



INTERIM REPORT

(NINE MONTHS)

30 SEPTEMBER 2006



INTERIM REPORT TO OUR STOCKHOLDERS



DOUGLAS ORANE
CHAIRMAN & CHIEF EXECUTIVE OFFICER

The Directors are pleased to present the unaudited results of the Group for the nine months ended September 30, 2006.

The Group achieved Revenues for the period of \$26,443.1 million (2005: \$24,854.9 million), an increase of \$1,588.2 million or 6.4%. The Net Profit Attributable to Equityholders of the Company decreased by \$123.2 million, or 8.6% moving from \$1,431.5 million (2005) to \$1,308.3 million. This represents earnings per stock unit of \$4.02 (2005: \$4.41).

The Food Trading Division performed below expectations for the period under review. This was due to the soft market place, which resulted from low consumer demand and the consequent pressure on margins. However, the improvement in procurement management resulted in an increase in margins for the month of September. In addition, the implementation of the new software system (SAP) made it possible to consolidate all of the procurement units under one umbrella. Similarly, all accounting departments in the Division were centralized. In due course, the accounting departments of our overseas companies will be incorporated into this central accounting unit in Jamaica.

During the quarter we launched a new product range of banana and plantain chips called Grace Chips a Treat. These were well received by our customers. Our international markets, with the exception of



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Belize have continued to perform exceptionally well with the Grace brand showing positive growth. We recently commenced the selling of our Grace branded products in the Walmart stores in Canada and the initial response has been good.

The Retail & Trading Division reported improved results for the quarter. The sale of Medi-Grace Limited was completed during the quarter. As part of the sale agreement some product lines – Energizer Batteries, Dark & Lovely and Dial, were retained and transferred to World Brands Limited. This is expected to result in improved sales and profitability in the future. Our partner in Versair In-Flite Services Limited, Goddard Enterprises Limited of Barbados, was awarded the catering contract for the 2007 World Cup Cricket. The performance of Versair, Goddard's representative in Jamaica, is expected to be enhanced in 2007 as a result.

The Financial Services Division reported mixed results for the quarter. This was due primarily to the challenging macro-economic environment, which resulted in the slow growth of the overall banking and investments industry. Business development and improved customer service levels continue to be the primary focus for our banking and investment companies - First Global Bank (FGB) and First Global Financial Services (FGFS). The launch of FGB credit cards have been successful for the bank with the FGB Platinum card exceeding expectations both in terms of number of cards issued and financial performance. Jamaica International Insurance Company Limited (JIIC) performed satisfactorily, while Allied Insurance Brokers Limited (AIB) returned excellent results for the period. Both companies will continue to focus their efforts on business development to attract, maintain and build profitable relationships with clients.

The Information Services Division reported a reduction in profits when compared to the same period last year. This was due to a provision of \$185 million for outstanding receivables, in respect of which collection efforts are continuing. GraceKennedy Money Services (St. Vincent) Limited commenced operation on July 18, 2006. This concluded the planned Eastern Caribbean expansion project, with GraceKennedy now representing Western Union in eight countries.

GraceKennedy Limited has established a new structure aimed at promoting growth and creating a platform for greater competitiveness in the local and international



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marketplace. The new structure, which will become effective on December 1, 2006, groups the company's business entities under two units, instead of the four current divisions. The two entities are GK Foods and GK Investments. GK Foods will incorporate all of the food related businesses. GK Investments will include all of the other businesses such as insurance, banking, remittances, hardware and other investments. Under the new structure, Mr. Erwin Burton (currently Chief Operating Officer of the Food Trading Division and Retail & Trading Division) will assume the role of Chief Executive Officer, GK Foods and Deputy Chief Executive Officer, GraceKennedy Limited. Mr. Don Wehby (currently Chief Financial Officer) will assume the role of Chief Executive Officer – GK Investments and Deputy Chief Executive Officer – GraceKennedy Limited; Mrs. Fay McIntosh (currently Deputy Chief Financial Officer) will assume the role of Chief Financial Officer and Joe Taffe (currently Chief Operating Officer, Financial Services Division and Information Services Division) will assume the role of Deputy Chief Executive Officer, GK Investments.

The restructuring will give greater autonomy to the two new business entities and their related subsidiaries, thus enabling them to compete more effectively in their respective industries. We expect significant savings during 2007 in the group's overhead costs. We are confident that these changes will allow us to be more vibrant and profitable. The Group is also reducing the size of its corporate offices as part of its bid to lower the costs associated with running the organization. As a result, services such as Human Resources and Information Technology, which had largely been provided centrally, are being moved out into the subsidiary companies where they can be delivered more effectively.

Our thanks to our customers, suppliers and stakeholders for their continued loyalty and encouragement and to our colleague directors, management and staff for their support and understanding as we continue the process of transforming GraceKennedy for the 21st century.

