



INTERIM REPORT

**(SIX MONTHS)
30 JUNE 2009**

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the six months ended June 30, 2009.

The Group achieved Revenues for the half year period of \$29,504 million (2008: \$27,330 million), an increase of \$2,174 million or 8%. The Net Profit Attributable to owners of the Company increased by \$447 million over the corresponding period of 2008, moving from \$1,162 million to \$1,609 million an increase of 38%. This represents earnings per stock unit of \$4.89 (2008: \$3.54) an increase of 38%. In US dollars, earnings per stock unit was 5.55 US cents (2008: 4.96 US cents) an increase of 12%.

On May 26, 2009, GraceKennedy Limited paid an interim dividend of \$165 million, which represents a payment of 50 cents per stock unit.

GK Foods showed significant improvement when compared with the prior year. Its 42% growth in year-to-date profits has been influenced by the extensive removal of costs from our operations, new product introductions and increased marketing initiatives in several markets which have maintained our volumes in these recessionary conditions.

The introduction of new products in several markets has also made a significant contribution to our overall performance. These will prove critical to our future growth as we strive to provide our consumers with new, convenient and affordable choices. During the second quarter, we launched our Grace Instant Soy Porridge and Grace Earth Chef Veggie Meals, the latter being a high-fiber, high protein meat substitute made from soy protein concentrate. They are now available in flavoured and unflavoured varieties – Veggie Curried Mutton, Veggie Stew Beef, and Veggie Mince Beef. Additionally, Quick Cook Porridges and Grace Blends were launched in selected Caribbean markets. We also sent our first shipment of Encona hot pepper sauces into the US market. This range, owned by us since 2007, is the UK's largest selling hot pepper sauce brand.

The new Distribution Centre on the Bernard Lodge lands west of Kingston is progressing well and is on schedule for completion by the end of 2009. This new facility will accommodate all our existing warehouses activities under one roof and should result in a much more efficient operation.

GK Investments continued its good performance increasing its half yearly profits by 29% over the comparable period last year despite the sustained downturn in regional economies. Results for the period were driven by strong performances in Money Services, Insurance and Banking and Investment segments. New products launched within the quarter by Jamaica International Insurance Company Limited (JIIC) included the Premier Lady, Premier Suite and Personal Accident Rider policies. Our money services segment increased market share by maintaining volumes through loyal customers in a declining remittance market.

The retail segment showed improvement when compared with the quarter ended March 2009; however, challenges remain due to the sustained weak retail and construction sectors. Cost saving and revenue generating strategies by Hardware & Lumber Ltd. are starting to work and the results of the turnaround programme are emerging. Mr. Joe Taffe, Deputy CEO of GK Investments, has assumed the temporary leadership of Hardware & Lumber Ltd. as acting CEO, following the retirement of Mr. Anthony Holness, the former Chief Executive Officer.

The Inaugural GraceKennedy Education 5K Run/Walk was staged on Sunday, July 5, 2009 in downtown Kingston with the scenic waterfront as its backdrop, and was deemed a great success. Eight hundred and forty four (844) runners, walkers and wheelchair participants completed the race. The event, the brainchild of a group of young GraceKennedy employees, was held to raise funds for our various educational programmes, in particular tertiary education for students from the surrounding communities. These students have benefited over the years from the guidance and support of our Grace & Staff Community Development Foundation.

The winner of this year's First Global Vision Award is Mrs. Maia Chung-Smith, a journalist, the founder of the Maia Chung Autism and Disabilities Foundation. This is the second year of this award which was created to recognise outstanding Jamaican women who have demonstrated foresight that ultimately impacts positively on the lives of others.

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 grow our businesses in response to our customers' needs.



Douglas R. Orane
Chairman & Chief Executive Officer

July 30, 2009

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT

QUARTER ENDED 30 JUNE 2009

(Unaudited)

	3 months to 30/06/2009 \$'000	6 months to 30/06/2009 \$'000	3 months to 30/06/2008 \$'000	6 months to 30/06/2008 \$'000
Revenue	14,814,208	29,503,991	13,550,483	27,329,911
Expenses	13,971,569	27,802,993	12,873,850	25,812,982
	842,639	1,700,998	676,633	1,516,929
Other income	345,253	747,641	193,853	371,748
Profit from Operations	1,187,892	2,448,639	870,486	1,888,677
Interest income – non-financial services	105,114	217,988	108,448	203,169
Interest expense – non-financial services	(159,823)	(295,258)	(143,482)	(289,211)
Share of results of associated companies	11,280	107,255	10,847	66,728
Profit before Taxation	1,144,463	2,478,624	846,299	1,869,363
Taxation	(343,338)	(743,587)	(270,816)	(598,196)
NET PROFIT FOR THE PERIOD	801,125	1,735,037	575,483	1,271,167
Profit attributable to:				
Owners of GraceKennedy Limited	724,637	1,609,105	525,203	1,161,925
Non-controlling interests	76,488	125,932	50,280	109,242
	801,125	1,735,037	575,483	1,271,167

