Grace, Kennedy & Company Limited

Unaudited Results For quarter ended

30 September 2004

GROUP PROFIT AND LOSS ACCOUNT - Unaudited

quarter ended 30 September

	3 months to 30/09/2003 $'000	9 months to 30/09/2004 $'000	3 months to 30/09/2003 $'000	9 months to 30/09/2003 $'000 ***
Revenues	7,510,950	22,320,587	5,854,664	16,499,283
Expenses	6,860,131	20,608,950	5,279,215	15,010,066
Trading Profit	650,819	1,711,637	575,449	1,489,217
Other operating income	57,406	210,190	86,418	109,426
Profit from Operations	708,225	1,921,827	661,867	1,598,643
Finance Income/(costs) - net	51,865	108,136	39,684	157,751
Share of results of associated companies	3,558	60,665	(4,292)	84,313
Profit before Taxation	763,648	2,090,628	697,259	1,840,707
Taxation	213,821	585,376	194,447	515,398
Profit after Taxation	549,827	1,505,252	502,812	1,325,309
Minority interest in results of subsidiaries	34,735	77,723	15,696	45,567
Net Profit Attributable to the Stockholders	515,092	1,427,529	487,116	1,279,742

Earnings per stock unit of $1.00				
Basic	$1.59	$4.41	$1.51	$3.96
Diluted	$1.55	$4.30	$1.49	$3.93

***** : Restated to comply with IFRS**

Group Balance Sheet - Unaudited

September 30, 2004

	September 2004 $'000	December 2003 $'000	September 2003 $'000***
NET ASSETS EMPLOYED			
Non-Current Assets			
Fixed assets	1,996,077	2,166,193	2,003,867
Goodwill, Trademarks	369,620	258,853	63,104
Investments in associates	411,816	1,614,553	1,642,754
Investments	3,626,069	2,861,197	1,760,101
Long term receivables	1,004,479	537,077	710,164
Deferred tax assets	598,658	580,700	439,120
Pension plan asset	4,157,300	3,897,041	3,779,236
	12,164,019	11,915,614	10,398,346
Current Assets			
Inventories	2,373,270	2,596,025	2,044,703
Receivables	4,865,563	4,792,884	4,719,565
Long term receivables - current	1,071,038	840,090	915,512
Taxation recoverable	461,325	394,907	232,280
Cash and short term investments	28,699,793	24,805,847	25,957,581

	37,470,989	33,429,753	33,869,641
Current Liabilities			
Payables	6,187,836	5,999,062	5,454,092
Taxation	228,853	211,524	321,903
Bank and short term loans	1,896,298	1,773,247	2,350,740
Long term liabilities - current portion	91,054	100,198	82,627
Deposits	4,025,822	3,344,997	3,557,823
Securities sold under agreement to repurchase	19,969,312	17,729,384	18,158,938
	32,399,175	29,158,412	29,926,123
Net Current Assets	5,071,814	4,271,341	3,943,518
	17,235,833	16,186,955	14,341,864
FINANCED BY			
Equity			
Share Capital	324,102	323,466	323,166
Capital and fair value reserves	2,721,380	3,448,660	3,449,838
Retained earnings	7,508,951	6,009,111	5,769,833
Reserve funds	643,207	643,207	321,936
Translation gains	1,190,705	1,143,895	1,060,328
	12,388,345	11,568,339	10,925,101
Minority Interest	**509,126**	**460,032**	**263,622**
Non-Current Liabilities			
Long Term Liabilities	1,464,930	1,429,491	701,016
Deferred Tax Liabilities	1,985,549	1,890,002	1,628,050
Employee benefit obligations	887,883	839,091	824,075
	4,338,362	4,158,584	3,153,141
	17,235,833	16,186,955	14,341,864

Approved for issue by the Board of Directors on 28 October 2004 and signed on its behalf by:

D.R. Orane
Chairman

D.G. Wehby
Chief Financial Officer

***** : Restated to comply with IFRS**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

QUARTER ENDED 30 SEPTEMBER 2004

(Unaudited)

