GRACE KENNEDY & COMPANY LTD.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

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1. Identification

Grace, Kennedy & Company Limited (the company) is a company limited by shares, incorporated and domiciled in Jamaica. The registered office of the company is 73 Harbour Street, Kingston, Jamaica.

The company is a publicly listed company having its primary listing on the Jamaica Stock Exchange, with further listings on the Barbados and Trinidad and Tobago Stock Exchanges.

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.

Maritime -
Shipping agencies and other maritime services.

Information -
Operation of money transfer services; bill payment services and international telecommunications services.

These financial statements are presented in Jamaican dollars.

2. Significant 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 preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates 'are based on management's best knowledge of current events and action, actual results could differ from those estimates.

(b) Basis of consolidation

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus cost directly attributable to the acquisition. The excess of the cost over the fair value of net assets acquired is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

All subsidiaries are wholly-owned unless otherwise indicated.
The subsidiaries consolidated are as follows:

Incorporated and Resident in Jamaica:
Allied Insurance Brokers Limited
First Global Bank Limited
First Global Financial Services Limited (formerly George & Branday Securities Limited)
First Global Insurance Consultants Limited (formerly H. Macaulay Orreft Insurance Limited)
Global Capital Services Limited
Grace Food Processors Limited
Grace Food Processors (Canning) Limited
Grace, Kennedy & Company (Shipping) Limited
Grace, Kennedy Currency Trading Services Limited
Grace Foods International Limited
Grace, Kennedy Logistics Limited
Grace, Kennedy Payment Services Limited
Grace, Kennedy Remittance Services Limited
Grace, Kennedy Telemarketing Limited
Horizon Shipping Limited (formerly Hamburg-Sud Jamaica Limited)
Hardware and Lumber Limited (69.7%) and its subsidiaries -
  Agro-Grace Limited
  H&L True Value Limited
  H&L Agri and Marine Company Limited
  Hole in the Wall Limited
  Office Services Limited
  Rapid & Sheffield Company Limited
  Wherry Wharf Sales Company Limited
Hi-Lo Food Stores (Jamaica) Limited
H. Macaulay Orrett Limited
International Communications Limited
International Shipping Limited
Jamaica International Insurance Company Limited
Medi-Grace Limited
National Processors Limited

Port Services Limited (97.2%)
Versair In-Flite Services Limited (51 %) and its subsidiary -
Industrial Catering Services Limited (51%)
World Brands Services Limited

Incorporated and Resident outside of Jamaica:
First Global Insurance Agency Limited, Turks and Caicos Islands
Grace Foods Limited, Bermuda
Grace Foods (USA) Inc., U.S.A.
Grace, Kennedy (Belize) Limited, Belize (66.6%)
Grace, Kennedy (Ontario) Inc., Canada and its subsidiary -
Grace, Kennedy (Caribbean) Limited, Turks and Caicos Islands
Grace, Kennedy (Guyana) Inc., Guyana
Grace, Kennedy Remittance Services (Guyana) Limited, Guyana
Grace, Kennedy Remittance Services (Turks and Caicos) Limited, Turks and Caicos Islands
Grace, Kennedy Remittance Services (USA) Inc., U.S.A.
Grace, Kennedy Financial Services (USA) Inc., U.S.A.
Grace, Kennedy (St. Lucia) Limited, St. Lucia
Grace, Kennedy (Trinidad & Tobago) Limited, Trinidad and Tobago and its subsidiary -
Grace, Kennedy Remittance Services
(Trinidad & Tobago) Limited, Trinidad and Tobago
Grace, Kennedy (U.K.) Limited, United Kingdom
Grace, Kennedy (U.S.A.) Inc., U.S.A.
Grace, Kennedy Securities (USA) Inc., U.S.A.
Grace, Kennedy Trade Finance Limited, Belize
Graken Holdings Limited, Turks and Caicos Islands and its subsidiaries -
First Global (Cayman) Limited, Cayman Islands
GK Fund Management (Cayman) Limited (formerly Grace, Kennedy Capital Services Limited),
Cayman Islands
Knutsford Re, Turks and Caicos Islands

(c) Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the Group's share of the post-acquisition profits or losses of associates is recognised in the profit and loss account and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate. In the company balance sheet, investment in associates is shown at cost.

