

GraceKennedy Limited

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the quarter ended March 31, 2006.

The Group achieved Revenues for the period of \$8,776.5 million (2005: \$8,126.1 million), an increase of \$650.4 million or 8.0%. The Net Profit Attributable to Equity holders of the Company decreased by \$75.8 million over the corresponding period of 2005, moving from \$552.6 million to \$476.8 million, a decrease of 13.7%. This represents earnings per stock unit of \$1.46 (2005: \$1.70).

On March 16, 2006, the Board of Directors approved an interim dividend payment to be made on May 26, 2006 of \$147 million, which represents 45 cents per stock unit based on the existing share capital of 327 million shares.

The Food Trading Division reported disappointing results for the quarter under review. This was due primarily to a softening in overall consumer demand in the market place and consequential pressure on margins. Despite this, we continue to see growth in our Grace brand products in both the domestic and international markets as a result of strong sales of mackerel, coconut milk and viennas. During the quarter, we made a breakthrough in the COSCO Stores located in Canada, with the listing of our Grace coconut water which will provide significant volumes for us. In addition, we also made our first shipment of Grace Tropical Rhythms to Ghana. At the beginning of the year the Grace "Caribbean

Tradition” range of seasonings was launched in both Jamaica and Canada. These were well received by our customers.

In our continued effort to improve our overall efficiency, we will complete the roll-out of the SAP software system by June of this year at which time we will be able to centralize many of the services currently offered at the individual company levels.

The Retail & Trading Division experienced mixed results for the period under review. The disruption in the production of cement impacted negatively on the division’s performance. The companies within the division continue to focus on cost containment measures in order to compensate for the downturn in sales. During the quarter, Hardware & Lumber opened its latest do-it-yourself mega store in Ocho Rios. The new store replaces a smaller store which was recently closed. We also completed the roll-out of our new point-of-sale computer system in the hardware division. This will lead to improved customer service and help in inventory control. Hi-Lo Food Stores (Ja.) Limited closed its store located on Dome Street in Montego Bay. Both Fidelity Motors and Agro-Grace continue to perform very well and this trend is expected to continue.

The Financial Services Division performed creditably for the quarter. The Barbados-based Signia Financial Group Inc. performed exceptionally well showing significant growth over the previous year. In response to the challenging economic environment, the Division is undertaking a number of initiatives to reduce costs as well as grow revenues. First Global Bank Limited (FGB), First Global Financial Services Limited (FGFS) and Jamaica International Insurance Company Limited (JIIC) have initiated a cost reduction drive; we expect to see results later in the year. Additionally, these entities have renewed

their drive for revenue enhancement activities. The areas of growth that we are optimistic about include the expansion of FGB credit card portfolio, the introduction of a call centre, the FGFS suite of mutual fund investments, including CI funds and the continued growth and development of MedeCus Health Insurance Agency.

The Information Services Division reported increases in transaction volumes and profits for the period under review. GraceKennedy Money Services (Antigua & Barbuda) Limited was officially launched on Saturday, May 6, 2006, The company was established in April 2006 as a vehicle to provide money services to Antigua and Barbuda starting with Western Union Money Transfer Services.

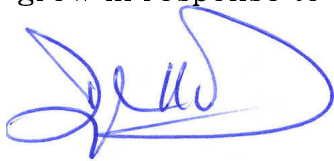
On Saturday, March 18, 2006, Douglas Orane, C.D. and Sir William Morris, O.J. were recipients of the Martin Luther King Jr. humanitarian award, conferred by the Jamaica American Friendship Association. This was in recognition of their adherence to the ideals supported by the African-American civil rights leader.

The GraceKennedy Foundation held its annual Lecture at the Jamaica Pegasus hotel on March 21, 2006, entitled, "Children Caught in the Crossfire". The lecture which examined the impact of violence on children was presented by eminent paediatrician Dr. Maureen Samms-Vaughn, senior lecturer in child health and consultant development and behavioural paediatrician at the University Hospital of the West Indies.

On March 22, 2006, GraceKennedy Limited received two major awards at a gala reception for agents of Western Union held in the Dominican Republic. The two awards - Brand Champion of the Year for 2005 and the Community Empowerment Award for 2005, were among several presented by Western

Union in recognition of its most outstanding representatives servicing customers throughout Latin America and the Caribbean.

