GraceKennedy

INTERIM REPORT

(THREE MONTHS)
31 MARCH 2010

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors present the unaudited results of the Group for the quarter ended March 31, 2010.

The Group achieved Revenues for the period of $14,476.9 million (2009: $14,689.8 million), a decrease of $212.9 million or 1.4%. The Net Profit Attributable to owners of the Company decreased by $130.4 million compared to the corresponding period of 2009, moving from $884.5 million to $754.1 million a decrease of 14.7%. This represents earnings per stock unit of $2.29 (2009: $2.69).

The Government of Jamaica (GOJ) on January 14, 2010 launched the Jamaica Debt Exchange Programme (JDX), inviting all holders of domestic debt issued by the GOJ to exchange current debt for new issues at considerably lower coupon rates and extended maturities. The Board of Directors discussed the requirements and implications of the Programme which was noted as an important step towards the transformation of the Jamaican economy and agreed that full participation in the Programme would be in the best long term interests of the shareholders of GraceKennedy Limited. The Jamaica Debt Exchange (JDX) Programme has had a short-term adverse impact on profitability. However, the effect on the Group's Statement of Financial Position is projected to be less than 2% of Equity. This therefore will not materially affect the financial position of the Group.

On March 26, 2010, the Board of Directors approved an interim dividend to be paid on May 27, 2010 of approximately $165 million, which represents 50 cents per stock unit.

GK Foods had another challenging quarter with revenues and profits almost in line with the previous year. The domestic as well as some of the Caribbean markets are still feeling the impact of the recession while our North American markets are performing above 2009. Although we were severely impacted by bad weather conditions in January, Grace Foods UK is showing signs of recovery and from all indications the turnaround plans for the company are working. We expect to see continued improvement in performance as we enter the summer months.

During the quarter, we also started moving inventories into our New Distribution Centre in Spanish Town. Both World Brands and Grace Foods International now operate from this facility. We should complete the transition process in May. Going forward, we expect to see major improvements in operational efficiencies and the opportunities to take on additional business.

Our New Products Development department launched a flavoured water branded "Chillin" with Watermelon, Sorrel and Cranberry flavours. These were launched to coincide with the staging of ISSA/GraceKennedy Boys and Girls championship and were very well received.

The performance of the GraceKennedy Financial Group continued to be impacted by a sluggish economy, reduced revenue streams, and, in the latter part of the first quarter, the effects of the JDX Programme. However, the Money Services segment performed creditably with the continued expansion of the agent network. Despite limited revenue opportunities in the Banking and Investments segment, First Global Bank Limited (FGB) achieved growth in its loan portfolio. The bank also launched its Global Access internet banking service and business and corporate Visa credit cards during the quarter.

In the Insurance Segment, Allied Insurance Brokers Limited (AIB) was the recipient of the Jamaica Chamber of Commerce Best of Chamber Award for medium sized companies. Jamaica International Insurance Company Limited (JIIC) continued to meet customer needs with the introduction of on the spot insurance premium financing in February.

The division enhanced its service offerings in Western Jamaica with the opening of the GraceKennedy Financial Building in March at the Fairview Shopping Centre in Montego Bay. The financial centre houses the operations of FGB, FGFS, JIIC and AIB, offering a wide range of financial services in a single location.

The GraceKennedy Foundation Annual Lecture was held on March 16, 2010. The Lecturer was Mr Delano Franklyn, former Minister of State in the Ministry of Foreign Affairs and Foreign Trade. The topic was “Sports in Jamaica, A local and International Perspective”.

The GraceKennedy Group and the Inter-Secondary School Sports Association (ISSA) again worked together to ensure the successful staging of the 2010 GraceKennedy/ISSA Boys and Girls Championships in April. Some 2,000 athletes from 222 schools participated in the event, which received maximum crowd support over the four days.

GraceKennedy Limited, in conjunction with members of Staff and Retirees, rallied to the call to assist with the Haiti Earthquake Relief effort and presented a cheque for over $2.7 million to the Salvation Army. Prior to this donation the Company donated 6,000 cases of food products for the benefit of needy Haitians.

In the suit brought by Paymaster (Jamaica) Limited against GraceKennedy Remittance Services Limited (GKRS) and software developer, Mr. Paul Lowe, judgment was delivered by the Supreme Court on April 30, 2010 in favour of GKRS on all claims made by Paymaster. The Court also ruled in favour of Mr. Lowe in his counterclaim for damages against Paymaster for losses he suffered as a result of Paymaster’s actions. The Court also ordered an enquiry into damages to be paid by Paymaster to GKRS and Mr. Lowe for losses they suffered as a result of the injunction granted on the application of Paymaster in 2000. Costs in the suit were awarded to GKRS and Mr. Lowe to be paid by Paymaster.