	No. of Shares 000	Share Capital $'000	Capital and Fair Value Reserve $'000	Retained Earnings $'000	Reserve Fund $'000	Other Reserves $'000	Total $'000
Balance at 1 January 2003	323,075	323,075	3236802	4,899,671	321,936	684,994	9,466,478
Net gains/(losses) not recognised in the profit and loss account, net of tax:							
Foreign currency translation adjustments	-	-	-	-	-	375,334	375,334
Fair value adjustments	-	-	(100,757)	-	-	-	(100,757)
Revaluation surplus	-	-	-	-	-	-	
Net excess of investments	-	-	(11)	-	-	-	(11)
Total	-	-	(100,768)	-	-	375,334	274,566
Restated Net profit	-	-	-	1,279,742	-	-	1,279,742
Issue of bonus shares	-	-	-	-	-	-	-
Issue of shares at a premium	91	91	1,157	-	-	-	1,248
Par value of bonus shares received	-	-	-	-	-	-	-
Transfers between reserves	-		312,647	(312,647)	-	-	-
Dividends	-	-		(96,933)	-	-	(96,933)
Withholding tax	-	-	-	-	-	-	-
Balance at 30 September 2003	323,166	323,166	3,449,838	5,769,833	321,936	1,060,328	10,925,101
Balance at 1 January 2004	323,466	323,466	3,448,660	6,009,111	643,207	1,143,895	11,568,339
Net gains/(losses) not recognised in the profit and loss account:							
Foreign currency translation adjustments	-	-	-	-	-	46,810	46,810
Fair value adjustments	-	-	(156,472)	-	-	-	156,472

Revaluation surplus	-	-	(702,674)	-	-	-	(702,674)
Net excess of investments	-	-	4,048	-	-	-	4,048
Total	-	-	(542,154)	-	-	46,810	(495,344)
Net profit	-	-		1,427,529	-	-	1,427,529
Issue of bonus shares	-	-	-	-	-	-	-
Issue of shares at a premium	636	636	16,704	-	-	-	17,340
Par value of bonus shares received	-	-	-	-	-	-	-
Transfers between reserves	-	-	(201,830)	201,830	-	-	-
Dividends	-	-	-	(129,519)	-	-	(129,519)
Withholding tax	-	-	-	-	-	-	-
Balance at 30 September 2004	324,102	324,102	2,721,380	7,508,951	643,207	1,190,705	12,388,345

CONSOLIDATED STATEMENT OF CASH FLOWS

QUARTER ENDED 30 SEPTEMBER 2004

(Unaudited)

	30/09/2004 $'000	30/09/2003 $'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Net profit	1,427,529	1,279,742
Adjusments for items not affecting cash, changes in non-cash working capital components and other, net	363,820	(1,423,272)
Cash provided by/(used in) operating activities	1,791,349	(143,530)
Cash (used in)/provided by financing activities	(234,159)	1,185,822
Cash used in investing activities	(809,731)	(746,895)
Increase in cash and cash equivalents	747,459	295,397
Cash and cash equivalents at beginning of year	2,160,145	1,667,918
Exchange and translation gains on net foreign cash balances	13,019	74,354

CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,920,623	2,037,669

FINANCIAL INFORMATION BY BUSINESS SEGMENT

QUARTER ENDED 30 SEPTEMBER 2004

(Unaudited)

9 months to 30 September 2004	**Food Trading**	**Retail & Trading**	**Financial Services**	**Maritime**	**Information**	**Consolidation Adjustments**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE							
External sales	8,136,632	7,602,618	4,325,392	221,458	2,034,487		22,320,587
Inter-segment sales	412,315	1,152	290,704	14,817	-	(718,988)	-
Total Revenue	8,548,94	7,603,770	4,616,096	236,275	2,034,487	(718,988)	22,320,587
RESULT							
Segment Result	74,020	261,477	857,005	23,140	379,508	118,960	1,714,110
Unallocated income						207,717	207,717
Profit from operations							1,921,827
Finance income - net	140,289	(75,432)	105,074	9,512	47,653	(118,960)	108,136
Share of associates	43,589	6,058	(6,032)	5,162	11,888	-	60,665
Profit before Taxation	257,898	192,103	956,047	37,814	439,049	207,717	2,090,628
Taxation							(585,376)
Profit after Taxation							1,505,252
Minority Interest							(77,723)
Net Profit							1,427,529

