



INTERIM REPORT

**(SIX MONTHS)
30 JUNE 2012**

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors present the unaudited results of the Group for the six months ended June 30, 2012. The Group achieved revenues for the period of \$30,577 million (2011: \$28,964 million), a 5.6% or \$1.6 billion increase over the corresponding period of 2011. Net profit attributable to owners of the Company declined by \$67 million or 5.5% compared to the corresponding period of 2011, declining from \$1,217 million to \$1,150 million. This represents earnings per stock unit of \$3.46 (2011: \$3.69).

The Group's asset base grew by \$3,450 million since the beginning of the year to total \$103.6 billion. Liabilities increased by \$2,341 million over the six-month period, while the total equity increased by \$1,109 million.

On May 28, 2012, an interim dividend of 60 cents per stock unit was paid to stockholders on record as at May 4, 2012, compared with 55 cents paid in May 2011. The increased payout is being achieved through improved cash management.

GK Foods' revenue growth slowed in the second quarter 2012 contributing to relatively flat profits for the first six months of 2012. This was largely driven by a tighter domestic market, supply issues with some of our key products and increased operational costs. During the quarter, two of our factories successfully met or passed Stage 1 of the newly established and internationally accredited FSSC 22000 food safety standard, which incorporates Good Manufacturing Practices (GMP) as well as Hazard Analysis Critical Control Points (HACCP).

Our export arm, Grace Foods International, received the Governor General's Cup as Champion exporter at the 2012 Jamaica Export Association Annual Awards Banquet. Our UK operation, Grace Foods UK, experienced positive sales growth in the large supermarket chains relative to the same period last year, and increased its Encona listings resulting in the addition of 900 new distribution points for our range of sauces. The division experienced growth in the key export markets of Europe and Africa.

On May 31, 2012, Grace Foods received the Jamaica Observer Lifetime Achievement Award at the 2012 edition of their Food Awards.

The GraceKennedy Financial Group had a challenging second quarter 2012. The Banking and Investments segment had mixed results. First Global Bank continued to experience growth in loans and deposits which resulted in improved profitability over the corresponding period in 2011. First Global Financial Services experienced a decrease in profitability due to reduced interest income and trading gains. GraceKennedy Money Services continues to do well with revenues and pre-tax profits growing over the prior year. The performance of all areas of money services was creditable with our cambio line securing more commercial business.

In June, World Finance Magazine, a leading financial magazine in London, named First Global Bank the winner of the "Best Banking Group 2012" award for Jamaica. Allied Insurance Brokers took home the 2011 Service Award for the Insurance Category, at the Jamaica Exporters Association Awards Ceremony, for the third year in a row.

GraceKennedy continues to support Jamaica's Olympic team through the provision of meals for our athletes on their journey to the 2012 Olympics. GraceKennedy has also agreed to provide nutritional support for Jamaica's national cricket teams over the next year.

The Grace and Staff Community Development Foundation's camera club LICK (Learning Institute of Central Kingston), has won two awards in the 2012 JCDC National Visual Arts Competition. The photos will be on display at the National Gallery with all the other winning photos until August, after which, they will be part of the Jamaica 50 travelling exhibition around the island.

The fourth GraceKennedy Education 5K Run/Walk was staged on Sunday July 8, 2012 in Downtown Kingston to raise funds to support educational programmes in Downtown Kingston inner city communities. This year, there was an increase of 70% in entries with registered participants moving from 4,795 versus 2,705 in 2011.

As previously announced, effective July 1, 2012, former GraceKennedy Executive Chairman, Douglas Orane, has been appointed non-executive Chairman of the Company.

The first half of 2012 has provided both challenges and opportunities. We have grasped the opportunities and withstood the challenges. We thank you, our shareholders, for your confidence and support as we commit to value creation for all our stakeholders. We thank our consumers, customers and suppliers for their continued association and tremendous support. We wish to express our gratitude to our colleague directors, management and staff for their dedication, as together we implement strategies to ensure the continued growth of the GraceKennedy Group.

As we celebrate our 90th anniversary and celebrate with Jamaica its 50th anniversary of Independence, we look eagerly to the future, committed to all our stakeholders, holding steadfast to our core values of "Honesty, Integrity and Trust".



