



INTERIM REPORT

**(TWELVE MONTHS)
31 DECEMBER 2010**



GraceKennedy Limited

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors present the unaudited results of the Group for the twelve months ended December 31, 2010.

The Group achieved Revenues for the twelve month period of \$55,318 million (2009: \$57,406 million), a decrease of \$2,088 million or 3.6%. The Net Profit Attributable to owners of the Company was \$2,250 million compared with \$2,575 million for the corresponding period of 2009, a decrease of 12.6%. This represents earnings per stock unit of \$6.83 (2009: \$7.82).

GK Foods and GK Financial Group had mixed results during the fourth quarter. Revenues for GK Foods increased through growth of the Grace-owned brands worldwide, and revenues for GK Financial Group declined, a contributory factor being the significant reduction in interest rates earlier in the year.

Significant investments were made in two of our factories – Grace Food Processors (Meat) and National Processors, aimed at modernizing to meet higher regulatory standards and improved efficiency. The new Distribution Centre at Bernard Lodge, St. Catherine, is now fully operational and started attracting new business for us in the fourth quarter.

During the quarter, negotiations were completed by GraceKennedy Remittance Services Limited to take over bill collections within the Jamaica Public Service Company Limited (JPS) locations, effective January 4, 2011.

Usage of First Global Bank's internet banking solution, Global Access, continues to increase with a significant percentage of the customer base now being active users.

In keeping with our new dividend policy, GraceKennedy Limited made a third dividend payment on December 17, 2010 of 45 cents per stock unit, or a total of \$149 million to shareholders on record as at November 26, 2010. The total dividend payment for 2010 was \$445.0 million, compared to \$378.8 million for 2009.

The Directors at their meeting on February 11, 2011, noted the resignations from the Board of executive Directors, Erwin Burton and Joseph Taffe, with effect from February 28, 2011, the date of their retirement from the Company. The Board is grateful for the significant contributions made by both of these executives over their many years of sterling service to the Group and wishes for them the very best on their retirement. Mr. Michael Ranglin, currently CEO of Grace Foods UK Ltd., will succeed Mr. Burton as CEO of GK Foods.

We thank our consumers, customers, suppliers and all stakeholders for their continuing relationships with us as we chart our way forward. I express my gratitude to my colleague directors, management and staff for their dedication to the GraceKennedy Group in our efforts to satisfy the needs of our customers.

Douglas R. Orane
Chairman & Chief Executive Officer
February 11, 2011

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT
 QUARTER ENDED 31 DECEMBER 2010
 (Unaudited)

	3 months to 12/31/2010 \$'000	12 months to 12/31/2010 \$'000	3 months to 12/31/2009 \$'000	12 months to 12/31/2009 \$'000
Revenue	13,811,054	55,318,408	13,991,119	57,406,415
Expenses	13,203,462	52,716,657	13,456,338	55,232,080
Other income	607,592	2,601,751	534,781	2,174,335
	287,471	1,056,456	241,374	1,488,561
Profit from Operations	895,063	3,658,207	776,155	3,662,896
Interest income – non-financial services	110,121	396,794	128,351	474,589
Interest expense – non-financial services	(229,118)	(902,092)	(150,625)	(627,661)
Share of results of associated companies	16,224	106,739	23,788	144,043
Profit before Taxation	792,290	3,259,648	777,669	3,653,867
Taxation	(123,185)	(863,392)	(68,185)	(931,044)
NET PROFIT FOR THE PERIOD	669,105	2,396,256	709,484	2,722,823
Profit attributable to:				
Owners of GraceKennedy Limited	700,782	2,250,176	753,099	2,574,955
Non-controlling interests	(31,677)	146,080	(43,615)	147,868
	669,105	2,396,256	709,484	2,722,823

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

	Basic	Diluted
	\$2.13	\$2.12
	\$6.83	\$6.79
	\$2.29	\$2.28
	\$7.82	\$7.79

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 QUARTER ENDED 31 DECEMBER 2010
 (Unaudited)