9 months to 30 September 2003	Food Trading $'000	Retail & Trading $'000	Financial Services $'000	Maritime $'000	Information $'000	Consolidation Adjustments $'000	Group $'000
REVENUE							
External sales	7,341,868	4,962,124	2,292,201	237,983	1,665,107		16,499,283
Inter-segment sales	392,157	1,295	258,130	13,561	-	(665,143)	-
Total Revenue	7,734,025	4,963,419	2,550,331	251,544	1,665,107	(665,143)	16,499,283
RESULT							
Segment Result	85,719	143,652	545,178	59,031	416,084	52,979	1,302,643
Unallocated income						296,000	296,000
Profit from operations							1,598,643
Finance income - net	63,789	(23,081)	136,507	(2,059)	35,574	(52,979)	157,751
Share of associates	56,379	(77)	(1,393)	25,822	3,582	-	84,313
Profit before Taxation	205,887	120,494	680,292	82,794	455,240	296,000	1,840,707
Taxation							(515,398)
Profit after Taxation							1,325,309
Minority Interest							(45,567)
Net Profit							1,279,742

Notes

1. Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFIRS), 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 2003.

These fin ancial 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) Investments

The Group classified its investments in debt and equity securities into the following categories: originated debts and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Originated debts are subsequently re-measured at amortised cost.

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.

(d) Employee benefit costs

(i) Pension plan asset

The Group operates a defined benefit plan. The scheme is generally funded through payments to a trustee-ad ministered 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 employee benefit obligations

Some Group companies provide post-retirement healthcare 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.

(e) 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.

(f) 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.

(g) 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.

(h) Segment reporting

The Group is organized into five business segments which provide products and services that are subject to risks and returns dissimilar to each other:

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 and merchant banking; securities trading; portfolio management; stockbroking; property rental; lease and trade financing; pension fund and mutual fund management;

Maritime - Shipping agencies and other maritime services;

Information - Operation of money transfer services; information technology and international telecommunications services.

(i) 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 International Financial Reporting Standards.

2. Divestment

Prior to the divestment of its associated company Kingston Wharves Limited, Grace, Kennedy reassessed the estimated recoverable amount of Kingston Wharves' assets and adjusted their carrying amount for consolidation purposes through capital reserve. Subsequently, the company disposed of its approximately 44% shareholding in Kingston Wharves Limited to National Commercial Bank Jamaica Limited. The net proceeds of the sale were $611.3 million.

Don Wehby
Chief Financial Officer
28 October 2004

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the nine-month period ended 30 September 2004.

The Group achieved Revenues for the period of $22,320.6 million (2003: $16,499.3 million), an increase of $5,821.3 million or 35.3%. Profit from operations were $1,921.8 million (2003: $1,598.6 million) an increase of 20.2%. The Net Profit Attributable to Stockholders increased by $147.8 million over the corresponding period of 2003, moving from $1,279.7 million to $1,427.5 million, an increase of 11.5%. This represents Earnings per Stock Unit of $4.41 (2003: $3.96).

The Company's stock traded at $105.05 per stock unit at the end of the quarter, which is a 95% increase since the start of the year when the stock price was $53.95 per stock unit. This resulted in the Group's market capitalization increasing to $34.0 billion (US$551.6 million) on 30 September.

The net effect of Hurricane Ivan which.hit Jamaica on September 10-11, was an overall negative one. Virtually all of our businesses in Jamaica were disrupted for varying periods of time, particularly those producing and distributing goods. Most of the companies in the Group have substantially restored their operations. However, the time to return to full normality will extend over several months. In particular, our factories and export activities are being adversely affected by the loss of crops suffered by our suppliers, and will require the completion of a crop bearing cycle to return to pre-hurricane volumes. In support of rebuilding Jamaica, we discounted very heavily our inbound remittance fees in collaboration with Western Union.

The Group was adequately insured however and all insurance claims were registered and are being processed through our Brokers and Consultants. A speedy conclusion is expected.

The Food Trading Division was performing satisfactorily up to the arrival of the hurricane. Two additional products were launched, namely Zesti Light (diet) and Grace Tropical Rhythms in a flexible pouch. These have been very well received by the trade. In the international markets we have commenced trading in Martinique and Guadeloupe using Grace Tropical Rhythms as the entry product. We have also shipped Grace Tropical Rhythms, Capri-Sun and Grace Coconut Water into the Dominican Republic.