The Group's associated companies are as follows:

	Group's percentage interest	
	2004	2003
Acra Financial Services Inc.	30.0	30.0
Carib Star Shipping Limited	30.0	30.0
Challenge Enterprises Limited	50.0	50.0
CSGK Finance Holdings Limited	40.0	40.0
Dairy Industries (Jamaica) Limited	50.0	50.0
EC Global Insurance Company Limited	30.0	-
Fidelity Motors Limited	30.0	-
Fish Importers Limited	32.7	32.7
Kingston Wharves Limited and its subsidiaries	-	44.0
Telecommunications Alliance Limited	49.0	-

Effective 21 January 2004, the Group disposed of its 44% shareholding in the Kingston Wharves Group. During the year, the Group acquired 30% of the shareholding in EC Global Insurance Company Limited, a general insurance company incorporated in St. Lucia, 49% of the shareholding in Telecommunications Alliance Limited and increased its shareholding in Fidelity Motors Limited from 15% to 30% by the conversion of its preference shares, thus making it an associated company.

(d) Joint ventures

The Group's interest in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and Liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

(e) Foreign currency translation

(i) Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(ii) Assets and liabilities of foreign subsidiaries are translated into Jamaican dollars at year end rates and items affecting the profit and loss account are translated at average rates. The resultant gains, as well as those arising from translating the net equity interest in foreign associated companies, are reflected in stockholders' equity as translation gains.

(f) 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.

Increases in carrying amounts arising on revaluation are credited to the capital reserve in stockholders' equity. Decreases that offset previous increases of the same asset are charged against the capital reserve; all other decreases are charged to the profit and loss account.

Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The expected useful lives are as follows:

Freehold buildings and leasehold buildings and improvements	10-60 years
Plant, machinery, equipment, furniture and fixtures	3-10 years
Vehicles	3-5 years

Land is not depreciated.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining profit. When revalued assets are sold, the amounts included in capital and fair value reserves are transferred to retained earnings.

Repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

(g) Goodwill

Goodwill is recorded at cost and represents the excess of the value of consideration paid over the net assets acquired. Amortisation is calculated on the straight line basis to write off the carrying value over an estimated life of 5 years.

(h) Investments

The Group classifies 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. Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs.

Loans and advances which are provided directly to a borrower, and Government or other securities which are purchased directly from the issuer, are classified as originated debts. These include bonds and treasury bills, demand loans, and demand and term deposits. They are initially recorded at cost, which is the cash given to originate the debt including any transaction costs, and are subsequently measured at amortised cost using the effective yield method.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale, and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Available-for-sale investments are subsequently carried at fair value.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains and losses from investment securities.

The determination of the fair value of financial instruments is detailed in Note 34.

(i) Investments in subsidiaries
Investments in subsidiaries are stated at cost.

(j) Impairment of long lived assets
Fixed assets and other non-current assets, including goodwill, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(k) Loans receivable
Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs and subsequently measured at amortised cost using the effective yield method.

A provision for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

The provision for credit losses also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. The Bank of Jamaica regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS requires the increase in the present value of impaired loans due to the passage of time to be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries in part or in full of amounts previously written-off are credited to credit loss expense in the profit and loss account.

Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in a non-distributable loan loss reserve as an appropriation of retained earnings.

(l) Income taxes

Taxation expense in the profit and loss account comprises current and deferred tax charges.

Current tax charges are based on taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at balance sheet date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on 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 recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited to equity, in which case, deferred tax is also dealt with in equity.

(m) 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

Share options are granted to management and key employees. 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. The Group does not make a charge to staff costs in connection with share options.

