

GraceKennedy Limited

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the quarter ended June 30, 2007.

The Group achieved Revenues for the period of \$22,939.9 million (2006: \$17,193.5 million), an increase of \$5,746.4 million or 33.4%. The Net Profit Attributable to shareholders of the Company increased by \$208.3 million over the corresponding period of 2006, moving from \$898.6 million to \$1,106.9 million, an increase of 23.2%. This represents earnings per stock unit of \$3.40 (2006: \$2.76).

The strong performance experienced by GK Foods in the first quarter of the year has continued into the second quarter. For the year to date, all companies within this entity, including the Hi-Lo supermarkets, showed positive results. Of note is the outstanding performance of our domestic company, Grace Foods & Services. This is being driven by the strong demand for the Grace brand.

Our new acquisition in the UK, WT (Holdings) Ltd. (WT Foods), is meeting our expectations. We are pleased to report that one of its brands, Encona sauces, is now the number one selling hot pepper sauce in the United Kingdom with over 85% of volumes going to mainstream consumers. Another major benefit of this acquisition is that WT Foods now offers the widest range of Caribbean ethnic products in the UK and this is of particular attraction to its major supermarket chain customers, such as Tesco, ASDA and Sainsburys.

GK Investments reported very good results for the period under review. In its continued objective of meeting the needs of its customers throughout the island, First Global Bank Limited opened a new branch in Mandeville on June 26 and is scheduled to open another branch in Liguanea during the month of September. First Global Bank recently launched the "Global Direct" service, which allows its customers to make payments to their suppliers and receive credits to their accounts electronically.

The GKRS group performed well for the first half year with profit before tax exceeding the prior year by 55%. This was due to reduced expenses flowing from the reorganisation done in late 2006, as well as increased volumes in the money transfer business.

JLIC (Jamaica International Insurance Company Limited) continues to be the insurer of choice. In February 2007, the company began offering enhanced roadside assistance services. The new road rescue REACT service continues to receive positive feedback from customers. In June 2007, Allied Insurance Brokers Limited received the Exporters' Support Services Award in the insurance category.

On July 19, we acquired 90% of ONE1 Financial Limited, a financial services company in Trinidad & Tobago. The newly acquired company will become part of the First Global group, which currently includes First Global Bank and First Global Financial Services Ltd. ONE1 Financial will expand the range of services it offers to Caribbean businesses and investors.

Driving our performance is the quality of our people both locally and overseas, and their continued development will remain a strong part of our focus.

We had our Annual General Meeting in May as well as investor briefings in Kingston and in Port-of-Spain. Some of the feedback received from our shareholders and the investing public is that they are pleased to see that our performance has turned the corner after two difficult years, having made the tough decisions required.

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

Douglas R. Orane
Chairman & Chief Executive Officer

July 26, 2007

GraceKennedy Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT QUARTER ENDED 30 JUNE 2007 (Unaudited)

	3 months to 30/06/2007 \$'000	6 months to 30/06/2007 \$'000	3 months to 30/06/2006 \$'000	6 months to 30/06/2006 \$'000
Revenue	12,371,055	22,939,907	8,416,989	17,193,520
Expenses	11,768,761	21,632,021	8,029,299	16,289,971
	602,294	1,307,886	387,690	903,549
Other income	235,767	370,320	233,635	382,698
Profit from Operations	838,061	1,678,206	621,325	1,286,247
Interest income – non-financial services	85,267	188,584	111,179	202,694
Interest expense – non-financial services	(177,939)	(334,995)	(112,234)	(215,797)
Share of results of associated companies	12,405	69,791	(13,025)	25,119
Profit before Taxation	757,794	1,601,586	607,245	1,298,263
Taxation	(227,338)	(480,476)	(182,173)	(389,479)
Profit for the period	530,456	1,121,110	425,072	908,784
Attributable to:				
Equity holders of the Company	512,281	1,106,870	421,833	898,623
Minority interest	18,175	14,240	3,239	10,161
	530,456	1,121,110	425,072	908,784

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

Basic	\$1.57	\$3.40	\$1.29	\$2.76
Diluted	\$1.56	\$3.37	\$1.28	\$2.72

GraceKennedy Limited

CONSOLIDATED BALANCE SHEET

30 JUNE 2007

(Unaudited)