The Retail & Trading Division achieved a significant increase in profits compared to the comparative period last year. Following the merger, the Hardware & Lumber group continues to experience strong growth in sales and profits and this trend is expected to continue.

The Financial Services Division continues to perform extremely well. The mergers within the division were completed on 1 July and we are now seeing the benefits of these synergies from both First Global Bank Limited and First Global Financial Services Limited. EC Global Insurance Company Limited offering general insurance in St. Lucia, was officially launched on 26 September at a function held at the Sandals Grande St. Lucian Beach Resort & Spa, St. Lucia.

Grace, Kennedy & Company Limited and Guardian Holdings Limited signed a Memorandum of Understanding to start a 50/50 joint venture company in the health insurance business. We expect that we will begin to offer these services in the first half of 2005.

As previously reported, Grace, Kennedy's role in the maritime industry is under review following the divestment of its shareholdings in Kingston Wharves Limited. A decision as to this strategic direction should be made by the end of the fourth quarter 2004. An agreement was arrived at between Grace, Kennedy & Company Limited and the Hamburg Sud Shipping IAne, which led to the closure of the agency representing this line. The impact of this event on the results of the division was negligible, as this was a small and marginal operation. The remaining activities within the division produced n-dxed results. The Board of Grace, Kennedy has made a decision to divest its 30% shareholding in Carib Star Shipping IAniited to the majority shareholder Zim Integrated Shipping lAmited on 31 December 2004. The balance of the Maritime Division will also be undergoing a major restructuring as of that date.

The Information Services Division also reported mixed results for the third quart er. Based on an initiative between Grace, Kennedy and Western Union, a special fund known as the "Grace, Kennedy/Western Union Build Back Jamaica Initiative" was set up with an initial commitment of $30 million, to which each company has contributed 50%. This initiative is to assist Jamaicans in need after Hurricane Ivan, and to provide a channel for Jamaicans in the Diaspora and Jamaica's friends overseas to contribute easily and expeditiously to the rebuilding process in Jamaica.. The funds from this initiative are being disbursed through non-governmental relief agencies such as United Way and International Red Cross.

We are in the final stages of listing Grace, Kennedy & Company Limited on the Eastern Caribbean Stock Exchange. This will take place during the month of November 2004.

Earlier this year, the company gave a forecast that profits attributable to shareholders for 2004 was likely to be 15% more than 2003, and we had stated that this would be reviewed during the course of the year. Despite steady increases in profits up to August, a combination of factors makes it likely that the balance of the year will produce lower results than originally forecasted. As stated earlier in this report, Hurricane Ivan has had an overall adverse effect on the group and will continue to affect profitability for the balance of the year. A restructuring of the Maritime Division at the end of this year will have material exceptional expenses. Under the recently introduced IFRS accounting rules, surpluses/losses from the company's pension fund are now recognised in the company's accounts in the current year. Subject to actuarrial review, it is likely that our pension fund's surplus this year will be less than in 2003. The group is likely to end the year with a higher overall taxation rate than in 2003, in which year the benefits of a lower tax rate were recognised in the fourth quarter.

Based on the foregoing, the revised forecast of profits attributable to shareholders for the year 2004 is an increase of between 3% and 5% over 2003. A forecast of our 2005 earnings will be given after the release of our 2004 audited accounts next year.
We wish to express our condolences to the family of Professor Gladstone Mills who was one of the long standing directors of the Grace, Kennedy Foundation. He joined the foundation at its inception in 1982 and served as Chairman since 1989 until his retirement in 2002.

With the passing of Hurricane Ivan in September, the Caribbean islands suffered much loss of lives and significant damage to properties, crop and livestock. We empathise with the families who have lost loved ones and commend all for working together to get back to as much normalcy as possible in such a short time period.

Congratulations to all my colleague directors, management and staff of Grace, Kennedy for your resilience in assisting the company in restoring business operations in the shortest possible time to allow us to continue servicing the needs of our customers and the communities at large. Thanks to our customers, consumers, suppliers and all stakeholders for your continued faith in our commitment to satisfying your needs.

Douglas R. Orane
Chairman & Chief Executive Officer

28 October 2004