(iv) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(n) Inventories

Inventories are stated at the lower of average cost and net realisable value. In the case of the company, cost represents invoiced cost plus direct inventory-related expenses. For the subsidiaries, costs are determined by methods and bases appropriate to their operations. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(o) Trade and insurance receivables

Trade and insurance receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of these receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

(p) 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 short term loans in current liabilities on the balance sheet.

(q) Payables

Payables are recorded at cost.

(r) Insurance business provisions

(i) Claims outstanding

Provision is made to cover the estimated cost of settling claims arising out of events which have occurred by the balance sheet date, including claims incurred but not reported, less amounts already paid in respect of these claims. Provision for reported claims is based on individual case estimates.

(ii) Insurance reserves

Provision is made for that proportion of premiums written in respect of risks to be borne subsequent to the year end, under contracts of insurance entered into on or before the balance sheet date. Provision is also made to cover the estimated amounts in excess of unearned premiums required to meet future claims and expenses on business in force.

(s) Provisions

Provisions are recognised 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. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(t) Deposits

Deposits are recognised initially at the nominal amount when funds are received. Deposits are subsequently stated at amortised cost using the effective yield method. Interest payable on deposits is included in payables.

(u) Securities purchased/sold under resale/ repurchase agreements

The purchase and sale of securities under resale and repurchase agreements are treated as collateralised lending and borrowing transactions. The related interest income and expense are recorded on the accrual basis.

(v) Borrowings

Bank loans and overdrafts are recorded at proceeds received. Finance charges, including direct issue costs are accounted for on an accrual basis in the profit and loss account using the effective yield method and are added to the carrying amount of the loan to the extent that they are not settled in the period in which they arise.

(w) Leases

(i) As lessee

Leases of fixed assets where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligations. The interest element of the finance charge is charged to the profit and loss account over the lease period. The fixed asset acquired under finance leasing contracts is depreciated over the useful life of the asset.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) As lessor

When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as deferred profit. Lease income is recognised over the term of the lease so as to reflect a constant periodic rate of return.

(x) Revenue recognition

Revenues represent the invoice value of goods and services sold to external customers of the Group, net of General Consumption Tax and other value added taxes, and after deducting discounts and allowances.

In the case of the general insurance subsidiary, Jamaica International Insurance Company Limited, revenues represent gross premiums billed. For those subsidiaries whose activity is the provision of financial and shipping services, revenues represent commissions earned and charges for services rendered.

Sales are recognised upon delivery of products and customer acceptance or performance of services. Premium income is recognised over the life of policies written. That portion of premiums written in the current year, which relates to coverage in subsequent years, is deferred.

Interest income and expense are recorded on the accrual basis. Where collection of interest income is considered doubtful or payment is outstanding for more than 90 days, the banking regulations stipulate that interest should be taken into account on the cash basis. IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. However such amounts under IFRS are considered to be immaterial.

Fees and commissions are recognised on an accrual basis, on completion of the underlying service or transaction.

Gains and losses arising from dealing in foreign currencies are recognised when realised and are shown net in the profit and loss account.

(y) Dividends

Dividends are recorded as a deduction from stockholders' equity in the period in which they are approved.

(z) Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments, and comprise the Group's five operating divisions. Geographical segments provide products or services within a particular economic environment that are subject to risks and returns that are different from those of components operating in other economic environments.

(aa) Financial instruments

Financial instruments carried on the balance sheet include cash and short term investments, long term receivables, investments, trade and interest receivables, trade and interest payables, bank and short term loans, securities sold under agreement to repurchase, deposits and long term liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The determination of the fair values of the Group's financial instruments as discussed in Note 34.

