



INTERIM REPORT

**(TWELVE MONTHS)
31 DECEMBER 2008**

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the fourth quarter and year ended December 31, 2008.

The Group achieved Revenues for the twelve month period of \$53,462.3 million (2007: \$48,749.4 million), an increase of \$4,712.9 million or 9.7%. The Net Profit Attributable to Equity holders of the Company decreased by \$1,143.9 million over the corresponding period of 2007, moving from \$3,435.5 million to \$2,291.6 million. This represents earnings per stock unit of \$6.98 (2007: \$10.55). In November 2007, GraceKennedy Ltd. completed the sale of 25% of the shareholding in GraceKennedy Money Services Caribbean SRL to the Western Union affiliate MT Caribbean Holdings which resulted in a gain on sale of \$1,384.1 million. If this one-off gain is excluded from the 2007 results, the Group's 2008 net profit attributable to equity holders would have reflected an increase of 11.7% over 2007.

GK Foods and GK Investments had mixed results during the fourth quarter. In particular, GK Investments' results were negatively affected by a fourth quarter loss in the subsidiary Hardware & Lumber Ltd., due mainly to a major downturn in the construction industry.

GraceKennedy Limited made a second dividend payment on December 18, 2008 of 65 cents per stock unit, or a total of \$213.9 million to shareholders on record as at November 28, 2008. The total dividend payment for 2008 was therefore \$378.3 million compared to \$375.2 million for 2007.

The current global recession has had a significant negative effect on the Jamaican economy, and on the Group's businesses. However, our boards and management are pro-actively engaged in anticipating the impact of these developments on each business unit, and making the required adjustments. While we are suffering the effects of this new environment, we are well positioned to manage the slippage in exchange rates, our financial structure remains strong, the Group's leadership has the experience of managing through past crises, and we are confident that we will emerge from this challenge well equipped to resume solid growth.

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

February 13, 2009

GraceKennedy Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

QUARTER ENDED 31 DECEMBER 2008

(Unaudited)

	3 months to 31/12/2008 \$'000	12 months to 31/12/2008 \$'000	3 months to 31/12/2007 \$'000	12 months to 31/12/2007 \$'000
Revenue	13,303,173	53,462,279	13,374,968	48,749,434
Expenses	13,198,841	51,225,617	12,418,506	45,723,471
	104,332	2,236,662	956,462	3,025,963
Other income	665,230	1,247,233	1,578,911	2,112,004
Profit from Operations	769,562	3,483,895	2,535,373	5,137,967
Interest income – non-financial services	82,840	395,292	92,795	363,823
Interest expense – non-financial services	(147,380)	(570,481)	(230,448)	(744,703)
Share of results of associated companies	11,772	95,852	(41,485)	45,087
Profit before Taxation	716,794	3,404,558	2,356,235	4,802,174
Taxation	(146,478)	(1,006,562)	(533,176)	(1,266,958)
Profit for the period	570,316	2,397,996	1,823,059	3,535,216
Attributable to:				
Equity holders of the Company	616,539	2,291,585	1,762,124	3,435,532
Minority interest	(46,223)	106,411	60,935	99,684
	570,316	2,397,996	1,823,059	3,535,216

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

Basic	\$1.88	\$6.98	\$5.41	\$10.55
Diluted	\$1.86	\$6.92	\$5.36	\$10.45

GraceKennedy Limited

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2008

(Unaudited)

	2008 \$'000	2007 \$'000
ASSETS		
Cash and deposits	7,698,399	8,109,924
Investment securities	46,835,527	39,448,435
Receivables	8,567,839	7,919,134
Inventories	5,582,398	5,017,771
Loans receivable	9,389,004	5,747,738
Taxation recoverable	652,278	703,959
Investments in associates	851,331	763,442
Intangible assets	2,486,997	2,512,117
Fixed assets	4,198,367	2,993,412
Deferred tax assets	659,309	241,177
Pension plan asset	7,165,149	6,548,653
Total Assets	94,086,598	80,005,762
LIABILITIES		
Deposits	13,942,768	11,846,600
Securities sold under agreement to repurchase	27,258,533	22,607,385
Bank and other loans	14,715,491	10,026,439
Payables	11,991,771	9,737,925
Taxation	278,098	690,872
Provisions	13,770	6,810
Deferred tax liabilities	2,036,831	2,100,629
Other post-retirement obligations	1,659,160	1,376,132
Total Liabilities	71,896,422	58,392,792
EQUITY		
Capital & reserves attributable to the equity holders of the Company		
Share capital	553,879	419,739
Capital and fair value reserves	1,741,106	3,564,283
Retained earnings	15,444,301	13,564,901
Reserve funds	776,884	776,884
Other reserves	1,900,345	1,712,710
	20,416,515	20,038,517
Minority Interest	1,773,661	1,574,453
Total Equity	22,190,176	21,612,970
Total Equity and Liabilities	94,086,598	80,005,762

Approved for issue by the Board of Directors on 13 February 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 31 DECEMBER 2008

(Unaudited)