Thanks to my colleague directors, management and staff who continue to be dedicated to the efforts of the GraceKennedy Group to maintain continuity and achieve growth. We also wish to thank our customers, consumers, suppliers and all stakeholders for their continuing support in helping our businesses to grow in response to our customers' needs.



Douglas R. Orane

Chairman & Chief Executive Officer

May 10, 2006

GraceKennedy Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

QUARTER ENDED 31 MARCH 2006

(Unaudited)

	3 months to 31/3/2006 \$'000	3 months to 31/03/2005 \$'000 ***
Revenues	8,776,531	8,126,088
Expenses	8,260,672	7,543,318
Operating Income	515,859	582,770
Other income	149,063	147,703
Profit from Operations	664,922	730,473
Finance income	91,515	108,904
Finance expense	(103,563)	(85,642)
Share of results of associated companies	38,144	53,838
Profit before Taxation	691,018	807,573
Taxation	(207,306)	(237,876)
Profit for the period	483,712	569,697
Attributable to:		
Equity holders of the Company	476,790	552,616
Minority interest	6,922	17,081
	483,712	569,697
Earnings per share for profit attributable to the equity holders of the Company (expressed in \$ per share)		
Basic	\$1.46	\$1.70
Diluted	\$1.44	\$1.66

*** : Restated to comply with changes in IFRS

GraceKennedy Limited

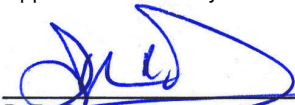
CONSOLIDATED BALANCE SHEET

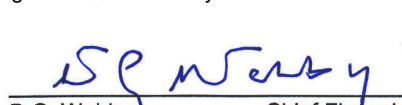
31 MARCH 2006

(Unaudited)

	March 2006 \$ '000	December 2005 *** \$ '000	March 2005 *** \$ '000
Non-Current Assets			
Fixed assets	2,305,014	2,308,182	2,123,929
Intangible assets	1,025,326	1,035,914	961,422
Investments in associates	513,348	475,205	461,905
Investments	3,891,845	3,068,676	2,812,752
Long term receivables	2,650,627	2,518,114	2,049,299
Deferred tax assets	472,730	453,988	440,905
Pension plan asset	5,251,838	5,064,748	4,486,706
	16,110,728	14,924,827	13,336,918
Current Assets			
Inventories	3,499,076	3,885,246	3,267,220
Receivables	5,794,624	5,644,739	4,600,689
Long term receivables - current portion	1,023,233	944,362	1,403,063
Taxation recoverable	522,843	538,178	478,234
Deferred tax assets - current portion	131,932	145,171	166,175
Cash and short term investments	35,640,832	35,018,313	28,746,719
	46,612,540	46,176,009	38,662,100
Current Liabilities			
Payables	7,350,765	8,128,709	7,001,138
Provisions	3,064	3,064	10,591
Taxation	248,498	456,754	217,242
Deferred tax liabilities - current portion	548,970	490,226	365,606
Bank and short term loans	3,240,690	3,130,632	2,324,085
Long term liabilities - current portion	542,930	484,286	173,605
Deposits	9,722,036	8,957,153	6,911,334
Securities sold under agreement to repurchase	19,826,504	18,985,588	16,209,335
	41,483,457	40,636,412	33,212,936
Net Current Assets	5,129,083	5,539,597	5,449,164
	21,239,811	20,464,424	18,786,082
Equity			
Capital & reserves attributable to the equity holders of the Company			
Share capital	325,988	325,744	325,072
Capital and fair value reserves	3,840,256	3,150,866	3,171,110
Retained earnings	9,513,324	9,536,534	8,511,399
Reserve funds	736,651	736,651	696,529
Translation gains and other reserves	1,542,850	1,490,795	1,287,166
	15,959,069	15,240,590	13,991,276
Minority Interest	753,773	744,234	524,369
Total Equity	16,712,842	15,984,824	14,515,645
Non-Current Liabilities			
Provisions	6,221	6,221	6,221
Long term liabilities	1,495,482	1,571,365	1,638,968
Deferred tax liabilities	1,952,631	1,892,581	1,756,239
Other post-retirement obligations	1,072,635	1,009,433	869,009
	4,526,969	4,479,600	4,270,437
	21,239,811	20,464,424	18,786,082