(ab) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

3. Fixed Assets

	Freehold Land and Buildings $'000	**Leasehold Buildings and Improvements $'000**	**Plant, Equipment Fixtures & Vehicles $'000**	**Capital Work in Progress $'000**	**Total $'000**
			Group		
Cost or Valuation					
At 1 January 2004	621,424	497,319	2,697,800	127,349	3,943,892
Additions	94,169	31,411	318,197	61,334	505,111
Revaluation surplus	36,158	-	-	-	36,158
Transfer from CWIP	6,566		96,885	(103,451)	-
Disposals	(20,128)	(18,273)	(307,360)	-	(345,761)
At 31 December 2004	738,189	510,457	2,805,522	85,232	4,139,400
Accumulated Depreciation					
At 1 January 2004	11,776	234,810	1,531,113	-	1,777,699
Charge for the year	15,034	58,839	367,112	-	440,985
Revaluation adjustment	(15,443)	-	-	-	(15,443)
On disposals	(1,480)	(16,794)	(221,214)	-	(239,488)

At 31 December 2004	9,887	276,855	1,677,011	-	1,963,753
Net Book Value					
31 December 2004	728,302	233,602	1,128,511	85,232	2,175,647
31 December 2003	609,648	262,509	1,166,687	127,349	2,166,193

	Freehold Land and Buildings $'000	Leasehold Buildings and Improvements $'000	Plant Equipment Fixtures & Vehicles $'000	Capital Work in Progress $'000	Total $'000
			Company		
Cost or Valuation					
At 1 January 2004	15,000	78,369	349,142	14,141	456,652
Additions	-	9,219	16,099	-	25,318
Disposals	-	-	(3,096)	-	(3,096)
At 31 December 2004	15,000	87,588	362,145	14,141	478,874
Accumulated Depreciation					
At 1 January 2004	550	40,641	270,428	-	311,619
Charge for the year	275	7,150	35,468	-	42,893
Revaluation adjustment	(825)	-	-	-	(825)
On disposals	-	-	(2,287)	-	(2,287)
At 31 December 2004	-	47,791	303,609	-	351,400
Net Book Value					
31 December 2004	15,000	39,797	58,536	14,141	127,474
31 December 2003	14,450	37,728	78,714	14,141	145,033

(a)The tables above include carrying values of $99,627,000 (2003 - $44,666,000) and $17,341,000 (2003 - $12,272,000) in respect of the Group and the company, respectively, representing assets being acquired under finance leases.

(b) If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Cost	382,766	294,036	8,879	8,879
Accumulated depreciation	47,728	39,631	2,606	2,379
Net Book Value	335,038	254,405	6,273	6,500

(c) The Group's land and buildings were last revalued during 2004 by independent valuers. The valuations were done on the basis of open market value. The revaluation surpluses, net of applicable deferred income taxes, were credited to the capital and fair value reserves in stockholders' equity (Note 17).

4. Goodwill

	Group	
	2004	2003
	$'000	$'000
At cost - beginning of the year	282,005	53,441
Arising from the acquisition of subsidiary	-	203,147
Arising from other business acquisitions	131,557	25,417
Reduction in goodwill arising from acquisition of a subsidiary	(13,256)	-
At cost - end of year	400,306	282,005
Less: Accumulated amortisation	(87,555)	(23,152)
	312,751	258,853

5. Investments in Associates

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
At beginning of year	1,614,553	1,555,966	133,558	109,892
Share of results before tax	83,065	110,291	-	-
Share of tax (Note 27)	(27,405)	(43,106)	-	-
Share of results after tax	55,660	67,185	-	-
Additions	69,573	33,590	34,777	23,666
Impairment adjustment	(702,675)	-	-	-
Disposals	(608,745)		(72,762)	
Movement in other reserves	(13,850)	(42,188)	-	-
At end of year	414,516	1,614,553	95,573	133,558

6. Investments

Investments comprise:

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Originated debt -				
Government of Jamaica securities	2,674,360	2,358,394	-	-
Available-for-sale -				
Quoted equities	35,986	33,385	129	130
Government of Jamaica securities	216,224	432,648	216,224	432,648
Other	20,506	36,770	917	917
	272,716	502,803	217,270	433,695
Subsidiaries	-	-	1,355,818	1,083,688
Total	2,947,076	2,861,197	1,573,088	1,517,383

7. Long Term Receivables

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Finance leases, less deferred profit	182,616	179,434	-	-
Originated loans and receivables -				
Loans to subsidiaries	-	-	147,410	144,210
Loans to associated companies	19,428	18,540	15,500	15,500
Loans to others	2,308,970	1,174,603	-	77,779
Other non-current receivables	24,695	4,590	399	399
	2,535,709	1,377,167	163,309	237,888
Less: Due within 12 months	(789,424)	(840,090)	(1,774)	(81,211)
	1,746,285	537,077	161,535	156,677

All non-current receivables are due within 5 years from the balance sheet date.

