010 to stockholders on record at May 3, 2010.

GK Foods saw a decline in business in the second quarter in the face of reduced sales in most markets due to continuing worldwide recessionary conditions. The Jamaican and Belizean markets were the most seriously impacted by the economic downturn while our North American markets experienced good growth in revenues and profits. Grace Foods UK Limited continues to reflect signs of recovery due primarily to its efforts at cost reduction and revenue growth in a very sluggish UK food market. The moving of all our inventories into our New Distribution Centre was completed during the quarter and initiatives to extract efficiencies and savings will have increasing effect as of the third quarter. Grace Coconut Water received excellent media focus on main street cable and TV in North America helping the product to grow over 50% in those markets year to date. New products launched during the quarter included Grace Blends Sorrel Ginger, 1kg Grace Coconut Milk Powder in the Jamaican market, Nurishment in the USA and Caribbean Choice sauce in the UK. At the recent Jamaica Exporters Award function, Grace Foods International received the prestigious awards for Best Caricom Exporter and Champion Trader for 2009.

The performance of the GraceKennedy Financial Group was impacted by continued weak consumer demand, lower interest rates following the Jamaica Debt Exchange (JDX) and the rapid appreciation of the Jamaican dollar. Within the segment, the Money Services businesses continued their creditable performance with revenues increasing by 6% compared to prior year. FX Trader also launched their loyalty card with favourable responses during the quarter.

The Banking and Investments segment saw improvement when compared to the first quarter, as First Global Bank Limited (FGB) recorded a significant increase in profits while First Global Financial Services Limited (FGFS) acquired a major pension fund client. Both FGB and FGFS implemented several initiatives aimed at improving customer experience at all touch points. During the quarter, software developer Oracle Financial Services Software Inc. was contracted to implement a new banking and investment management system for FGB and FGFS, which is expected to provide a solid platform for business growth and meet requirements for fast and efficient servicing of clients.

Though the Insurance segment continued to be affected by reduced investment income, both Jamaica International Insurance Company Limited (JIIC) and Allied Insurance Brokers Limited (AIB) exceeded prior year revenues. In the pursuit of satisfying the needs of our clients, JIIC commenced offering short-term (3 and 6 months) motor vehicle insurance in June. AIB was successful in retaining and acquiring new clients, with four new tenders being won during the quarter.

The Division continued its contribution to nation building, with FGB, FGFS and AIB participating in the refurbishing of the library at the Jamaica Christian Boys' Home during the quarter. GraceKennedy Money Services (GKMS) continued its I P.L.E.D.G.E (I Promise to Lend Encouragement to Develop Growth in Education) programme, which entailed the hosting of Reading Week, an English Competition and the Western Union Debate Competition won by Naggo Head Primary School.

Our publicly traded subsidiary Hardware & Lumber Ltd. returned to profitability during the second quarter due to improved margin management, a reduction in interest costs and exchange gains from the revaluation of the Jamaican dollar. Work has commenced on a major upgrade of the Lane Plaza store, with completion expected in August.

The Grace & Staff Community Development Foundation continues to play an active role in community development and social intervention through education, guidance and other support services. Its second annual GraceKennedy Education 5K Run/Walk was staged on Sunday July 4, 2010 on the downtown Kingston waterfront, and was a tremendous success. There were over 1,500 registered participants, representing over 50 teams and individuals from the private and public sectors, clubs and other groups. Proceeds from the event are in support of various academic programmes primarily geared towards the tertiary education of children from inner city communities.

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



Douglas R. Orane
Chairman & Chief Executive Officer

July 29, 2010

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT

QUARTER ENDED 30 JUNE 2010

(Unaudited)

	3 months to 6/30/2010 \$'000	6 months to 6/30/2010 \$'000	3 months to 6/30/2009 \$'000	6 months to 6/30/2009 \$'000
Revenue	13,588,688	28,065,565	14,814,208	29,503,991
Expenses	12,860,654	26,398,574	13,971,569	27,802,993
	728,034	1,666,991	842,639	1,700,998
Other income	189,500	445,723	345,253	747,641
Profit from Operations	917,534	2,112,714	1,187,892	2,448,639
Interest income – non-financial services	86,402	199,343	105,114	217,988
Interest expense – non-financial services	(209,795)	(448,302)	(159,823)	(295,258)
Share of results of associated companies	10,535	100,630	11,280	107,255
Profit before Taxation	804,676	1,964,385	1,144,463	2,478,624
Taxation	(264,600)	(589,318)	(343,338)	(743,587)
NET PROFIT FOR THE PERIOD	540,076	1,375,067	801,125	1,735,037
Profit attributable to:				
Owners of GraceKennedy Limited	478,086	1,232,153	724,637	1,609,105
Non-controlling interests	61,990	142,914	76,488	125,932
	540,076	1,375,067	801,125	1,735,037

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

Basic	\$1.45	\$3.74	\$2.20	\$4.89
Diluted	\$1.44	\$3.72	\$2.19	\$4.87

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

QUARTER ENDED 30 JUNE 2010

(Unaudited)

