

GraceKennedy Limited

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors present the unaudited results of the Group for the fourth quarter and the year ended December 31, 2006.

The Group achieved Revenues for the year of \$36,088.2 million (2005: \$33,031.6 million), an increase of \$3,056.6 million or 9.25%. The Net Profit Attributable to Equityholders of the Company decreased by \$229.9 million from the corresponding period of 2005, moving from \$2,074.9 million to \$1,845.0 million, a decline of 11.1%. This represents earnings per stock unit of \$5.67 (2005: \$6.38).

GraceKennedy established a new corporate structure on December 1, 2006, aimed at promoting growth and creating a platform for greater competitiveness. This resulted in the creation of two new business entities – GK Foods and GK Investments, together with a significant reduction in the size of the corporate offices as part of the process to lower the cost of running the organization. The reorganization costs totalling \$100 million associated with this exercise have been expensed in the fourth quarter. Significant savings from this reorganization are expected in calendar year 2007.

During the fourth quarter an additional provision of \$281 million was made in our Jamaican remittance business. This was primarily due to doubtful receivables for which collection efforts are continuing. In addition evidence emerged that there had been fraud in the Jamaican remittance

business. Corrective steps have been taken to avoid a repeat of these occurrences.

The effect of the above has been that our profits for the year have turned out to be below that forecasted in 2006. However, based on our recent actions and our view of the future, we forecast that revenues and profits will grow in 2007.

We wish to thank our committed team of directors, management and staff for their support and dedicated service, and our customers, suppliers and other stakeholders for your continued faith in us as we seek to satisfy the unmet needs of Caribbean people wherever we live in the world.

A handwritten signature in blue ink, appearing to read 'Douglas Orane', with a large, sweeping flourish at the end.

Douglas Orane

Chairman & Chief Executive Officer

February 14, 2007

GraceKennedy Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

QUARTER ENDED 31 DECEMBER 2006

(Unaudited)

	3 months to 31/12/2006 \$'000	12 months to 31/12/2006 \$'000	3 months to 31/12/2005 \$'000	12 months to 31/12/2005 \$'000
Revenue	9,645,135	36,088,247	8,176,696	33,031,615
Expenses	9,194,592	34,349,153	7,439,714	30,791,524
	450,543	1,739,094	736,982	2,240,091
Other income	236,199	808,820	187,228	655,314
Profit from Operations	686,742	2,547,914	924,210	2,895,405
Finance income	81,324	401,714	93,587	443,243
Finance expense	(122,839)	(457,871)	(84,260)	(347,610)
Share of results of associated companies	13,387	32,795	12,772	64,209
Profit before Taxation	658,614	2,524,552	946,309	3,055,247
Taxation	(121,949)	(653,741)	(301,606)	(933,553)
Profit for the period	536,665	1,870,811	644,703	2,121,694
Attributable to:				
Equity holders of the Company	536,752	1,845,004	643,389	2,074,936
Minority interest	(87)	25,807	1,314	46,758
	536,665	1,870,811	644,703	2,121,694

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

Basic	\$1.65	\$5.67	\$1.98	\$6.38
Diluted	\$1.63	\$5.61	\$1.94	\$6.26

GraceKennedy Limited

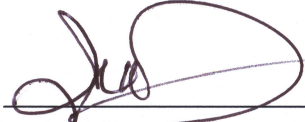
CONSOLIDATED BALANCE SHEET

31 DECEMBER 2006

(Unaudited)

	2006	Restated 2005
	\$'000	\$'000
ASSETS		
Cash and deposits	6,609,451	5,728,483
Investment securities	36,435,577	31,579,264
Receivables	5,807,709	6,423,981
Inventories	3,545,919	3,885,246
Loans and other receivables	4,645,883	3,462,476
Taxation recoverable	584,161	538,178
Investments in associates	657,699	475,205
Intangible assets	984,824	1,035,914
Fixed assets	2,347,625	2,308,182
Deferred tax assets	823,127	599,159
Pension plan asset	5,810,890	5,064,748
Total Assets	68,252,865	61,100,836
LIABILITIES		
Deposits	9,789,234	8,957,153
Securities sold under agreement to repurchase	22,777,553	18,985,588
Borrowings	5,750,308	5,186,283
Payables	7,745,203	8,128,709
Taxation	389,219	456,754
Provisions	9,285	9,285
Deferred tax liabilities	2,684,129	2,382,807
Other post-retirement obligations	1,175,577	1,009,433
Total Liabilities	50,320,508	45,116,012
EQUITY		
Capital & reserves attributable to the equity holders of the Company		
Share capital	405,686	325,744
Capital and fair value reserves	3,835,045	3,150,866
Retained earnings	10,513,278	9,536,534
Reserve funds	776,884	736,651
Other reserves	1,628,082	1,490,795
	17,158,975	15,240,590
Minority Interest	773,382	744,234
Total Equity	17,932,357	15,984,824
Total Equity and Liabilities	68,252,865	61,100,836

