



**INTERIM REPORT**

**(SIX MONTHS)  
30 JUNE 2011**



**GraceKennedy**  
**GraceKennedy Limited**

STOCKHOLDERS' REPORT

The Directors present the unaudited results of the Group for the six months ended June 30, 2011.

The Group achieved Revenues for the period of \$28,964 million (2010: \$28,066 million), an increase of \$898 million or 3.2%. The Net Profit Attributable to owners of the Company decreased by \$15 million compared to the corresponding period of 2010, moving from \$1,232 million to \$1,217 million a decrease of 1.2%. This represents earnings per stock unit of \$3.69 (2010: \$3.74).

In comparison with the second quarter of the prior year, there was improvement in both revenues and profits. For the three months ending June 30, 2011, the Group achieved Revenues for the period of \$14,597 million (2010: \$13,589 million), an increase of \$1,008 million or 7.4%. The Net Profit Attributable to owners of the Company increased by \$128 million compared to the corresponding period of 2010, moving from \$478 million to \$606 million an increase of 26.7%.

On May 27, 2011, an interim dividend of 55 cents per stock unit was paid to stockholders on record as at May 2, 2011.

The GK Foods Division had encouraging results for the second quarter, as both sales and profits surpassed the 2010 corresponding period. This performance was even more creditable in the face of increased expenses including fuel, electricity and raw material costs. The Division however, continues to pursue cost mitigating measures including energy conservation and productivity improvements.

The domestic market performance in the second quarter was bolstered by robust sales for the Easter period. In the international market, our UK subsidiary continues to improve in both sales and profitability and Grace Foods International broke into a new territory with its first shipment to Mexico. The sale and distribution of the Grace brand in new markets is an area of focus, as we explore opportunities in Latin America, Eastern Europe and South East Asia.

The Money Services segment continues to do well and is ahead of prior year pre-tax profits for the six months to June 2011. The increase in remittance volumes has contributed to GraceKennedy Remittance maintaining its market share.

The Banking and Investments segment saw improvement in the second quarter 2011 when compared to the first quarter. First Global Financial Services recorded a significant increase in profits, while First Global Bank in recent months has experienced encouraging demand for its business and personal loan portfolio. The deposit base of the bank also grew for the period.

The Insurance segment performed creditably in the second quarter. Although Jamaica International Insurance Company Limited was negatively affected by the Jamaica Debt Exchange Programme, the recovery strategies are now in place resulting in improved underwriting performance.

On July 1, 2011, Mr. Douglas Orane retired as an employee of the company and was appointed to the position of Executive Chairman of GraceKennedy Limited. Mr. Don Wehby was appointed Group Chief Executive Officer on July 1, 2011.

Mrs. Mary Anne Chambers and Mr. Everton McDonald were appointed to the GraceKennedy Board as well as to the Audit and Corporate Governance & Nomination Committees on May 26, 2011.

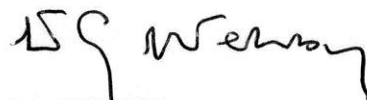
Mr. LeRoy Bookal retired from the Board of Directors at the Company's Annual General Meeting held on May 26, 2011. The Board is grateful for his significant contribution and wishes for him the very best.

The third GraceKennedy Education 5K Run/walk was staged on Sunday July 17, 2011 in downtown Kingston to raise funds to support educational programmes in downtown Kingston inner city communities. This year, there was a significant increase in entries with over 2,600 registered participants representing over 70 teams. This compares with over 1,500 participants representing over 50 teams in 2010.

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



Douglas Orane  
Executive Chairman



Donald Wehby  
Group Chief Executive Officer

July 28, 2011

## GraceKennedy Limited

### CONSOLIDATED INCOME STATEMENT

SIX MONTHS ENDED 30 JUNE 2011

(Unaudited)