	3 months to 6/30/2010 \$'000	6 months to 6/30/2010 \$'000	3 months to 6/30/2009 \$'000	6 months to 6/30/2009 \$'000
Profit for the period	540,076	1,375,067	801,125	1,735,037
Other comprehensive income:				
Foreign currency translation adjustments	(193,127)	(271,357)	280,454	446,935
Fair value gains	4,572	689,478	351,167	776,735
Revaluation losses	-	-	(2,194)	(55,724)
Other comprehensive income for the period, net of tax	(188,555)	418,121	629,427	1,167,946
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	351,521	1,793,188	1,430,552	2,902,983
Total comprehensive income attributable to:				
Owners of GraceKennedy Limited	298,777	1,660,148	1,353,765	2,747,312
Non-controlling interests	52,744	133,040	76,787	155,671
	351,521	1,793,188	1,430,552	2,902,983

GraceKennedy Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2010

(Unaudited)

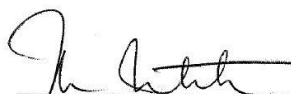
	Period ended June 30 2010 \$'000	Year ended December 31 2009 \$'000	Restated Period ended June 30 2009 \$'000
ASSETS			
Cash and deposits	12,945,076	10,608,376	10,961,897
Investment securities	40,796,130	43,420,747	47,302,363
Receivables	8,013,925	7,780,765	8,088,104
Inventories	5,884,958	5,501,746	5,536,427
Loans receivable	10,677,440	11,191,055	10,931,603
Taxation recoverable	1,326,499	1,001,844	690,754
Investments in associates	747,739	699,257	777,866
Intangible assets	2,242,361	2,491,055	2,688,396
Fixed assets	6,490,892	6,231,744	5,008,887
Deferred tax assets	1,269,968	1,202,078	1,099,028
Pension plan asset	7,722,446	7,438,584	7,443,511
Total Assets	98,117,434	97,567,251	100,528,836
LIABILITIES			
Deposits	12,254,372	11,980,676	14,269,498
Securities sold under agreements to repurchase	26,050,152	27,380,505	29,971,749
Bank and other loans	15,871,159	17,227,287	16,494,632
Payables	12,493,854	11,377,084	11,396,658
Taxation	419,691	437,067	480,650
Provisions	9,086	6,986	10,275
Deferred tax liabilities	2,475,697	2,367,502	2,189,668
Other post-employment obligations	2,069,532	1,945,132	1,836,496
Total Liabilities	71,643,543	72,722,239	76,649,626
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	573,976	573,976	553,879
Capital and fair value reserves	3,665,296	2,781,614	2,470,600
Retained earnings	16,583,566	17,305,066	16,261,247
Banking Reserves	2,222,315	627,685	776,884
Other reserves	2,148,328	2,409,301	2,320,036
	25,193,481	23,697,642	22,382,646
Non-controlling interests	1,280,410	1,147,370	1,496,564
Total equity	26,473,891	24,845,012	23,879,210
Total Equity and Liabilities	98,117,434	97,567,251	100,528,836

Approved for issue by the Board of Directors on 29 July 2010 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 JUNE 2010

(Unaudited)

	Attributable to owners of the company							Non-controlling interests	Total Equity
	No. of Shares	Share Capital	Capital and Fair Value Reserve	Retained Earnings	Banking Reserves	Other Reserves	Total		
	'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Balance at 1 January 2009	329,154	553,879	1,741,106	14,827,191	776,884	1,900,345	19,799,405	1,773,661	21,573,066
Total comprehensive income for the period	-	-	719,022	1,609,105	-	419,185	2,747,312	155,671	2,902,983
Transfers between reserves:	-	-	10,472	(10,472)	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	506	506	-	506
Dividends paid	-	-	-	(164,577)	-	-	(164,577)	-	(164,577)
Dividends paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	(432,768)	(432,768)
Total transactions with owners	-	-	10,472	(175,049)	-	506	(164,071)	(432,768)	(596,839)
Balance at 30 June 2009 (Restated)	329,154	553,879	2,470,600	16,261,247	776,884	2,320,036	22,382,646	1,496,564	23,879,210
Balance at 1 January 2010	329,633	573,976	2,781,614	17,305,066	627,685	2,409,301	23,697,642	1,147,370	24,845,012
Total comprehensive income for the period	-	-	689,475	1,232,153	-	(261,480)	1,660,148	133,040	1,793,188
Transfers between reserves:									
To capital reserves	-	-	194,207	(194,207)	-	-	-	-	-
From retained earnings	-	-	-	(1,594,630)	1,594,630	-	-	-	-
Employee share option scheme	-	-	-	-	-	507	507	-	507
Dividends paid	-	-	-	(164,816)	-	-	(164,816)	-	(164,816)
Total transactions with owners	-	-	194,207	(1,953,653)	1,594,630	507	(164,309)	-	(164,309)
Balance at 30 June 2010	329,633	573,976	3,665,296	16,583,566	2,222,315	2,148,328	25,193,481	1,280,410	26,473,891

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS QUARTER ENDED 30 JUNE 2010 (Unaudited)