	JUNE 2007 \$'000	DECEMBER 2006 \$'000	JUNE 2006 \$'000
ASSETS			
Cash and deposits	5,853,868	10,071,877	5,470,688
Investment securities	38,416,510	32,973,151	35,361,054
Receivables	8,513,644	5,807,709	6,883,447
Inventories	4,206,028	3,545,919	3,237,496
Loans receivable	5,432,618	4,645,883	3,922,823
Taxation recoverable	549,840	584,161	589,565
Investments in associates	795,172	657,699	625,079
Intangible assets	3,044,859	984,824	1,039,199
Fixed assets	2,868,539	2,347,625	2,256,161
Deferred tax assets	867,521	823,127	616,766
Pension plan asset	6,192,448	5,810,890	5,438,929
Total Assets	76,741,047	68,252,865	65,441,207
LIABILITIES			
Deposits	11,547,982	9,789,234	10,033,840
Securities sold under agreement to repurchase	21,670,534	22,777,553	21,583,619
Bank and other loans	10,366,892	5,750,308	5,429,367
Payables	9,879,656	7,745,203	7,705,015
Taxation	369,169	389,219	321,564
Provisions	9,810	9,285	9,285
Deferred tax liabilities	2,755,783	2,684,129	2,448,420
Other post-retirement obligations	1,305,845	1,175,577	1,135,800
Total Liabilities	57,905,671	50,320,508	48,666,910
EQUITY			
Capital & reserves attributable to the equity holders of the Company			
Share capital	411,652	405,686	325,860
Capital and fair value reserves	3,742,746	3,835,045	3,585,648
Retained earnings	11,473,385	10,513,278	9,787,675
Reserve funds	776,884	776,884	736,651
Other reserves	1,642,372	1,628,082	1,581,185
	18,047,039	17,158,975	16,017,019
Minority Interest	788,337	773,382	757,278
Total Equity	18,835,376	17,932,357	16,774,297
Total Equity and Liabilities	76,741,047	68,252,865	65,441,207

Approved for issue by the Board of Directors on 26 July 2007 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 2007

(Unaudited)

	Attributable to equity holders of the Company							Minority Interest	Total Equity
	No. of Shares	Share Capital	Capital and Fair Value Reserve	Retained Earnings	Reserve Fund	Other Reserves	Total		
	'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Balance at 1 January 2006	325,744	325,744	3,150,866	9,536,534	736,651	1,490,795	15,240,590	744,234	15,984,824
Foreign currency translation adjustments	-	-	-	-	-	69,783	69,783	798	70,581
Fair value adjustments	-	-	(68,973)	-	-	-	(68,973)	-	(68,973)
Other	-	-	2,302	-	-	-	2,302	2,085	4,387
Net income recognised directly in equity	-	-	(66,671)	-	-	69,783	3,112	2,883	5,995
Profit for the period	-	-	-	898,623	-	-	898,623	10,161	908,784
Total recognised income for the period	-	-	(66,671)	898,623	-	69,783	901,735	13,044	914,779
Issue of shares at a premium	343	343	16,401	-	-	-	16,744	-	16,744
Purchase of treasury shares	(227)	(227)	(14,948)	-	-	-	(15,175)	-	(15,175)
Transfers between reserves	-	-	500,000	(500,000)	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	20,607	20,607	-	20,607
Dividends paid	-	-	-	(147,482)	-	-	(147,482)	-	(147,482)
Balance at 30 June 2006	325,860	325,860	3,585,648	9,787,675	736,651	1,581,185	16,017,019	757,278	16,774,297
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	-	-	-	-	-	8,734	8,734	715	9,449
Fair value adjustments	-	-	(93,852)	-	-	-	(93,852)	-	(93,852)
Other	-	-	1,643	-	-	-	1,643	-	1,643
Net income recognised directly in equity	-	-	(92,209)	-	-	8,734	(83,475)	715	(82,760)
Profit for the period	-	-	-	1,106,870	-	-	1,106,870	14,240	1,121,110
Total recognised income for the period	-	-	(92,209)	1,106,870	-	8,734	1,023,395	14,955	1,038,350
Issue of shares	1,239	39,144	-	-	-	-	39,144	-	39,144
Purchase of treasury shares	(641)	(33,178)	(90)	-	-	-	(33,268)	-	(33,268)
Employee share option scheme	-	-	-	-	-	5,556	5,556	-	5,556
Dividends paid	-	-	-	(146,763)	-	-	(146,763)	-	(146,763)
Balance at 30 June 2007	325,846	411,652	3,742,746	11,473,385	776,884	1,642,372	18,047,039	788,337	18,835,376

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

QUARTER ENDED 30 JUNE 2007

(Unaudited)

	30/06/2007 \$'000	Restated 30/06/2006 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	1,121,110	908,784
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(713,750)	2,925,109
Cash provided by operating activities	407,360	3,833,893
Cash provided by/(used in) financing activities	2,621,542	(410,041)
Cash used in investing activities	(7,967,327)	(3,485,739)
Decrease in cash and cash equivalents	(4,938,425)	(61,887)
Cash and cash equivalents at beginning of year	8,646,625	4,130,704
Exchange and translation gains on net foreign cash balances	45,013	49,274
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,753,213	4,118,091

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

QUARTER ENDED 30 JUNE 2007

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 2006.

These financial statements are presented in Jamaican dollars.

(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, 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.

2. Business Combinations**Acquisitions**

Effective 28 February 2007, the Group acquired 100% of the share capital of a United Kingdom company, WT (Holdings) Limited ("WT Foods"), a leading ethnic and specialty foods supplier. The financial performance of WT Foods has been included in the Group's income statement for the period subsequent to acquisition. The Group's balance sheet reflects the inclusion of WT Foods' net assets acquired. Included in the purchase are intangible assets, the value of which is subject to change based on a final assessment of the business combination.

Effective 24 April 2007, the Group acquired 30% of the share capital of Trident Insurance Company Limited, a general insurance company in Barbados offering property, motor and accident insurance.

Effective 19 July 2007, the Group acquired 90% of the share capital of ONE1 Financial Limited, a financial services company in Trinidad and Tobago. The company specializes in structured finance, securities trading, capital raising and financial advisory services.