



INTERIM REPORT

**(NINE MONTHS)
30 SEPTEMBER 2010**



GraceKennedy Limited

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors present the unaudited results of the Group for the nine months ended September 30, 2010.

The Group achieved Revenues for the nine month period of \$41,507 million (2009: \$43,415 million), a decrease of \$1,908 million or 4.4%. The Net Profit Attributable to owners of the Company was \$1,549 million compared with \$1,822 million for the corresponding period of 2009, a decrease of 15.0 %. This represents earnings per stock unit of \$4.70 (2009: \$5.53).

GKFoods had a challenging third quarter as both revenues and profits were down when compared with the same period last year primarily due to reduced consumer demand in Jamaica. We have now streamlined operations at our new Distribution Centre and are well poised to deliver improved service levels and new products to our customers.

In the International market, Grace Foods UK's performance improved when compared with the corresponding period last year, but is still below our expectations due to the recessionary conditions in that market. The rest of the international markets, although growing in the first six months of the year, showed declines in the third quarter in the central and northern Caribbean. The southern Caribbean has fared better, benefitting from the impact of our launch of Grace Nurishment, a milk based meal supplement in Trinidad, Barbados and Guyana. Business in North America has expanded with exceptional growth in Coconut water, particularly in Canada.

In September Grace Food Processors Meat Division won The Bureau of Standards National Quality Award 2010, sectional prize in manufacturing, for excellence in business results.

Revenue growth for the GraceKennedy Financial Group was impacted by continued weak demand for loans, reduced interest rates on investments and foreign exchange losses due to the appreciation of the Jamaican dollar. Despite this, the Money Services segment performed creditably with revenues for the quarter increasing over the prior year.

The Banking and Investments segment recorded improvements when compared with prior year. First Global Bank Limited (FGB) continues to grow its deposit and loan portfolios respectively over 2009 and First Global Financial Services Limited (FGFS) recorded an increase in net interest income over 2009. In August, Maureen Hayden-Cater was appointed President of FGB. Mrs. Hayden-Cater is an experienced banking executive with over 22 years in the banking industry.

Though the Insurance segment continued to face challenges over the period, due primarily to lower interest rates, Allied Insurance Brokers Limited (AIB) exceeded prior year revenues and profits. Jamaica International Insurance Company Limited (JIIC), in addition to maintaining its A.M. Best B++ rating, increased premium income and underwriting performance over the same period in 2009. JIIC also expanded its network during the quarter with the opening of its sixth branch in September, located inside Rapid True Value in Ocho Rios.

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.

A handwritten signature in black ink, appearing to read 'Douglas R. Orane', enclosed within a large, loopy oval shape.

Douglas R. Orane
Chairman & Chief Executive Officer

November 12, 2010

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT
 QUARTER ENDED 30 SEPTEMBER 2010
 (Unaudited)

	3 months to 9/30/2010 \$'000	9 months to 9/30/2010 \$'000	3 months to 9/30/2009 \$'000	9 months to 9/30/2009 \$'000
Revenue	13,441,789	41,507,354	13,911,305	43,415,296
Expenses	13,114,621	39,513,195	13,972,749	41,775,742
	327,168	1,994,159	(61,444)	1,639,554
Other income	323,262	768,985	499,546	1,247,187
Profit from Operations	650,430	2,763,144	438,102	2,886,741
Interest income – non-financial services	87,330	286,673	128,250	346,238
Interest expense – non-financial services	(224,672)	(672,974)	(181,778)	(477,036)
Share of results of associated companies	(10,115)	90,515	13,000	120,255
Profit before Taxation	502,973	2,467,358	397,574	2,876,198
Taxation	(150,889)	(740,207)	(119,272)	(862,859)
NET PROFIT FOR THE PERIOD	352,084	1,727,151	278,302	2,013,339
Profit attributable to:				
Owners of GraceKennedy Limited	317,241	1,549,394	212,751	1,821,856
Non-controlling interests	34,843	177,757	65,551	191,483
	352,084	1,727,151	278,302	2,013,339