Effective interest rates on receivables (current and non-current)

Group	Company

	2004	2003	2004	2003
Lease receivables	17%	16%	-	-
Loans to associates	11%	26%	-	-
Loans to subsidiaries	-	-	10%	10%
Loans to others	10-26%	11-28%	-	-

Finance lease receivables

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Gross receivables from finance leases:				
Not later than 1 year	103,457	107,138	-	-
Later than 1 year and not later than 5 years	119,641	103,151	-	-
Later than 5 years	-	7,360	-	-
	223,098	217,649	-	-
Unearned future finance income on finance leases	(40,482)	(38,215)	-	-
Net investment in finance leases	182,616	179,434	-	-
The net investment in finance leases is analysed as follows:				
Not later than 1 year	81,531	86,101	-	-
Later than 1 year and not later than 5 years	101,085	86,267	-	-
Later than 5 years	-	7,066	-	-
Total	182,616	179,434	-	-

8. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33 1/3 %.

The movement on the deferred income tax account is as follows:

Group		Company	
2004	2003	2004	2003
$'000	$'000	$'000	$'000

At beginning of year	(1,309,302)	(1,106,095)	(937,574)	(790,811)
Acquisition of subsidiary	-	(15,249)		
Profit and loss account charge (Note 27)	(92,399)	(241,692)	(105,986)	(161,296)
Tax (charged)/credited to equity	(100,472)	53,734	(23,563)	14,533
At end of year	(1,502,173)	(1,309,302)	(1,067,123)	(937,574)

The deferred tax charged/(credited) to equity during the year is as follows:

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Fair value reserves in stockholders' equity -				
Land and buildings	8,909	(662)	275	-
Available-for-sale investments	91,563	(53,072)	23,288	(14,533)
	100,472	(53,734)	23,563	(14,533)

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. Subject to agreement with the Taxpayer Audit and Assessment Department, the Group has recognised tax losses of $197,880,000 (2003 - $204,689,000) to carry forward indefinitely against future taxable income. The Group also has unrecognised tax losses of $140,199,000 (2003 - $39,715,000) in respect of a subsidiary.

Deferred income tax liabilities of $396,915,000 (2003 - $377,566,000) have not been established for the withholding and other taxes that would be payable on the unremitted earnings of certain subsidiaries, as such amounts are permanently reinvested; such unremitted earnings totalled $1,190,745,000 (2003 - $1,132,697,000

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

Group

Unrealised

Deferred tax liabilities	Accelerated Tax Depreciation $'000	Fair Value Gains $'000	Foreign Exchange Gains $'000	Pension Plan Assets $'000	Other $'000	Total $'000
At 1 January 2004	278,972	21,707	85,404	1,299,014	204,905	1,890,002
(Credited)/charged to net profit	(36,672)	28,134	(61,888)	170,758	17,837	118,169
Charged to equity	8,909	86,325	17	-	-	95,251
At 31 December 2004	251,209	136,166	23,533	1,469,772	222,742	2,103,422

Deferred tax assets	Accelerated tax depreciation $'000	Unutilised tax losses $'000	Provisions $'000	Employee Benefit Obligations $'000	Other $'000	Total $'000
At 1 January 2004	63,007	91,486	7,664	279,697	138,846	580,700
Credited/(charged) to net profit	18,900	(25,526)	(6,518)	2,789	36,125	25,770
Charged to equity	-	-	-	-	(5,221)	(5,221)
At 31 December 2004	81,907	65,960	1,146	282,486	169,750	601,249