Douglas R. Orane
Chairman



Don G. Wehby
Group Chief Executive Officer

July 26, 2012

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT

SIX MONTHS ENDED 30 JUNE 2012

(Unaudited)

	3 months to 06/30/2012 \$'000	6 months to 06/30/2012 \$'000	3 months to 06/30/2011 \$'000	6 months to 06/30/2011 \$'000
Revenue	14,980,693	30,576,814	14,596,552	28,963,762
Expenses	14,313,016	29,168,391	13,904,064	27,577,874
	667,677	1,408,423	692,488	1,385,888
Other income	179,754	419,109	282,918	552,949
Profit from Operations	847,431	1,827,532	975,406	1,938,837
Interest income – non-financial services	75,636	153,808	93,535	175,540
Interest expense – non-financial services	(155,264)	(311,899)	(160,551)	(349,758)
Share of results of associated companies	11,800	115,279	24,174	116,413
Profit before Taxation	779,603	1,784,720	932,564	1,881,032
Taxation	(218,359)	(499,792)	(261,118)	(526,689)
NET PROFIT FOR THE PERIOD	561,244	1,284,928	671,446	1,354,343
Profit attributable to:				
Owners of GraceKennedy Limited	498,583	1,149,737	605,924	1,217,260
Non-controlling interests	62,661	135,191	65,522	137,083
	561,244	1,284,928	671,446	1,354,343

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

Basic	\$1.50	\$3.46	\$1.84	\$3.69
Diluted	\$1.49	\$3.44	\$1.83	\$3.68

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SIX MONTHS ENDED 30 JUNE 2012

(Unaudited)

	3 months to 06/30/2012 \$'000	6 months to 06/30/2012 \$'000	3 months to 06/30/2011 \$'000	6 months to 06/30/2011 \$'000
Profit for the period	561,244	1,284,928	671,446	1,354,343
Other comprehensive income:				
Foreign currency translation adjustments	34,332	92,045	2,023	56,247
Fair value (losses)/gains	(90,698)	(140,983)	365,254	650,697
Revaluation losses	-	-	-	(27,365)
Other comprehensive income for the period, net of tax	(56,366)	(48,938)	367,277	679,579
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	504,878	1,235,990	1,038,723	2,033,922
Total comprehensive income attributable to:				
Owners of GraceKennedy Limited	439,049	1,096,231	972,817	1,897,120
Non-controlling interests	65,829	139,759	65,906	136,802
	504,878	1,235,990	1,038,723	2,033,922

GraceKennedy Limited

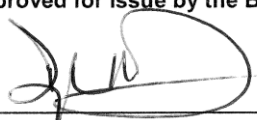
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2012


(Unaudited)

	June 30 2012 \$'000	December 31 2011 \$'000	June 30 2011 \$'000
ASSETS			
Cash and deposits	10,365,632	12,326,328	14,717,988
Investment securities	42,506,050	41,018,930	41,658,453
Receivables	9,966,509	8,492,584	8,494,473
Inventories	6,436,163	6,524,177	6,841,808
Loans receivable	13,967,297	11,911,040	10,185,324
Taxation recoverable	1,067,419	916,802	894,506
Investments in associates	889,439	824,160	818,002
Intangible assets	1,911,760	1,893,029	1,994,300
Fixed assets	6,986,129	6,893,248	6,730,042
Deferred tax assets	1,108,957	1,066,226	814,396
Pension plan asset	8,418,388	8,307,244	8,170,177
Total Assets	103,623,743	100,173,768	101,319,469
LIABILITIES			
Deposits	14,861,366	13,693,757	13,656,216
Securities sold under agreements to repurchase	26,174,044	26,451,721	25,234,319
Bank and other loans	11,736,464	11,808,923	13,700,476
Payables	13,482,220	12,252,825	13,746,109
Taxation	344,603	268,278	301,479
Provisions	8,502	7,243	6,221
Deferred tax liabilities	2,904,993	2,911,390	2,696,731
Other post-employment obligations	2,388,048	2,165,226	2,250,820
Total Liabilities	71,900,240	69,559,363	71,592,371
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	655,103	593,968	574,216
Capital and fair value reserves	4,646,611	4,794,309	5,176,966
Retained earnings	20,880,041	19,911,616	18,347,323
Banking reserves	1,942,967	1,942,967	2,222,315
Other reserves	2,182,513	2,095,036	2,090,816
	30,307,235	29,337,896	28,411,636
Non-controlling interests	1,416,268	1,276,509	1,315,462
Total Equity	31,723,503	30,614,405	29,727,098
Total Equity and Liabilities	103,623,743	100,173,768	101,319,469