	3 months to 06/30/2011 \$'000	6 months to 06/30/2011 \$'000	3 months to 06/30/2010 \$'000	6 months to 06/30/2010 \$'000
<b>Revenue</b>	14,596,552	28,963,762	13,588,688	28,065,565
Expenses	13,904,064	27,577,874	12,860,654	26,398,574
Other income	692,488	1,385,888	728,034	1,666,991
	282,918	552,949	189,500	445,723
<b>Profit from Operations</b>	975,406	1,938,837	917,534	2,112,714
Interest income – non-financial services	93,535	175,540	86,402	199,343
Interest expense – non-financial services	(160,551)	(349,758)	(209,795)	(448,302)
Share of results of associated companies	24,174	116,413	10,535	100,630
<b>Profit before Taxation</b>	932,564	1,881,032	804,676	1,964,385
Taxation	(261,118)	(526,689)	(264,600)	(589,318)
<b>NET PROFIT FOR THE PERIOD</b>	671,446	1,354,343	540,076	1,375,067
<b>Profit attributable to:</b>				
<b>Owners of GraceKennedy Limited</b>	605,924	1,217,260	478,086	1,232,153
<b>Non-controlling interests</b>	65,522	137,083	61,990	142,914
	671,446	1,354,343	540,076	1,375,067

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

<b>Basic</b>	\$1.84	\$3.69	\$1.45	\$3.74
<b>Diluted</b>	\$1.83	\$3.68	\$1.44	\$3.72

## GraceKennedy Limited

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SIX MONTHS ENDED 30 JUNE 2011

(Unaudited)

	3 months to 06/30/2011 \$'000	6 months to 06/30/2011 \$'000	3 months to 06/30/2010 \$'000	6 months to 06/30/2010 \$'000
Profit for the period	671,446	1,354,343	540,076	1,375,067
Other comprehensive income:				
Foreign currency translation adjustments	2,023	56,247	(193,127)	(271,357)
Fair value gains	365,254	650,697	4,572	689,478
Revaluation losses	-	(27,365)	-	-
Other comprehensive income for the period, net of tax	367,277	679,579	(188,555)	418,121
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	1,038,723	2,033,922	351,521	1,793,188
<b>Total comprehensive income attributable to:</b>				
<b>Owners of GraceKennedy Limited</b>	972,817	1,897,120	298,777	1,660,148
<b>Non-controlling interests</b>	65,906	136,802	52,744	133,040
	1,038,723	2,033,922	351,521	1,793,188

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2011

(Unaudited)

	June 30 2011 \$'000	December 31 2010 \$'000	June 30 2010 \$'000
<b>ASSETS</b>			
Cash and deposits	14,717,988	13,609,782	12,945,076
Investment securities	41,658,453	41,049,236	40,796,130
Receivables	8,494,473	7,580,739	8,013,925
Inventories	6,841,808	5,727,961	5,884,958
Loans receivable	10,185,324	10,401,441	10,677,440
Taxation recoverable	894,506	1,339,110	1,326,499
Investments in associates	818,002	725,826	747,739
Intangible assets	1,994,300	2,042,293	2,242,361
Fixed assets	6,730,042	6,692,471	6,490,892
Deferred tax assets	814,396	923,572	1,269,968
Pension plan asset	8,170,177	7,973,705	7,722,446
<b>Total Assets</b>	<b>101,319,469</b>	<b>98,066,136</b>	<b>98,117,434</b>
<b>LIABILITIES</b>			
Deposits	13,656,216	13,033,915	12,254,372
Securities sold under agreements to repurchase	25,234,319	26,521,041	26,050,152
Bank and other loans	13,700,476	13,764,164	15,871,159
Payables	13,746,108	11,785,359	12,493,854
Taxation	301,480	361,824	419,691
Provisions	6,221	8,037	9,086
Deferred tax liabilities	2,696,731	2,541,777	2,475,697
Other post-employment obligations	2,250,820	2,206,862	2,069,532
<b>Total Liabilities</b>	<b>71,592,371</b>	<b>70,222,979</b>	<b>71,643,543</b>
<b>EQUITY</b>			
<b>Capital &amp; reserves attributable to the company's owners</b>			
Share capital	574,216	574,216	573,976
Capital and fair value reserves	5,176,966	4,443,059	3,665,296
Retained earnings	18,347,323	17,459,342	16,583,566
Banking Reserves	2,222,315	2,222,315	2,222,315
Other reserves	2,090,816	1,998,873	2,148,328
	28,411,636	26,697,805	25,193,481
<b>Non-controlling interests</b>	<b>1,315,462</b>	<b>1,145,352</b>	<b>1,280,410</b>
<b>Total equity</b>	<b>29,727,098</b>	<b>27,843,157</b>	<b>26,473,891</b>
<b>Total Equity and Liabilities</b>	<b>101,319,469</b>	<b>98,066,136</b>	<b>98,117,434</b>

Approved for issue by the Board of Directors on 28 July 2011 and signed on its behalf by:



Douglas Orane Executive Chairman



Donald Wehby Group Chief Executive Officer

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY SIX MONTHS ENDED 30 JUNE 2011

(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	
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
Balance at 1 January 2011	329,633	574,216	4,443,059	17,459,342	2,222,315	1,998,873	26,697,805	1,145,352	27,843,157
Total comprehensive income for the period	-	-	623,332	1,217,260	-	56,528	1,897,120	136,802	2,033,922
Transfer of non-controlling interests	-	-	-	(37,404)	-	4,096	(33,308)	33,308	-
Transfers between reserves:									
To capital reserves	-	-	110,575	(110,575)	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	31,319	31,319	-	31,319
Dividends paid	-	-	-	(181,300)	-	-	(181,300)	-	(181,300)
Total transactions with owners	-	-	110,575	(329,279)	-	35,415	(183,289)	33,308	(149,981)
Balance at 30 June 2011	329,633	574,216	5,176,966	18,347,323	2,222,315	2,090,816	28,411,636	1,315,462	29,727,098

# GraceKennedy Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 30 JUNE 2011

(Unaudited)

	06/30/2011 \$'000	06/30/2010 \$'000
<b>SOURCES/(USES) OF CASH:</b>		
<b>Operating Activities</b>		
Profit for the period	1,354,343	1,375,067
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	220,741	754,436
Cash provided by operating activities	1,575,084	2,129,503
Cash used in financing activities	(452,950)	(1,372,214)
Cash provided by investing activities	184,792	1,911,687
Increase in cash and cash equivalents	1,306,926	2,668,976
Cash and cash equivalents at beginning of year	11,918,047	8,798,668
Exchange and translation losses on net foreign cash balances	(19,970)	(139,368)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>13,205,003</b>	<b>11,328,276</b>

# GraceKennedy Limited

## FINANCIAL INFORMATION BY OPERATING SEGMENT

SIX MONTHS ENDED 30 JUNE 2011

(Unaudited)

6 months to 30 June 2011	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
<b>REVENUE</b>							
External sales	19,113,090	3,018,582	2,638,068	2,084,903	2,109,119	-	28,963,762
Inter-segment sales	76,798	2,698	8,639	8,807	-	(96,942)	-
<b>Total Revenue</b>	<b>19,189,888</b>	<b>3,021,280</b>	<b>2,646,707</b>	<b>2,093,710</b>	<b>2,109,119</b>	<b>(96,942)</b>	<b>28,963,762</b>
<b>RESULT</b>							
Operating results	588,699	71,731	443,816	200,778	644,674	5,586	1,955,284
Unallocated expense	-	-	-	-	-	(16,447)	(16,447)
Profit from operations	-	-	-	-	-	-	1,938,837
Finance income	8,451	1,441	26,836	7,348	32,924	98,540	175,540
Finance expense	(197,969)	(34,631)	(39,220)	(3,789)	(1,800)	(72,349)	(349,758)
Share of associates	99,990	-	28,277	(11,854)	-	-	116,413
Profit before Taxation	499,171	38,541	459,709	192,483	675,798	15,330	1,881,032
Taxation							(526,689)
<b>Net Profit for the period</b>							<b>1,354,343</b>
Attributable to:							
Owners of GraceKennedy Limited							1,217,260
Non-controlling interests							137,083
							<b>1,354,343</b>

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
<b>REVENUE</b>							
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)	-
<b>Total Revenue</b>	<b>17,541,801</b>	<b>2,842,441</b>	<b>3,179,890</b>	<b>2,472,770</b>	<b>2,142,615</b>	<b>(113,952)</b>	<b>28,065,565</b>
<b>RESULT</b>							
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)
<b>Net Profit for the period</b>							<b>1,375,067</b>
Attributable to:							
Owners of GraceKennedy Limited							1,232,153
Non-controlling interests							142,914
							<b>1,375,067</b>



# GraceKennedy Limited

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2011

### 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 2010.

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 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.

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 30 April 2010, the court ruled in favour of GKRS and the software developer on all claims. 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. Further to an application made by Paymaster to the Court of Appeal the enquiry into damages resulting from the injunction by the Supreme Court was on 6 May 2011 stayed pending appeal. The recovery of costs was not stayed and GKRS may therefore proceed to pursue the recovery of costs against Paymaster. Management has considered the advice of the company's attorneys and is of the opinion that Paymaster's appeal is unlikely to succeed.