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

May 13, 2010

GraceKennedy Limited

CONSOLIDATED INCOME STATEMENT
QUARTER ENDED 31 MARCH 2010
(Unaudited)

	3 months to 3/31/2010 $'000	3 months to 3/31/2009 $'000
Revenue	14,476,877	14,689,783
Expenses	13,537,920	13,831,424
	938,957	858,359
Other income	256,223	402,388
Profit from Operations	1,195,180	1,260,747
Interest income – non-financial services	112,941	112,874
Interest expense – non-financial services	(238,507)	(135,435)
Share of results of associated companies	90,095	95,975
Profit before Taxation	1,159,709	1,334,161
Taxation	(324,718)	(400,249)
NET PROFIT FOR THE PERIOD	834,991	933,912
Profit attributable to:		
Owners of GraceKennedy Limited	754,067	884,468
Non-controlling interests	80,924	49,444
	834,991	933,912

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

Basic	$2.29	$2.69
Diluted	$2.28	$2.68

GraceKennedy Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
QUARTER ENDED 31 MARCH 2010
(Unaudited)

	3 months to 3/31/2010 $'000	3 months to 3/31/2009 $'000
Profit for the period	834,991	933,912
Other comprehensive income:		
Foreign currency translation adjustments	(78,230)	166,481
Fair value gains	684,906	425,568
Revaluation losses	-	(53,530)
Other comprehensive income for the period, net of tax	606,676	538,519
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,441,667	1,472,431
Total comprehensive income attributable to:		
Owners of GraceKennedy Limited	1,361,371	1,393,547
Non-controlling interests	80,296	78,884
	1,441,667	1,472,431

GraceKennedy Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 MARCH 2010
(Unaudited)

	Period ended March 31 2010 $'000	Year ended December 31 2009 $'000	Restated Period ended March 31 2009 $'000
ASSETS			
Cash and deposits	9,627,067	10,608,376	9,793,812
Investment securities	43,024,426	43,420,747	44,058,696
Receivables	8,658,422	7,780,765	9,740,491
Inventories	5,455,548	5,501,746	5,578,819
Loans receivable	11,277,892	11,191,055	10,414,119
Taxation recoverable	1,230,070	1,001,844	553,878
Investments in associates	789,352	699,257	772,647
Intangible assets	2,362,059	2,491,055	2,399,953
Fixed assets	6,430,916	6,231,744	4,680,888
Deferred tax assets	1,265,562	1,202,078	1,099,009
Pension plan asset	7,580,515	7,438,584	7,304,330
Total Assets	97,701,829	97,567,251	96,396,642
LIABILITIES			
Deposits	12,356,749	11,980,676	14,641,675
Securities sold under agreements to repurchase	26,515,930	27,380,505	28,075,145
Bank and other loans	15,393,835	17,227,287	14,105,693
Payables	12,371,008	11,377,084	12,653,700
Taxation	302,370	437,067	319,418
Provisions	8,036	6,986	9,894
Deferred tax liabilities	2,459,637	2,367,502	2,141,338
Other post-employment obligations	2,007,332	1,945,132	1,747,828
Total Liabilities	71,414,897	72,722,239	73,694,691
EQUITY			
Capital & reserves attributable to the company's owners			
Share capital	573,976	573,976	553,879
Capital and fair value reserves	3,597,632	2,781,614	2,111,155
Retained earnings	16,333,388	17,305,066	15,711,659
Banking Reserves	2,222,315	627,685	776,884
Other reserves	2,331,955	2,409,301	2,039,628
	25,059,266	23,697,642	21,193,205
Non-controlling interests	1,227,666	1,147,370	1,508,746
Total equity	26,286,932	24,845,012	22,701,951
Total Equity and Liabilities	97,701,829	97,567,251	96,396,642

Approved for issue by the Board of Directors on 13 May 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 31 MARCH 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	$'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	-	-	370,049	884,468	-	139,030	1,393,547	78,884	1,472,431
Employee share option scheme	-	-	-	-	-	253	253	-	253
Dividends paid by subsidiary to non-controlling interests	-	-	-	-	-	-	-	(343,799)	(343,799)
Total transactions with owners	-	-	-	-	-	253	253	(343,799)	(343,546)
Balance at 31 March 2009 (Restated)	329,154	553,879	2,111,155	15,711,659	776,884	2,039,628	21,193,205	1,508,746	22,701,951
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	-	-	684,903	754,067	-	(77,599)	1,361,371	80,296	1,441,667
Transfers between reserves:									
To capital reserves	-	-	131,115	(131,115)	-	-	-	-	-
From retained earnings	-	-	-	(1,594,630)	1,594,630	-	-	-	-
Employee share option scheme	-	-	-	-	-	253	253	-	253
Total transactions with owners	-	-	131,115	(1,725,745)	1,594,630	253	253	-	253
Balance at 31 March 2010	329,633	573,976	3,597,632	16,333,388	2,222,315	2,331,955	25,059,266	1,227,666	26,286,932

