



INTERIM REPORT

**(SIX MONTHS)
30 JUNE 2008**

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the quarter ended June 30, 2008.

The Group achieved Revenues for the half year period of \$27,329.9 million (2007: \$22,939.9 million), an increase of \$4,390 million or 19.1%. The Net Profit Attributable to Equity holders of the Company increased by \$55 million over the corresponding period of 2007, moving from \$1,106.9 million to \$1,161.9 million, an increase of 5.0%. This represents earnings per stock unit of \$3.54 (2007: \$3.40).

GK Foods had a challenging quarter because of rapidly escalating fuel and food prices. Although revenues for the quarter grew by 18%, pretax profit fell below the corresponding period last year.

Our expansion efforts outside of Jamaica saw us launching our line of porridges in the U.S. market. Grace Tropical Rhythms Refresher and Grace Snacks were launched in the UK. The new Grace Tropical Rhythms Refresher watermelon and cucumber flavours are made from locally grown fruits.

During the quarter, we launched a backyard gardening project to encourage our staff members to grow some of what they eat as a response to changing world conditions. Approximately nine hundred members of staff have expressed interest and they are receiving guidance from the Agro-Grace division.

Our sponsorship of the Jamaica Cultural Development Corporation Gospel Festival under our Grace Tropical Rhythms brand was deemed a big success, and we are happy with our continued association with the festival which showcases the wealth of talent in our country.

GK Investments performed creditably for the second quarter. The Money Services segment performed well and continued to exceed our expectations with inbound remittance volumes growing year over year. Profits from the Banking, Investments and Insurance segments were consistent with our expectations. However, the Retail and Trading segment has underperformed mainly due to tightened consumer spending and rapidly escalating costs within the last few months.

GraceKennedy Money Services (UK) Ltd was appointed by Western Union as a master Agent in the UK on June 26, 2008. This represents a major step towards expanding to serve our Diaspora outside of the Caribbean and other immigrant groups.

The inaugural “Vision Awards” to recognize outstanding Jamaican women, sponsored by First Global Bank Limited, was a resounding success with Dr. Olive Lewin, distinguished folklorist, being the first recipient.

We are inspired by the talent and energy of the upcoming younger generation. As an example, Sanjay Buchanan, a beneficiary of Grace & Staff Community Development Foundation Homework Centre, attended the People to People Future Leaders Summit at Columbia University in New York. Sanjay, a fourth-form student of Wolmer’s Boys’ School, was selected to participate in this prestigious academic programme, based on his outstanding performance in the Preliminary Scholastic Aptitude Test (PSAT) exams.

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

Douglas R. Orane
Chairman & Chief Executive Officer

July 31, 2008

GraceKennedy Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

QUARTER ENDED 30 JUNE 2008

(Unaudited)

	3 months to 30/06/2008 \$'000	6 months to 30/06/2008 \$'000	3 months to 30/06/2007 \$'000	6 months to 30/06/2007 \$'000
Revenue	13,550,483	27,329,911	12,371,055	22,939,907
Expenses	12,873,850	25,812,982	11,768,761	21,632,021
	676,633	1,516,929	602,294	1,307,886
Other income	193,853	371,748	235,767	370,320
Profit from Operations	870,486	1,888,677	838,061	1,678,206
Interest income – non-financial services	108,448	203,169	85,267	188,584
Interest expense – non-financial services	(143,482)	(289,211)	(177,939)	(334,995)
Share of results of associated companies	10,847	66,728	12,405	69,791
Profit before Taxation	846,299	1,869,363	757,794	1,601,586
Taxation	(270,816)	(598,196)	(227,338)	(480,476)
Profit for the period	575,483	1,271,167	530,456	1,121,110
Attributable to:				
Equity holders of the Company	525,203	1,161,925	512,281	1,106,870
Minority interest	50,280	109,242	18,175	14,240
	575,483	1,271,167	530,456	1,121,110

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

Basic	\$1.60	\$3.54	\$1.57	\$3.40
Diluted	\$1.59	\$3.51	\$1.56	\$3.37

GraceKennedy Limited

CONSOLIDATED BALANCE SHEET

30 JUNE 2008

(Unaudited)