Douglas Orane

Chairman & Chief Executive Officer

14 November 2006



CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

QUARTER ENDED 30 SEPTEMBER 2006

	3 months to 30/9/2006 \$'000	9 months to 30/9/2006 \$'000	3 months to 30/09/2005 *** \$'000	9 months to 30/09/2005 *** \$'000
Revenues	9,249,592	26,443,112	8,479,893	24,854,919
Expenses	8,864,590	25,154,561	7,968,697	23,351,810
	385,002	1,288,551	511,196	1,503,109
Other income	189,923	572,621	142,281	468,086
Profit from Operations	574,925	1,861,172	653,477	1,971,195
Finance income	117,696	320,390	107,531	349,656
Finance expense	(119,235)	(335,032)	(93,628)	(263,350)
Share of results of associated companies	(5,711)	19,408	6,522	51,437
Profit before Taxation	567,675	1,865,938	673,902	2,108,938
Taxation	(142,313)	(531,792)	(199,299)	(631,947)
Profit for the period	425,362	1,334,146	474,603	1,476,991
Attributable to:				
Equity holders of the Company	409,629	1,308,252	464,197	1,431,547
Minority interest	15,733	25,894	10,406	45,444
	425,362	1,334,146	474,603	1,476,991
Earnings per share for profit attributable to the equity holders of the Company (expressed in \$ per share)				
Basic	\$1.26	\$4.02	\$1.43	\$4.41
Diluted	\$1.24	\$3.97	\$1.40	\$4.31

*** : Restated to comply with changes in IFRS

CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED

QUARTER ENDED 30 SEPTEMBER 2006

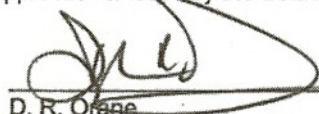
	9/30/2006 \$'000	9/30/2005 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	1,334,146	1,476,991
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	1,700,603	2,797,238
Cash provided by operating activities	3,034,749	4,274,229
Cash used in financing activities	(2,130,318)	(2,537,142)
Cash used in investing activities	(921,807)	(1,003,326)
(Decrease)/Increase in cash and cash equivalents	(17,376)	733,761
Cash and cash equivalents at beginning of year	4,909,946	3,775,530
Exchange and translation gains on net foreign cash balances	51,338	26,888
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,943,908	4,536,179

CONSOLIDATED BALANCE SHEET - UNAUDITED

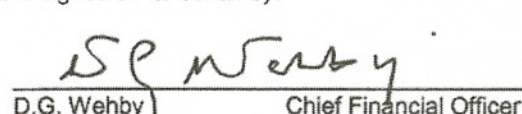
QUARTER ENDED 30 SEPTEMBER 2006

	September 2006 \$ '000	December 2005 *** \$ '000	September 2005 *** \$ '000
Non-Current Assets			
Fixed assets	2,212,784	2,308,182	2,216,036
Intangible assets	1,017,531	1,035,914	933,278
Investments in associates	619,368	475,205	497,883
Investments	4,374,222	3,068,676	3,099,533
Long term receivables	2,977,810	2,518,114	2,395,259
Deferred tax assets	510,214	453,988	462,009
Pension plan asset	5,604,313	5,064,748	4,811,251
	17,316,242	14,924,827	14,415,249
Current Assets			
Inventories	3,212,794	3,885,246	3,158,183
Receivables	6,002,471	5,644,739	5,409,412
Long term receivables - current portion	1,398,196	944,362	841,761
Taxation recoverable	645,507	538,178	523,924
Deferred tax assets - current portion	115,480	145,171	119,302
Cash and short term investments	38,131,994	35,018,313	36,124,229
	49,506,442	46,176,009	46,176,811
Current Liabilities			
Payables	7,985,835	8,128,709	7,622,422
Provisions	3,064	3,064	8,194
Taxation	359,502	456,754	293,984
Deferred tax liabilities - current portion	492,250	490,226	421,988
Bank and short term loans	4,189,132	3,130,632	2,858,591
Long term liabilities - current portion	259,286	484,286	178,309
Deposits	9,399,973	8,957,153	8,581,313
Securities sold under agreement to repurchase	21,720,806	18,985,588	20,423,928
	44,409,848	40,636,412	40,388,729
Net Current Assets	5,096,594	5,539,597	5,788,082
	22,412,836	20,464,424	20,203,331
Equity			
Capital & reserves attributable to the equity holders of the Company			
Share capital	325,364	325,744	325,210
Capital and fair value reserves	3,699,713	3,150,866	3,145,829
Retained earnings	10,205,269	9,536,534	9,243,825
Reserve funds	736,651	736,651	696,529
Translation gains and other reserves	1,579,030	1,490,795	1,402,831
	16,546,027	15,240,590	14,814,224
Minority Interest	773,033	744,234	763,462
Total Equity	17,319,060	15,984,824	15,577,686
Non-Current Liabilities			
Provisions	6,221	6,221	6,221
Long term liabilities	1,823,767	1,571,365	1,822,685
Deferred tax liabilities	2,072,731	1,892,581	1,864,420
Other post-retirement obligations	1,191,057	1,009,433	932,319
	5,093,776	4,479,600	4,625,645
	22,412,836	20,464,424	20,203,331

Approved for issue by the Board of Directors on 14 November 2006 and signed on its behalf by:


D. R. Orane

Chairman


D.G. Wehby

Chief Financial Officer

*** : Restated to comply with changes in IFRS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - UNAUDITED

QUARTER ENDED 30 SEPTEMBER 2006

	No. of Shares	Attributable to equity holders of the Company						Minority Interest	Total Equity
		Share Capital	Capital and Fair Value Reserve	Retained Earnings	Reserve Fund	Other Reserves	Total		
	'000	\$'000	\$'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	-	-	-	-	-	46,635	46,635	715	47,350
Fair value adjustments	-	-	45,599	-	-	-	45,599	-	45,599
Revaluation surplus	-	-	-	-	-	-	-	-	-
Other	-	-	564	-	-	-	564	-	564
Total	-	-	46,163	-	-	46,635	92,798	715	93,513
Profit for the period	-	-	-	1,431,547	-	-	1,431,547	45,444	1,476,991
Issue of shares at a premium	987	987	33,097	-	-	-	34,084	-	34,084
Purchase of treasury shares	(136)	(136)	(14,081)	-	-	-	(14,217)	-	(14,217)
Increase in minority interest	-	-	-	-	-	-	-	229,376	229,376
Transfers between reserves	-	-	(15,111)	15,111	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	65,026	65,026	-	65,026
Dividends paid	-	-	-	(146,987)	-	-	(146,987)	-	(146,987)
Dividends paid by subsidiary to minority interest	-	-	-	-	-	-	-	(19,600)	(19,600)
Other	-	-	-	-	-	-	-	-	-
Balance at 30 September 2005	325,210	325,210	3,145,829	9,243,825	696,529	1,402,831	14,814,224	763,462	15,577,686
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	-	-	-	-	-	57,325	57,325	820	58,145
Fair value adjustments	-	-	80,781	-	-	-	80,781	-	80,781
Revaluation surplus	-	-	-	-	-	-	-	-	-
Other	-	-	2,302	-	-	-	2,302	2,085	4,387
Total	-	-	83,083	-	-	57,325	140,408	2,905	143,313
Profit for the period	-	-	-	1,308,252	-	-	1,308,252	25,894	1,334,146
Issue of shares at a premium	413	413	19,247	-	-	-	19,660	-	19,660
Purchase of treasury shares	(793)	(793)	(45,518)	-	-	-	(46,311)	-	(46,311)
Increase in minority interest	-	-	-	-	-	-	-	-	-
Transfers between reserves	-	-	492,035	(492,035)	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	30,910	30,910	-	30,910
Dividends paid	-	-	-	(147,482)	-	-	(147,482)	-	(147,482)
Dividends paid by subsidiary to minority interest	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Balance at 30 September 2006	325,364	325,364	3,699,713	10,205,269	736,651	1,579,030	16,546,027	773,033	17,319,060

FINANCIAL INFORMATION BY BUSINESS SEGMENT - UNAUDITED

QUARTER ENDED 30 SEPTEMBER 2006

9 months to 30 September 2006	Food Trading \$'000	Retail & Trading \$'000	Financial Services \$'000	Information \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	10,492,503	7,937,199	5,826,481	2,186,929		26,443,112
Inter-segment sales	413,644	17,494	290,707	-	(721,845)	-
Total Revenue	10,906,147	7,954,693	6,117,188	2,186,929	(721,845)	26,443,112
RESULT						
Segment Result	128,087	141,528	962,458	277,002	11,229	1,520,304
Unallocated income					340,868	340,868
Profit from operations						1,861,172
Finance income	339,685	17,930	26,711	24,434	(88,370)	320,390
Finance expense	(314,417)	(94,606)	3,412	(6,563)	77,142	(335,032)
Share of associates	29,219	12,288	(27,309)	5,210	-	19,408
Profit before Taxation	182,574	77,140	965,272	300,083	340,869	1,865,938
Taxation						(531,792)
Profit for the period						1,334,146
Attributable to:						
Equity holders of the Company						1,308,252
Minority Interest						25,894
						1,334,146

9 months to 30 September 2005	Food Trading \$'000	Retail & Trading \$'000	Financial Services \$'000	Information \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE						
External sales	9,956,682	7,554,439	5,263,338	2,080,460		24,854,919
Inter-segment sales	468,803	1,658	91,527	-	(561,988)	-
Total Revenue	10,425,485	7,556,097	5,354,865	2,080,460	(561,988)	24,854,919
RESULT						
Segment Result	128,611	171,051	1,046,628	350,706	3,870	1,700,866
Unallocated income					270,329	270,329
Profit from operations						1,971,195
Finance income	386,071	27,804	24,383	38,554	(127,156)	349,656
Finance expense	(238,903)	(104,847)	(40,356)	(2,530)	123,286	(263,350)
Share of associates	62,667	15,535	(23,369)	(3,396)	-	51,437
Profit before Taxation	338,446	109,543	1,007,286	383,334	270,329	2,108,938
Taxation						(631,947)
Profit for the period						1,476,991
Attributable to:						
Equity holders of the Company						1,431,547
Minority Interest						45,444
						1,476,991



NOTES

I. 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



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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.