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

Basic	\$0.96	\$4.70	\$0.65	\$5.53
Diluted	\$0.96	\$4.68	\$0.64	\$5.51

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 QUARTER ENDED 30 SEPTEMBER 2010
 (Unaudited)

	3 months to 9/30/2010 \$'000	9 months to 9/30/2010 \$'000	3 months to 9/30/2009 \$'000	9 months to 9/30/2009 \$'000
Profit for the period	352,084	1,727,151	278,302	2,013,339
Other comprehensive income:				
Foreign currency translation adjustments	91,584	(179,773)	34,964	481,899
Fair value gains	198,400	887,879	503,335	1,280,069
Revaluation losses	-	-	-	(55,724)
Other comprehensive income for the period, net of tax	289,984	708,106	538,299	1,706,244
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	642,068	2,435,257	816,601	3,719,583
Total comprehensive income attributable to:				
Owners of GraceKennedy Limited	605,732	2,265,881	747,488	3,494,799
Non-controlling interests	36,336	169,376	69,113	224,784
	642,068	2,435,257	816,601	3,719,583

GraceKennedy Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2010


(Unaudited)

	Period ended September 30 2010 \$'000	Year ended December 31 2009 \$'000	Period ended September 30 2009 \$'000
ASSETS			
Cash and deposits	12,331,930	10,608,376	8,501,590
Investment securities	38,564,786	43,420,747	46,135,150
Receivables	8,015,651	7,780,765	7,915,119
Inventories	5,632,777	5,501,746	5,014,616
Loans receivable	10,896,222	11,191,055	10,805,547
Taxation recoverable	1,501,931	1,001,844	772,566
Investments in associates	737,589	699,257	696,867
Intangible assets	2,172,431	2,491,055	2,690,767
Fixed assets	6,568,682	6,231,744	5,366,177
Deferred tax assets	1,321,861	1,202,078	1,272,975
Pension plan asset	7,864,377	7,438,584	7,341,019
Total Assets	95,608,237	97,567,251	96,512,393
LIABILITIES			
Deposits	13,130,720	11,980,676	11,842,330
Securities sold under agreements to repurchase	24,014,084	27,380,505	29,793,223
Bank and other loans	14,560,493	17,227,287	14,791,166
Payables	11,916,668	11,377,084	10,944,480
Taxation	445,823	437,067	659,282
Provisions	10,114	6,986	11,273
Deferred tax liabilities	2,457,721	2,367,502	2,171,419
Other post-employment obligations	2,131,732	1,945,132	1,925,164
Total Liabilities	68,667,355	72,722,239	72,138,337
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	574,295	573,976	554,367
Capital and fair value reserves	3,868,765	2,781,614	2,826,500
Retained earnings	16,763,884	17,305,066	16,621,344
Banking Reserves	2,222,315	627,685	776,884
Other reserves	2,238,672	2,409,301	2,351,779
	25,667,931	23,697,642	23,130,874
Non-controlling interests	1,272,951	1,147,370	1,243,182
Total equity	26,940,882	24,845,012	24,374,056
Total Equity and Liabilities	95,608,237	97,567,251	96,512,393