	3 months to 12/31/2010 \$'000	12 months to 12/31/2010 \$'000	3 months to 12/31/2009 \$'000	12 months to 12/31/2009 \$'000
Profit for the period	669,105	2,396,256	709,484	2,722,823
Other comprehensive income:				
Foreign currency translation adjustments	(7,147)	(186,920)	78,182	560,081
Fair value gains/(losses)	400,377	1,288,256	(52,164)	1,227,905
Revaluation gains/(losses)	73,688	73,688	2,872	(52,852)
Share of other comprehensive income of associated companies	21,962	21,962	-	-
Other comprehensive income for the period, net of tax	488,880	1,196,986	28,890	1,735,134
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,157,985	3,593,242	738,374	4,457,957
Total comprehensive income attributable to:				
Owners of GraceKennedy Limited	1,176,948	3,442,829	761,168	4,255,966
Non-controlling interests	(18,963)	150,413	(22,794)	201,991
	1,157,985	3,593,242	738,374	4,457,957

GraceKennedy Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

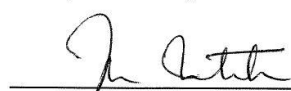
31 DECEMBER 2010

(Unaudited)

	2010 \$'000	2009 \$'000
ASSETS		
Cash and deposits	13,609,782	10,608,376
Investment securities	41,049,236	43,420,747
Receivables	7,580,739	7,780,765
Inventories	5,727,961	5,501,746
Loans receivable	10,401,441	11,191,055
Taxation recoverable	1,339,110	1,001,844
Investments in associates	725,826	699,257
Intangible assets	2,042,293	2,491,055
Fixed assets	6,692,471	6,231,744
Deferred tax assets	923,572	1,202,078
Pension plan asset	7,973,705	7,438,584
Total Assets	98,066,136	97,567,251
LIABILITIES		
Deposits	13,033,915	11,980,676
Securities sold under agreements to repurchase	26,521,041	27,380,505
Bank and other loans	13,764,164	17,227,287
Payables	11,785,359	11,377,084
Taxation	361,824	437,067
Provisions	8,037	6,986
Deferred tax liabilities	2,541,777	2,367,502
Other post-employment obligations	2,206,862	1,945,132
Total Liabilities	70,222,979	72,722,239
EQUITY		
Capital & reserves attributable to the company's owners		
Share capital	574,216	573,976
Capital and fair value reserves	4,443,059	2,781,614
Retained earnings	17,459,342	17,305,066
Banking Reserves	2,222,315	627,685
Other reserves	1,998,873	2,409,301
	26,697,805	23,697,642
Non-controlling interests	1,145,352	1,147,370
Total equity	27,843,157	24,845,012
Total Equity and Liabilities	98,066,136	97,567,251

Approved for issue by the Board of Directors on 11 February 2011 and signed on its behalf by:


 Douglas Orane Chairman


 Fay McIntosh Chief Financial Officer

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

QUARTER ENDED 31 DECEMBER 2010

(Unaudited)

	Attributable to owners of the company							Non-controlling interests	Total Equity
	No. of Shares	Share Capital	Capital and	Retained Earnings	Banking Reserves	Other Reserves	Total		
			Fair Value Reserve						
'000	\$'000	\$'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	-	-	1,173,067	2,574,955	-	507,944	4,255,966	201,991	4,457,957
Issue of shares	479	20,097	-	-	-	-	20,097	-	20,097
Decrease in non-controlling interests	-	-	-	-	-	-	-	(277,376)	(277,376)
Transfers between reserves:									
To capital reserves	-	-	22,972	(22,972)	-	-	-	-	-
To retained earnings	-	-	(155,531)	304,730	(149,199)	-	-	-	-
Employee share option scheme	-	-	-	-	-	1,012	1,012	-	1,012
Dividends paid	-	-	-	(378,838)	-	-	(378,838)	-	(378,838)
Dividends paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	(550,906)	(550,906)
Total transactions with owners	479	20,097	(132,559)	(97,080)	(149,199)	1,012	(357,729)	(828,282)	(1,186,011)
Balance at 31 December 2009	329,633	573,976	2,781,614	17,305,066	627,685	2,409,301	23,697,642	1,147,370	24,845,012
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	-	-	1,371,998	2,250,176	-	(179,345)	3,442,829	150,413	3,593,242
Issue of shares	5	319	-	-	-	-	319	-	319
Purchase of treasury shares	(2)	(79)	1,088	-	-	-	1,009	-	1,009
Transfers between reserves:									
To capital reserves	-	-	288,359	(288,359)	-	-	-	-	-
To retained earnings	-	-	-	232,096	-	(232,096)	-	-	-
To banking reserves	-	-	-	(1,594,630)	1,594,630	-	-	-	-
Employee share option scheme	-	-	-	-	-	1,013	1,013	-	1,013
Dividends paid	-	-	-	(445,007)	-	-	(445,007)	-	(445,007)
Dividends paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	(152,431)	(152,431)
Total transactions with owners	3	240	289,447	(2,095,900)	1,594,630	(231,083)	(442,666)	(152,431)	(595,097)
Balance at 31 December 2010	329,636	574,216	4,443,059	17,459,342	2,222,315	1,998,873	26,697,805	1,145,352	27,843,157