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS
QUARTER ENDED 31 MARCH 2010
(Unaudited)

	3/31/2010 $'000	Restated 3/31/2009 $'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	834,991	933,912
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	(503,127)	(1,943,698)
Cash provided by/(used in) operating activities	331,864	(1,009,786)
Cash used in financing activities	(1,204,963)	(2,691,519)
Cash provided by investing activities	724,038	4,972,637
(Decrease)/Increase in cash and cash equivalents	(149,061)	1,271,332
Cash and cash equivalents at beginning of year	8,798,668	6,691,504
Exchange and translation gains on net foreign cash balances	(32,525)	371,466
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8,617,082	8,334,302

GraceKennedy Limited

FINANCIAL INFORMATION BY OPERATING SEGMENT
QUARTER ENDED 31 MARCH 2010
(Unaudited)

3 months to 31 March 2010	Food Trading $'000	Retail & Trading $'000	Banking & Investments $'000	Insurance $'000	Money Services $'000	Consolidation Adjustments $'000	Group $'000
REVENUE							
External sales	9,062,395	1,434,486	1,641,108	1,274,731	1,064,157	-	14,476,877
Inter-segment sales	39,218	967	119,347	7,918	-	(167,450)	-
Total Revenue	9,101,613	1,435,453	1,760,455	1,282,649	1,064,157	(167,450)	14,476,877
RESULT							
Operating results	332,698	22,600	220,876	170,027	321,429	34,389	1,102,019
Unallocated income	-	-	-	-	-	93,161	93,161
Profit from operations	-	-	-	-	-	-	1,195,180
Finance income	7,981	387	17,391	7,052	16,104	64,026	112,941
Finance expense	(100,787)	(29,914)	(19,863)	(1,929)	(822)	(85,192)	(238,507)
Share of associates	90,767	-	7,525	(7,707)	(490)	-	90,095
Profit before Taxation	330,659	(6,927)	225,929	167,443	336,221	106,384	1,159,709
Taxation							(324,718)
Net Profit for the period							834,991
Attributable to:							
Owners of GraceKennedy Limited							754,067
Non-controlling interests							80,924
							834,991

3 months to 31 March 2009	Food Trading $'000	Retail & Trading $'000	Banking & Investments $'000	Insurance $'000	Money Services $'000	Consolidation Adjustments $'000	Group $'000
REVENUE							
External sales	8,648,386	1,766,890	1,944,823	1,265,862	1,063,822	-	14,689,783
Inter-segment sales	54,854	3,331	17,284	4,945	-	(80,414)	-
Total Revenue	8,703,240	1,770,221	1,962,107	1,270,807	1,063,822	(80,414)	14,689,783
RESULT							
Operating results	308,247	(24,128)	257,082	177,340	353,095	48,796	1,120,432
Unallocated income	-	-	-	-	-	140,315	140,315
Profit from operations	-	-	-	-	-	-	1,260,747
Finance income	536	6,949	23,501	14,288	26,446	41,154	112,874
Finance expense	(44,357)	(42,767)	(8,146)	(2,995)	(895)	(36,275)	(135,435)
Share of associates	72,025	4,369	17,396	2,674	(489)	-	95,975
Profit before Taxation	336,451	(55,577)	289,833	191,307	378,157	193,990	1,334,161
Taxation							(400,249)
Net Profit for the period							933,912
Attributable to:							
Owners of GraceKennedy Limited							884,468
Non-controlling interests							49,444
							933,912

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 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. Effect of Restatement

In August 2009, the Group conducted an internal review of the treasury operations of First Global Bank Limited (FGB) and detected certain irregular transactions related to the trading of U.S. treasuries. Further investigations have confirmed that FGB suffered losses of J$1,768 million (US$19.9 million) from these irregularities, of which $926 million relates to 2008.

The financial statements for the quarter ended 31 March 2009 have been restated to reflect the correction made to 2008. The effect of the restatement on those financial statements is summarised below.

	Note	March 2009 $'000
Equity attributable to owners of GraceKennedy Limited as previously reported		21,810,315
Increase in Cash and deposits	a)	287,248
Decrease in Investment securities	b)	(258,037)
Increase in Deferred tax assets	c)	308,555
Increase in Bank and other loans	d)	(954,876)
Decrease in Equity		(617,110)
Equity as restated		21,193,205

2. Effect of Restatement (continued)

(a) Cash balances previously classified under investment securities which were related to trading accounts.

(b) Reversal of unrealised fair value gains on U.S. Treasuries and trading losses not previously booked. This includes the reclassification of trading positions.

(c) Tax credits arising from the trading losses recognised which can be applied against taxable profits in the future.

(d) Reclassification of short term loans and margin positions, including fair value losses recognised on U.S. Treasuries.