	JUNE 2008 \$'000	DECEMBER 2007 \$'000	JUNE 2007 \$'000
ASSETS			
Cash and deposits	6,606,826	8,109,924	5,853,868
Investment securities	42,265,894	39,448,435	38,416,510
Receivables	9,044,410	7,919,134	8,513,644
Inventories	5,190,034	5,017,771	4,206,028
Loans receivable	6,917,459	5,747,738	5,432,618
Taxation recoverable	621,824	703,959	549,840
Investments in associates	818,681	763,442	795,172
Intangible assets	2,451,626	2,512,117	3,044,859
Fixed assets	3,270,726	2,993,412	2,868,539
Deferred tax assets	289,246	241,177	55,247
Pension plan asset	6,894,677	6,548,653	6,192,448
Total Assets	84,371,403	80,005,762	75,928,773
LIABILITIES			
Deposits	14,306,109	11,846,600	11,547,982
Securities sold under agreement to repurchase	23,782,946	22,607,385	21,670,534
Bank and other loans	8,004,967	10,026,439	10,366,892
Payables	11,666,814	9,737,925	9,879,656
Taxation	272,687	690,872	369,169
Provisions	8,410	6,810	9,810
Deferred tax liabilities	2,138,170	2,100,629	1,943,509
Other post-retirement obligations	1,488,578	1,376,132	1,305,845
Total Liabilities	61,668,681	58,392,792	57,093,397
EQUITY			
Capital & reserves attributable to the equity holders of the Company			
Share capital	535,256	419,739	411,652
Capital and fair value reserves	3,313,460	3,564,283	3,742,746
Retained earnings	14,562,463	13,564,901	11,473,385
Reserve funds	776,884	776,884	776,884
Other reserves	1,825,642	1,712,710	1,642,372
	21,013,705	20,038,517	18,047,039
Minority Interest	1,689,017	1,574,453	788,337
Total Equity	22,702,722	21,612,970	18,835,376
Total Equity and Liabilities	84,371,403	80,005,762	75,928,773

Approved for issue by the Board of Directors on 31 July 2008 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 2008

(Unaudited)

	Attributable to equity holders of the Company							Minority Interest	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 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 losses	-	-	(93,852)	-	-	-	(93,852)	-	(93,852)
Other	-	-	1,643	-	-	-	1,643	-	1,643
Net expense 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
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
Foreign currency translation adjustments	-	-	-	-	-	112,426	112,426	5,322	117,748
Fair value losses	-	-	(397,390)	-	-	-	(397,390)	-	(397,390)
Revaluation surplus	-	-	141,300	-	-	-	141,300	-	141,300
Net expense recognised directly in equity	-	-	(256,090)	-	-	112,426	(143,664)	5,322	(138,342)
Profit for the period	-	-	-	1,161,925	-	-	1,161,925	109,242	1,271,167
Total recognised 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

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS QUARTER ENDED 30 JUNE 2008 (Unaudited)

	30/06/2008 \$'000	30/06/2007 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	1,271,167	1,121,110
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	3,069,536	(713,750)
Cash provided by operating activities	4,340,703	407,360
Cash (used in)/provided by financing activities	(2,086,377)	2,621,542
Cash used in investing activities	(3,243,400)	(7,967,327)
Decrease in cash and cash equivalents	(989,074)	(4,938,425)
Cash and cash equivalents at beginning of year	6,251,787	8,646,625
Exchange and translation gains on net foreign cash balances	45,472	45,013
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,308,185	3,753,213

GraceKennedy Limited

FINANCIAL INFORMATION BY BUSINESS SEGMENT

QUARTER ENDED 30 JUNE 2008

(Unaudited)

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)
Profit for the period							1,271,167
Attributable to:							
Equity holders of the Company							1,161,925
Minority Interest							109,242
							1,271,167

6 months to 30 June 2007	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	12,917,238	3,665,797	2,528,091	2,216,286	1,612,495		22,939,907
Inter-segment sales	16,995	1,524	32,471	17,064	-	(68,054)	-
Total Revenue	12,934,233	3,667,321	2,560,562	2,233,350	1,612,495	(68,054)	22,939,907
RESULT							
Segment Result	436,574	142,711	453,445	145,046	412,854	58,875	1,649,505
Unallocated income						28,701	28,701
Profit from operations							1,678,206
Finance income	25,376	11,708	39,414	39,659	21,608	50,819	188,584
Finance expense	(116,176)	(43,534)	(13,663)	(497)	(2,457)	(158,668)	(334,995)
Share of associates	52,471	12,638	8,358	1,269	(4,945)	-	69,791
Profit before Taxation	398,245	123,523	487,554	185,477	427,060	(20,273)	1,601,586
Taxation							(480,476)
Profit for the period							1,121,110
Attributable to:							
Equity holders of the Company							1,106,870
Minority Interest							14,240
							1,121,110

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2008

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 2007.

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. 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.