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

Basic	\$2.20	\$4.89	\$1.60	\$3.54
Diluted	\$2.19	\$4.87	\$1.59	\$3.51

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

QUARTER ENDED 30 JUNE 2009

(Unaudited)

	3 months to 30/06/2009 \$'000	6 months to 30/06/2009 \$'000	3 months to 30/06/2008 \$'000	6 months to 30/06/2008 \$'000
Profit for the period	801,125	1,735,037	575,483	1,271,167
Other comprehensive income:				
Foreign currency translation adjustments	280,454	446,935	33,151	117,748
Fair value gains/(losses)	351,167	776,735	(124,675)	(397,390)
Revaluation (losses)/gains	(2,194)	(55,724)	-	141,300
Other comprehensive income for the period, net of tax	629,427	1,167,946	(91,524)	(138,342)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,430,552	2,902,983	483,959	1,132,825
Total comprehensive income attributable to:				
Owners of GraceKennedy Limited	1,353,765	2,747,312	429,273	1,018,261
Non-controlling interests	76,787	155,671	54,686	114,564
	1,430,552	2,902,983	483,959	1,132,825

GraceKennedy Limited


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2009

(Unaudited)

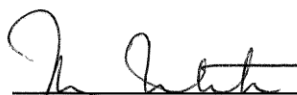
	JUNE 2009 \$'000	DECEMBER 2008 \$'000	JUNE 2008 \$'000
ASSETS			
Cash and deposits	10,674,649	7,698,399	6,606,826
Investment securities	47,560,401	46,835,527	42,265,894
Receivables	8,088,104	8,567,839	9,044,410
Inventories	5,536,427	5,582,398	5,190,034
Loans receivable	10,931,603	9,389,004	6,917,459
Taxation recoverable	690,754	652,278	621,824
Investments in associates	777,866	851,331	818,681
Intangible assets	2,688,396	2,486,997	2,451,626
Fixed assets	5,008,887	4,198,367	3,270,726
Deferred tax assets	790,473	659,309	289,246
Pension plan asset	7,443,511	7,165,149	6,894,677
Total Assets	100,191,071	94,086,598	84,371,403
LIABILITIES			
Deposits	14,269,498	13,942,768	14,306,109
Securities sold under agreements to repurchase	29,971,749	27,258,533	23,782,946
Bank and other loans	15,539,756	14,715,491	8,004,967
Payables	11,396,659	11,991,771	11,666,814
Taxation	480,650	278,098	272,687
Provisions	10,275	13,770	8,410
Deferred tax liabilities	2,189,668	2,036,831	2,138,170
Other post-employment obligations	1,836,496	1,659,160	1,488,578
Total Liabilities	75,694,751	71,896,422	61,668,681
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	553,879	553,879	535,256
Capital and fair value reserves	2,470,600	1,741,106	3,313,460
Retained earnings	16,878,357	15,444,301	14,562,463
Reserve funds	776,884	776,884	776,884
Other reserves	2,320,036	1,900,345	1,825,642
	22,999,756	20,416,515	21,013,705
Non-controlling interests	1,496,564	1,773,661	1,689,017
Total equity	24,496,320	22,190,176	22,702,722
Total Equity and Liabilities	100,191,071	94,086,598	84,371,403

Approved for issue by the Board of Directors on 30 July 2009 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 2009

(Unaudited)

	Attributable to owners of the company							Non-controlling interests	Total Equity
	No. of Shares	Share Capital	Capital and	Retained Earnings	Reserve Fund	Other Reserves	Total		
			Fair Value Reserve						
'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2008	326,135	419,739	3,564,283	13,564,901	776,884	1,712,710	20,038,517	1,574,453	21,612,970
Total comprehensive income for the period	-	-	(256,090)	1,161,925	-	112,426	1,018,261	114,564	1,132,825
Issue of shares	1,550	47,241	-	-	-	-	47,241	-	47,241
Issue of treasury shares	914	68,276	5,267	-	-	-	73,543	-	73,543
Employee share option scheme	-	-	-	-	-	506	506	-	506
Dividends paid	-	-	-	(164,363)	-	-	(164,363)	-	(164,363)
Balance at 30 June 2008	328,599	535,256	3,313,460	14,562,463	776,884	1,825,642	21,013,705	1,689,017	22,702,722
Balance at 1 January 2009	329,154	553,879	1,741,106	15,444,301	776,884	1,900,345	20,416,515	1,773,661	22,190,176
Total comprehensive income for the period	-	-	719,022	1,609,105	-	419,185	2,747,312	155,671	2,902,983
Transfers between reserves:	-	-	-	-	-	-	-	-	-
To capital reserves	-	-	10,472	(10,472)	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	506	506	-	506
Dividends paid	-	-	-	(164,577)	-	-	(164,577)	-	(164,577)
Dividends paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	(432,768)	(432,768)
Balance at 30 June 2009	329,154	553,879	2,470,600	16,878,357	776,884	2,320,036	22,999,756	1,496,564	24,496,320