Approved for issue by the Board of Directors on 12 November 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 SEPTEMBER 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	-	-	1,222,268	1,821,856	-	450,675	3,494,799	224,784	3,719,583
Issue of shares	11	488	-	-	-	-	488	-	488
Decrease in non-controlling interests	-	-	-	-	-	-	-	(277,377)	(277,377)
Transfers between reserves:									
To capital reserves	-	-	18,657	(18,657)	-	-	-	-	-
To retained earnings	-	-	(155,531)	155,531	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	759	759	-	759
Dividends paid	-	-	-	(164,577)	-	-	(164,577)	-	(164,577)
Dividends paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	(477,886)	(477,886)
Total transactions with owners	11	488	(136,874)	(27,703)	-	759	(163,330)	(755,263)	(918,593)
Balance at 30 September 2009	329,165	554,367	2,826,500	16,621,344	776,884	2,351,779	23,130,874	1,243,182	24,374,056
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	-	-	887,876	1,549,394	-	(171,389)	2,265,881	169,376	2,435,257
Issue of shares	5	319	-	-	-	-	319	-	319
Transfers between reserves:									
To capital reserves	-	-	199,275	(199,275)	-	-	-	-	-
To banking reserves	-	-	-	(1,594,630)	1,594,630	-	-	-	-
Employee share option scheme	-	-	-	-	-	760	760	-	760
Dividends paid	-	-	-	(296,671)	-	-	(296,671)	-	(296,671)
Dividends paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	(43,795)	(43,795)
Total transactions with owners	5	319	199,275	(2,090,576)	1,594,630	760	(295,592)	(43,795)	(339,387)
Balance at 30 September 2010	329,638	574,295	3,868,765	16,763,884	2,222,315	2,238,672	25,667,931	1,272,951	26,940,882

GraceKennedy Limited

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

	9/30/2010 \$'000	9/30/2009 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	1,727,151	2,013,339
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(159,171)	(2,638,712)
Cash provided by/(used in) operating activities	1,567,980	(625,373)
Cash used in financing activities	(2,832,175)	(1,817,014)
Cash provided by investing activities	3,647,940	3,151,035
Increase in cash and cash equivalents	2,383,745	708,648
Cash and cash equivalents at beginning of year	8,798,668	6,691,504
Exchange and translation gains on net foreign cash balances	(136,233)	347,915
CASH AND CASH EQUIVALENTS AT END OF PERIOD	11,046,180	7,748,067

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT

QUARTER ENDED 30 SEPTEMBER 2010

(Unaudited)

9 months to 30 September 2010	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	25,799,465	4,176,494	4,642,766	3,660,479	3,228,150	-	41,507,354
Inter-segment sales	126,779	5,483	16,760	311,343	-	(460,365)	-
Total Revenue	25,926,244	4,181,977	4,659,526	3,971,822	3,228,150	(460,365)	41,507,354
RESULT							
Operating results	555,083	99,984	627,900	285,738	835,416	93,306	2,497,427
Unallocated income	-	-	-	-	-	265,717	265,717
Profit from operations	-	-	-	-	-	-	2,763,144
Finance income	19,523	524	52,891	23,624	50,955	139,156	286,673
Finance expense	(306,664)	(75,919)	(66,404)	(5,600)	(2,486)	(215,901)	(672,974)
Share of associates	108,856	-	33,829	(51,680)	(490)	-	90,515
Profit before Taxation	376,798	24,589	648,216	252,082	883,395	282,278	2,467,358
Taxation							(740,207)
Net Profit for the period							1,727,151
Attributable to:							
Owners of GraceKennedy Limited							1,549,394
Non-controlling interests							177,757
							1,727,151

9 months to 30 September 2009	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	25,926,409	5,007,689	6,019,328	3,157,177	3,304,693	-	43,415,296
Inter-segment sales	158,224	3,078	119,765	316,466	-	(597,533)	-
Total Revenue	26,084,633	5,010,767	6,139,093	3,473,643	3,304,693	(597,533)	43,415,296
RESULT							
Operating results	705,869	79,700	(82,380)	442,801	1,020,545	169,890	2,336,425
Unallocated income	-	-	-	-	-	550,316	550,316
Profit from operations	-	-	-	-	-	-	2,886,741
Finance income	18,758	21,610	69,235	42,178	57,031	137,426	346,238
Finance expense	(125,740)	(151,347)	(26,462)	(5,820)	(2,401)	(165,266)	(477,036)
Share of associates	73,058	8,951	41,959	(3,224)	(489)	-	120,255
Profit before Taxation	671,945	(41,086)	2,352	475,935	1,074,686	692,366	2,876,198
Taxation							(862,859)
Net Profit for the period							2,013,339
Attributable to:							
Owners of GraceKennedy Limited							1,821,856
Non-controlling interests							191,483
							2,013,339

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS QUARTER ENDED 30 SEPTEMBER 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.