Approved for issue by the Board of Directors on 26 July 2012 and signed on its behalf by:



 Douglas Orane Chairman



 Don Wehby Group Chief Executive Officer

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 JUNE 2012

(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 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
Decrease in non-controlling interests	-	-	-	(37,404)	-	4,096	(33,308)	33,308	-
Employee share option scheme	-	-	-	-	-	31,319	31,319	-	31,319
Dividends paid	-	-	-	(181,300)	-	-	(181,300)	-	(181,300)
Total transactions with owners	-	-	-	(218,704)	-	35,415	(183,289)	33,308	(149,981)
Transfers between reserves:									
To capital reserves	-	-	110,575	(110,575)	-	-	-	-	-
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
Balance at 1 January 2012	330,255	593,968	4,794,309	19,911,616	1,942,967	2,095,036	29,337,896	1,276,509	30,614,405
Total comprehensive income for the period	-	-	(140,983)	1,149,737	-	87,477	1,096,231	139,759	1,235,990
Issue of bonus shares	-	-	-	-	-	-	-	-	-
Issue of shares	2,146	61,135	-	-	-	-	61,135	-	61,135
Employee share option scheme	-	-	-	11,414	-	-	11,414	-	11,414
Dividends paid	-	-	-	(199,441)	-	-	(199,441)	-	(199,441)
Total transactions with owners	2,146	61,135	-	(188,027)	-	-	(126,892)	-	(126,892)
Transfers between reserves:									
To retained earnings	-	-	(6,715)	6,715	-	-	-	-	-
Balance at 30 June 2012	332,401	655,103	4,646,611	20,880,041	1,942,967	2,182,513	30,307,235	1,416,268	31,723,503

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 30 JUNE 2012

(Unaudited)

	06/30/2012 \$'000	06/30/2011 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	1,284,928	1,354,343
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(1,492,571)	220,741
Cash (used in)/provided by operating activities	(207,643)	1,575,084
Cash used in financing activities	(862,634)	(452,950)
Cash (used in)/provided by investing activities	(1,260,898)	184,792
(Decrease)/Increase in cash and cash equivalents	(2,331,175)	1,306,926
Cash and cash equivalents at beginning of year	10,958,017	11,918,047
Exchange and translation gains/(losses) on net foreign cash balances	56,865	(19,970)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8,683,707	13,205,003

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT

SIX MONTHS ENDED 30 JUNE 2012

(Unaudited)

6 months to 30 June 2012	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	20,231,220	3,112,313	2,605,505	2,216,072	2,411,704	-	30,576,814
Inter-segment sales	131,825	2,183	14,248	24,216	-	(172,472)	-
Total Revenue	20,363,045	3,114,496	2,619,753	2,240,288	2,411,704	(172,472)	30,576,814
RESULT							
Operating results	594,448	51,437	321,923	160,363	752,899	25,089	1,906,159
Unallocated expense	-	-	-	-	-	(78,627)	(78,627)
Profit from operations	-	-	-	-	-	-	1,827,532
Finance income	6,016	3,489	17,673	5,674	21,377	99,579	153,808
Finance expense	(191,815)	(36,324)	(36,447)	(3,712)	(475)	(43,126)	(311,899)
Share of associates	90,171	-	29,203	(4,095)	-	-	115,279
Profit before Taxation	498,820	18,602	332,352	158,230	773,801	2,915	1,784,720
Taxation							(499,792)
Net Profit for the period							1,284,928
Attributable to:							
Owners of GraceKennedy Limited							1,149,737
Non-controlling interests							135,191
							1,284,928

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
REVENUE							
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)	-
Total Revenue	19,189,888	3,021,280	2,646,707	2,093,710	2,109,119	(96,942)	28,963,762
RESULT							
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)
Net Profit for the period							1,354,343
Attributable to:							
Owners of GraceKennedy Limited							1,217,260
Non-controlling interests							137,083
							1,354,343

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS 30 JUNE 2012

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 2011.

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.