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

QUARTER ENDED 30 JUNE 2009

(Unaudited)

	30/06/2009 \$'000	30/06/2008 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	1,735,037	1,271,167
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(1,099,679)	3,069,536
Cash provided by operating activities	635,358	4,340,703
Cash used in financing activities	(1,421,899)	(2,086,377)
Cash provided by/(used in) investing activities	2,857,790	(3,243,400)
Increase/(Decrease) in cash and cash equivalents	2,071,249	(989,074)
Cash and cash equivalents at beginning of year	6,404,256	6,251,787
Exchange and translation gains on net foreign cash balances	375,063	45,472
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8,850,568	5,308,185

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT

QUARTER ENDED 30 JUNE 2009

(Unaudited)

6 months to 30 June 2009	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	17,364,342	3,498,097	4,160,826	2,312,092	2,168,634	-	29,503,991
Inter-segment sales	117,037	6,205	29,259	12,607	-	(165,108)	-
Total Revenue	17,481,379	3,504,302	4,190,085	2,324,699	2,168,634	(165,108)	29,503,991

RESULT							
Segment Result	458,933	52,242	590,732	279,411	673,715	112,152	2,167,185
Unallocated income	-	-	-	-	-	281,454	281,454
Profit from operations	-	-	-	-	-	-	2,448,639
Finance income	12,412	15,246	46,940	29,513	43,473	70,404	217,988
Finance expense	(55,390)	(109,624)	(17,127)	(3,837)	(5,589)	(103,691)	(295,258)
Share of associates	66,707	7,857	26,606	6,574	(489)	-	107,255
Profit before Taxation	482,662	(34,279)	647,151	311,661	711,110	360,319	2,478,624
Taxation							(743,587)
Net Profit for the period							1,735,037

Attributable to:

Owners of GraceKennedy Limited	1,609,105
Non-controlling interests	125,932
	1,735,037

6 months to 30 June 2008	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	16,321,145	4,108,665	2,929,317	2,179,972	1,790,812	-	27,329,911
Inter-segment sales	22,061	8,152	30,854	16,677	-	(77,744)	-
Total Revenue	16,343,206	4,116,817	2,960,171	2,196,649	1,790,812	(77,744)	27,329,911

RESULT							
Segment Result	408,038	120,465	455,682	138,381	467,716	49,144	1,639,426
Unallocated income	-	-	-	-	-	249,251	249,251
Profit from operations	-	-	-	-	-	-	1,888,677
Finance income	11,892	12,163	35,953	27,021	48,528	67,612	203,169
Finance expense	(119,493)	(45,964)	(15,233)	308	(2,338)	(106,491)	(289,211)
Share of associates	38,582	9,136	13,538	6,164	(692)	-	66,728
Profit before Taxation	339,019	95,800	489,940	171,874	513,214	259,516	1,869,363
Taxation							(598,196)
Net Profit for the period							1,271,167

Attributable to:

Owners of GraceKennedy Limited	1,161,925
Non-controlling interests	109,242
	1,271,167

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2009

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 2008 with the exception of the revision to IAS 1 – Presentation of Financial Statements and the adoption of IFRS 8 – Operating Segments.

The effect of IAS 1 is to present total recognised income and expenses in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity. Components of other comprehensive income may not be presented in the statement of changes in equity. The balance sheet is now referred to as the 'statement of financial position', the cash flow statement referred to as the 'statement of cash flows', equity holders referred to as 'owners' and minority interest referred to as 'non-controlling interests'. IFRS 8 replaces IAS 14, Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

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; 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. 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 claims damages arising out of the use by the subsidiary of certain software, which it is alleged that Paymaster holds under exclusive licence from the software developer. The matter arose when the subsidiary implemented the use of this software under an agreement with the developer. An injunction was obtained by Paymaster to prevent further use of the software by the subsidiary, until the matter has been decided in court.

During 2000, management ceased use of the software in question, and wrote off the costs related to its acquisition. The matter was dormant until a Case Management Conference was held in May 2006 and orders made concerning the timetable for the case through to trial date of July 7-18, 2008. The trial has since been rescheduled to October 12-23, 2009. The amount being claimed in the suit is approximately \$1.7 billion. GKRS has denied all claims made by Paymaster. Based on the opinion received from the Company's Counsel, no provision has been made in these financial statements in respect of this action.