	Attributable to equity holders of the Company							Minority Interest	Total Equity
	No. of Shares	Share Capital	Capital and		Reserve Fund	Other Reserves	Total		
			Fair Value Reserve	Retained Earnings					
'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	-	-	-	-	-	73,517	73,517	25,249	98,766
Fair value losses	-	-	(276,413)	-	-	-	(276,413)	-	(276,413)
Other	-	-	(138)	-	-	-	(138)	-	(138)
Net expense recognised directly in equity	-	-	(279,317)	-	-	73,517	(205,800)	25,249	(180,551)
Profit for the period	-	-	-	3,435,532	-	-	3,435,532	99,684	3,535,216
Total recognised income for the period	-	-	(279,317)	3,435,532	-	73,517	3,229,732	124,933	3,354,665
Issue of shares	1,473	48,964	-	-	-	-	48,964	-	48,964
Purchase of treasury shares	(586)	(34,911)	(180)	-	-	-	(35,091)	-	(35,091)
Increase in minority interest	-	-	-	-	-	-	-	686,940	686,940
Transfers between reserves	-	-	8,735	(8,735)	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	11,111	11,111	-	11,111
Dividends paid	-	-	-	(375,174)	-	-	(375,174)	-	(375,174)
Balance at 31 December 2007	326,135	419,739	3,564,283	13,564,901	776,884	1,712,710	20,038,517	1,574,453	21,612,970
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	-	-	-	-	-	153,548	153,548	24,454	178,002
Fair value losses	-	-	(2,282,627)	-	-	-	(2,282,627)	-	(2,282,627)
Revaluation surplus	-	-	412,900	-	-	-	412,900	68,343	481,243
Net expense recognised directly in equity	-	-	(1,869,727)	-	-	153,548	(1,716,179)	92,797	(1,623,382)
Profit for the period	-	-	-	2,291,585	-	-	2,291,585	106,411	2,397,996
Total recognised income for the period	-	-	(1,869,727)	2,291,585	-	153,548	575,406	199,208	774,614
Issue of shares	1,947	66,989	-	-	-	-	66,989	-	66,989
Issue of treasury shares	1,072	67,151	12,678	-	-	-	79,829	-	79,829
Increase in minority interest	-	-	-	-	-	-	-	-	-
Transfers between reserves	-	-	33,872	(33,872)	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	34,087	34,087	-	34,087
Dividends paid	-	-	-	(378,313)	-	-	(378,313)	-	(378,313)
Balance at 31 December 2008	329,154	553,879	1,741,106	15,444,301	776,884	1,900,345	20,416,515	1,773,661	22,190,176

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

QUARTER ENDED 31 DECEMBER 2008

(Unaudited)

	31/12/2008 \$'000	31/12/2007 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	2,397,996	3,535,216
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	2,242,940	(1,283,230)
Cash provided by operating activities	4,640,936	2,251,986
Cash provided by financing activities	4,190,041	2,392,722
Cash used in investing activities	(9,055,381)	(7,190,219)
Decrease in cash and cash equivalents	(224,404)	(2,545,511)
Cash and cash equivalents at beginning of year	6,251,787	8,646,625
Exchange and translation gains on net foreign cash balances	376,873	150,673
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,404,256	6,251,787

GraceKennedy Limited

FINANCIAL INFORMATION BY BUSINESS SEGMENT
 QUARTER ENDED 31 DECEMBER 2008
 (Unaudited)

12 months to 31 December 2008	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	32,022,862	7,846,722	6,098,197	3,724,874	3,769,624	-	53,462,279
Inter-segment sales	88,094	17,542	77,774	306,073	-	(489,483)	-
Total Revenue	32,110,956	7,864,264	6,175,971	4,030,947	3,769,624	(489,483)	53,462,279
RESULT							
Segment Result	765,060	(315,827)	867,534	388,441	1,057,903	75,851	2,838,962
Unallocated income	-	-	-	-	-	644,933	644,933
Profit from operations	-	-	-	-	-	-	3,483,895
Finance income	39,470	25,737	86,916	56,284	96,013	90,872	395,292
Finance expense	(238,076)	(161,452)	(30,438)	(3,055)	(4,288)	(133,172)	(570,481)
Share of associates	46,480	11,158	27,666	13,545	(2,997)	-	95,852
Profit before Taxation	612,934	(440,384)	951,678	455,215	1,146,631	678,484	3,404,558
Taxation							(1,006,562)
Profit for the period							2,397,996
Attributable to:							
Equity holders of the Company							2,291,585
Minority Interest							106,411
							2,397,996

12 months to 31 December 2007	Food Trading \$'000	Retail & Trading \$'000	Banking & Investments \$'000	Insurance \$'000	Money Services \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	28,129,781	7,715,442	5,442,127	4,002,690	3,459,394	-	48,749,434
Inter-segment sales	44,471	16,339	77,211	318,822	-	(456,843)	-
Total Revenue	28,174,252	7,731,781	5,519,338	4,321,512	3,459,394	(456,843)	48,749,434
RESULT							
Segment Result	768,992	374,187	1,031,960	291,008	954,563	127,283	3,547,993
Unallocated income	-	-	-	-	-	1,589,974	1,589,974
Profit from operations	-	-	-	-	-	-	5,137,967
Finance income	31,910	20,924	77,645	80,426	55,898	97,020	363,823
Finance expense	(265,251)	(91,684)	(28,507)	(945)	(23,672)	(334,644)	(744,703)
Share of associates	63,729	12,714	29,114	13,453	(73,923)	-	45,087
Profit before Taxation	599,380	316,141	1,110,212	383,942	912,866	1,479,633	4,802,174
Taxation							(1,266,958)
Profit for the period							3,535,216
Attributable to:							
Equity holders of the Company							3,435,532
Minority Interest							99,684
							3,535,216

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS QUARTER ENDED 31 DECEMBER 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.