Approved for issue by the Board of Directors on 14 February 2007 and signed on its behalf by:



D. R. Orane

Chairman



F. E. G. McIntosh

Chief Financial Officer

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

QUARTER ENDED 31 DECEMBER 2006

(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 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	-	-	-	-	-	124,401	124,401	1,507	125,908
Fair value adjustments	-	-	15,079	-	-	-	15,079	-	15,079
Revaluation surplus	-	-	12,533	-	-	-	12,533	-	12,533
Other	-	-	146	-	-	-	146	-	146
Total	-	-	27,758	-	-	124,401	152,159	1,507	153,666
Profit for the period	-	-	-	2,074,936	-	-	2,074,936	46,758	2,121,694
Issue of shares at a premium	1,578	1,578	55,708	-	-	-	57,286	-	57,286
Purchase of treasury shares	(193)	(193)	(18,919)	-	-	-	(19,112)	-	(19,112)
Increase in minority interest	-	-	-	-	-	-	-	229,126	229,126
Transfers between reserves	-	-	(9,442)	(30,680)	40,122	-	-	-	-
Employee share option scheme	-	-	-	-	-	75,224	75,224	-	75,224
Dividends paid	-	-	-	(326,961)	-	-	(326,961)	-	(326,961)
Dividends paid by subsidiary to minority interest	-	-	-	-	-	-	-	(40,684)	(40,684)
Other	-	-	-	(124,915)	-	-	(124,915)	-	(124,915)
Balance at 31 December 2005	325,744	325,744	3,150,866	9,536,534	736,651	1,490,795	15,240,590	744,234	15,984,824
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	-	-	-	-	-	101,443	101,443	1,256	102,699
Fair value adjustments	-	-	124,017	-	-	-	124,017	-	124,017
Revaluation surplus	-	-	184,220	-	-	-	184,220	-	184,220
Other	-	-	2,187	-	-	-	2,187	2,085	4,272
Total	-	-	310,424	-	-	101,443	411,867	3,341	415,208
Profit for the period	-	-	-	1,845,004	-	-	1,845,004	25,807	1,870,811
Issue of shares at a premium	413	19,661	-	-	-	-	19,661	-	19,661
Purchase of treasury shares	(909)	(53,015)	(298)	-	-	-	(53,313)	-	(53,313)
Increase in minority interest	-	-	-	-	-	-	-	-	-
Transfers between reserves	-	-	487,349	(527,582)	40,233	-	-	-	-
Employee share option scheme	-	-	-	-	-	35,844	35,844	-	35,844
Dividends paid	-	-	-	(340,678)	-	-	(340,678)	-	(340,678)
Dividends paid by subsidiary to minority interest	-	-	-	-	-	-	-	-	-
Transfer of share premium to share capital	-	113,296	(113,296)	-	-	-	-	-	-
Balance at 31 December 2006	325,248	405,686	3,835,045	10,513,278	776,884	1,628,082	17,158,975	773,382	17,932,357

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

QUARTER ENDED 31 DECEMBER 2006

(Unaudited)

	31/12/2006 \$'000	Restated 31/12/2005 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	1,870,811	2,121,694
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	3,596,107	720,369
Cash provided by operating activities	5,466,918	2,842,063
Cash used in financing activities	(4,081,570)	(3,633,261)
Cash (used in)/provided by investing activities	(385,244)	1,808,317
Increase in cash and cash equivalents	1,000,104	1,017,119
Cash and cash equivalents at beginning of year	4,130,704	3,061,231
Exchange and translation gains on net foreign cash balances	53,391	52,354
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,184,199	4,130,704

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

QUARTER ENDED 31 DECEMBER 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.

2. Presentation of Financial Statements

For reporting purposes, the format of the Group's balance sheet has been changed from a current/non-current classification for assets and liabilities to a declassified format which shows assets and liabilities in order of liquidity. The declassified format has been chosen as it better reflects the operating cycle of the business activities of the Group, which in recent years has incorporated more financial services. This is in keeping with IFRS in IAS 1: Presentation of Financial Statements, which recommends that, given the Group's composition, a presentation based on liquidity provides reliable and more relevant information.