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS QUARTER ENDED 31 DECEMBER 2010 (Unaudited)

	12/31/2010 \$'000	12/31/2009 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	2,396,256	2,722,823
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	3,850,891	(4,982,024)
Cash provided by/(used in) operating activities	6,247,147	(2,259,201)
Cash used in financing activities	(4,457,841)	(1,296,387)
Cash provided by investing activities	1,487,869	5,312,445
Increase in cash and cash equivalents	3,277,175	1,756,857
Cash and cash equivalents at beginning of year	8,798,668	6,691,504
Exchange and translation (losses)/gains on net foreign cash balances	(157,796)	350,307
CASH AND CASH EQUIVALENTS AT END OF PERIOD	11,918,047	8,798,668

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT
 QUARTER ENDED 31 DECEMBER 2010
 (Unaudited)

12 months to 31 December 2010	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	34,466,003	5,721,065	5,984,487	4,790,922	4,355,931	-	55,318,408
Inter-segment sales	169,316	7,922	37,697	317,517	-	(532,452)	-
Total Revenue	34,635,319	5,728,987	6,022,184	5,108,439	4,355,931	(532,452)	55,318,408

RESULT							
Operating results	770,726	197,451	515,023	288,343	1,135,708	86,073	2,993,324
Unallocated income	-	-	-	-	-	664,883	664,883
Profit from operations	-	-	-	-	-	-	3,658,207
Finance income	26,277	1,234	68,949	27,702	63,264	209,368	396,794
Finance expense	(434,227)	(95,041)	(92,684)	(7,448)	(3,506)	(269,186)	(902,092)
Share of associates	124,983	-	54,022	(71,776)	(490)	-	106,739
Profit before Taxation	487,759	103,644	545,310	236,821	1,194,976	691,138	3,259,648
Taxation							(863,392)
Net Profit for the period							2,396,256

Attributable to:

Owners of GraceKennedy Limited	2,250,176
Non-controlling interests	146,080
	2,396,256

12 months to 31 December 2009	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	34,430,955	6,545,376	7,965,009	3,941,427	4,523,648	-	57,406,415
Inter-segment sales	180,352	5,036	255,428	352,367	-	(793,183)	-
Total Revenue	34,611,307	6,550,412	8,220,437	4,293,794	4,523,648	(793,183)	57,406,415

RESULT							
Operating results	774,034	70,892	4,902	429,253	1,331,128	227,632	2,837,841
Unallocated income	-	-	-	-	-	825,055	825,055
Profit from operations	-	-	-	-	-	-	3,662,896
Finance income	23,891	23,696	86,725	51,266	78,043	210,968	474,589
Finance expense	(159,815)	(186,369)	(37,590)	(7,803)	(889)	(235,195)	(627,661)
Share of associates	85,646	8,951	50,912	(977)	(489)	-	144,043
Profit before Taxation	723,756	(82,830)	104,949	471,739	1,407,793	1,028,460	3,653,867
Taxation							(931,044)
Net Profit for the period							2,722,823

Attributable to:

Owners of GraceKennedy Limited	2,574,955
Non-controlling interests	147,868
	2,722,823

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 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. 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.