		Restated
	6/30/2010 \$'000	6/30/2009 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	1,375,067	1,735,037
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	754,436	(1,099,680)
Cash provided by operating activities	2,129,503	635,357
Cash used in financing activities	(1,372,214)	(1,421,899)
Cash provided by investing activities	1,911,687	2,857,791
Increase in cash and cash equivalents	2,668,976	2,071,249
Cash and cash equivalents at beginning of year	8,798,668	6,691,504
Exchange and translation gains on net foreign cash balances	(139,368)	375,063
CASH AND CASH EQUIVALENTS AT END OF PERIOD	11,328,276	9,137,816

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT

QUARTER ENDED 30 JUNE 2010

(Unaudited)

6 months to 30 June 2010	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	17,462,453	2,840,101	3,164,944	2,455,452	2,142,615	-	28,065,565
Inter-segment sales	79,348	2,340	14,946	17,318	-	(113,952)	-
Total Revenue	17,541,801	2,842,441	3,179,890	2,472,770	2,142,615	(113,952)	28,065,565
RESULT							
Operating results	556,390	74,260	519,467	212,101	571,663	65,309	1,999,190
Unallocated income	-	-	-	-	-	113,524	113,524
Profit from operations	-	-	-	-	-	-	2,112,714
Finance income	12,411	771	34,575	14,581	38,779	98,226	199,343
Finance expense	(195,182)	(54,258)	(41,867)	(3,843)	(1,857)	(151,295)	(448,302)
Share of associates	95,318	-	26,248	(20,446)	(490)	-	100,630
Profit before Taxation	468,937	20,773	538,423	202,393	608,095	125,764	1,964,385
Taxation							(589,318)
Net Profit for the period							1,375,067
Attributable to:							
Owners of GraceKennedy Limited							1,232,153
Non-controlling interests							142,914
							1,375,067

6 months to 30 June 2009	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	17,364,342	3,498,097	4,160,826	2,312,092	2,168,634	-	29,503,991
Inter-segment sales	117,037	6,205	29,259	12,607	-	(165,108)	-
Total Revenue	17,481,379	3,504,302	4,190,085	2,324,699	2,168,634	(165,108)	29,503,991
RESULT							
Operating results	458,933	52,242	590,732	279,411	673,715	112,152	2,167,185
Unallocated income	-	-	-	-	-	281,454	281,454
Profit from operations	-	-	-	-	-	-	2,448,639
Finance income	12,412	15,246	46,940	29,513	43,473	70,404	217,988
Finance expense	(55,390)	(109,624)	(17,127)	(3,837)	(5,589)	(103,691)	(295,258)
Share of associates	66,707	7,857	26,606	6,574	(489)	-	107,255
Profit before Taxation	482,662	(34,279)	647,151	311,661	711,110	360,319	2,478,624
Taxation							(743,587)
Net Profit for the period							1,735,037
Attributable to:							
Owners of GraceKennedy Limited							1,609,105
Non-controlling interests							125,932
							1,735,037

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2010

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 2009.

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 and loans receivable categories. 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. Loans receivable financial assets are subsequently re-measured at amortised cost.

(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.

2. Effect of Restatement

In August 2009, the Group conducted an internal review of the treasury operations of First Global Bank Limited (FGB) and detected certain irregular transactions related to the trading of U.S. treasuries. Further investigations have confirmed that FGB suffered losses of J\$1,768 million (US\$19.9 million) from these irregularities, of which \$926 million relates to 2008.

The financial statements for the quarter ended 30 June 2009 have been restated to reflect the correction made to 2008. The effect of the restatement on those financial statements is summarised below.

		June 2009 \$'000
Equity attributable to owners of GraceKennedy Limited as previously reported		22,999,756
Increase in Cash and deposits	a)	287,248
Decrease in Investment securities	b)	(258,037)
Increase in Deferred tax assets	c)	308,555
Increase in Bank and other loans	d)	(954,876)
Decrease in Equity		(617,110)
Equity as restated		22,382,646

2. Effect of Restatement (continued)

- (a) Cash balances previously classified under investment securities which were related to trading accounts.
- (b) Reversal of unrealised fair value gains on U.S. Treasuries and trading losses not previously booked. This includes the reclassification of trading positions.
- (c) Tax credits arising from the trading losses recognised which can be applied against taxable profits in the future.
- (d) Reclassification of short term loans and margin positions, including fair value losses recognised on U.S. Treasuries.

3. Contingent Liabilities

In 2000, a suit was filed jointly against a subsidiary, GraceKennedy Remittance Services Limited ("GKRS") and a software developer by Paymaster (Jamaica) Limited (Paymaster), a bills payment company. The suit claimed damages arising out of the use by the subsidiary of certain software, to which Paymaster alleged it owned the copyright.

In the judgment handed down by the Supreme Court on April 30, 2010, the court ruled in favour of GKRS and the software developer on all counts. Accordingly, the Court awarded damages to be paid by Paymaster to GKRS and the software developer. On 10 June 2010, Paymaster filed an appeal against the decision of the Supreme Court in the Court of Appeal and applied for a stay of execution, pending the appeal. Based on the advice of our attorneys, management is of the opinion that Paymaster's appeal is unlikely to succeed.