Approved for issue by the Board of Directors on 10 May 2006 and signed on its behalf by:


D. R. Orane Chairman


D.G. Wehby Chief Financial Officer

*** : Restated to comply with changes in IFRS

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY QUARTER ENDED 31 MARCH 2006

(Unaudited)

	Attributable to equity holders of the Company							Minority Interest	Total Equity
	No. of Shares	Share Capital	Capital and Fair Value Reserve	Retained Earnings	Reserve Fund	Other Reserves	Total		
	'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Balance at 1 January 2005	324,359	324,359	3,095,761	7,944,154	696,529	1,291,170	13,351,973	507,527	13,859,500
Net gains/(losses) not recognised in the profit and loss account, net of tax:									
Foreign currency translation adjustments	-	-	-	-	-	(16,606)	(16,606)	(239)	(16,845)
Fair value adjustments	-	-	68,802	-	-	-	68,802	-	68,802
Other	-	-	(163)	-	-	-	(163)	-	(163)
Total	-	-	68,639	-	-	(16,606)	52,033	(239)	51,794
Profit for the period	-	-	-	552,616	-	-	552,616	17,081	569,697
Issue of shares at a premium	721	721	22,209	-	-	-	22,930	-	22,930
Purchase of treasury shares	(8)	(8)	(870)	-	-	-	(878)	-	(878)
Transfers between reserves	-	-	(14,629)	14,629	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	12,602	12,602	-	12,602
Balance at 31 March 2005	325,072	325,072	3,171,110	8,511,399	696,529	1,287,166	13,991,276	524,369	14,515,645
Balance at 1 January 2006	325,744	325,744	3,150,866	9,536,534	736,651	1,490,795	15,240,590	744,234	15,984,824
Net gains/(losses) not recognised in the profit and loss account:									
Foreign currency translation adjustments	-	-	-	-	-	41,752	41,752	531	42,283
Fair value adjustments	-	-	177,662	-	-	-	177,662	-	177,662
Other	-	-	2,892	-	-	-	2,892	2,086	4,978
Total	-	-	180,554	-	-	41,752	222,306	2,617	224,923
Profit for the period	-	-	-	476,790	-	-	476,790	6,922	483,712
Issue of shares at a premium	327	327	15,632	-	-	-	15,959	-	15,959
Purchase of treasury shares	(83)	(83)	(6,796)	-	-	-	(6,879)	-	(6,879)
Transfers between reserves	-	-	500,000	(500,000)	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	10,303	10,303	-	10,303
Balance at 31 March 2006	325,988	325,988	3,840,256	9,513,324	736,651	1,542,850	15,959,069	753,773	16,712,842

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

QUARTER ENDED 31 MARCH 2006

(Unaudited)

	31/03/2006 \$'000	31/03/2005 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	483,712	569,697
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	376,379	(2,123,135)
Cash provided by/(used in) operating activities	860,091	(1,553,438)
Cash used in financing activities	(616,960)	(1,592,495)
Cash provided by investing activities	304,081	3,488,668
Increase in cash and cash equivalents	547,212	342,735
Cash and cash equivalents at beginning of year	4,909,946	3,775,530
Exchange and translation gains on net foreign cash balances	22,810	(749)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,479,968	4,117,516

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2006

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 2005.

These financial statements are presented in Jamaican dollars.

(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, distribution channel agreements and policy contracts are recorded at cost and amortised over their estimated useful lives.

(d) Investments

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 borrowings in current 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 dairy and meat products;
- *Retail and Trading* - Merchandising of agricultural and pharmaceutical supplies, stationery, hardware and lumber; institutional and airline catering; operation of a chain of supermarkets;
- *Financial Services* - General insurance and insurance brokerage; commercial banking; investment management; lease and trade financing; stock brokerage; pension management; property rental; mutual fund management;
- *Information* - Operation of money transfer services; bill payment services and international telecommunications 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 IFRS.



Don Wehby
Chief Financial Officer
10 May 2006