Company

Deferred tax liabilities	Accelerated tax depreciation $'000	Fair Value gains $'000	Pension Plan Asset $'000	Other $'000	Total $'000
At 1 January 2004	11,699	-	990,783	67,348	1,069,830
(Credited)/ charged to net profit	(3,495)	-	150,034	(30,495)	116,044
Charged to equity	275	18,067	-	-	18,342
At 31 December 2004	8,479	18,067	1,140,817	36,853	1,204,216

Deferred tax assets	Accelerated tax depreciation $'000	Employee Benefit Obligations $'000	Fair Value Gains $'000	Other $'000	Total $'000
At 1 January 2004	2,637	114,355	5,221	10,043	132,256
Credited to net profit	7,431	1,260	-	1,367	10,058
Charged to equity	-	-	(5,221)	-	(5,221)

At 31 December 2004	10,068	115,615	-	11,410	137,093

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Deferred tax assets	601,249	580,700	137,093	132,256
Deferred tax liabilities	(2,103,422)	(1,890,002)	(1,204,216)	(1,069,830)
	(1,502,173)	(1,309,302)	(1,067,123)	(937,574)

The amounts shown in the balance sheet include the following:

Deferred tax assets to be recovered after more than 12 months	430,353	364,726	125,683	116,992
Deferred tax liabilities to be settled after more than 12 months	(1,857,147)	(1,577,986)	(1,167,363)	(1,002,482)

9. Pensions and Other Post-Retirement Obligations

The Group's pension scheme, which commenced on 1 January 1975, is funded by employee contributions at 5% of salary with the option to contribute an additional 5% and employer contributions at 0.5%, as recommended by independent actuaries. Pension at normal retirement age is based on 2% of final 3-year average salary per year of pensionable service, plus any declared bonus pensions.

Pension benefits

The amounts recognised in the balance sheet are determined as follows:

	Group		Company	
	2004	2003	2004	2003

	$'000	$'000	$'000	$'000
Present value of funded obligations	1,949,894	1,638,725	764,439	603,928
Fair value of plan assets	(10,198,659)	(7,649,744)	(7,720,936)	(5,260,752)
	(8,248,765)	(6,011,019)	(6,956,497)	(4,656,824)
Unrecognised actuarial gains	3,140,000	1,575,683	3,166,314	1,456,818
Limitation on asset due to uncertainty of obtaining economic benefit	699,448	538,295	367,732	227,657
Asset in the balance sheet	(4,409,317)	(3,897,041)	(3,422,451)	(2,972,349)

The pension plan assets include the company's ordinary stock units with a fair value of $1,624,000,000 (2003 - $668,626,000), buildings occupied by Group companies with fair values of $631,044,000 (2003- $285,000,000) and finance lease receivables from Group companies of $20,718,000 (2003 - $27,088,000)

The amounts recognised in the profit and loss account are as follows:

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Current service cost	20,144	10,370	13,256	4,460
Interest cost	231,438	160,983	88,922	53,600
Expected return on plan assets	(899,033)	(620,980)	(631,593)	(426,066)
Net actuarial gains recognised in year	(47,402)	(86,014)	(58,299)	(53,700)
	(694,853)	(535,641)	(587,714)	(421,706)
Reduction in income due to limit	194,006	92,241	140,075	-
Total, included in staff costs (Note 25)	(500,847)	(443,400)	(447,639)	(421,706)

The actual return on plan assets was $2,469,201,000 (2003 - $1,274,996,000) for the Group.

Movement in the asset recognised in the balance sheet:

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000

At beginning of year	(3,897,041)	(3,425,236)	(2,972,349)	(2,548,517)
Total expense - as shown above	(694,853)	(535,641)	(587,714)	(421,706)
Acquisition of subsidiary	-	(5,998)	-	-
Contributions paid	(21,129)	(22,407)	(2,463)	(2,126)
	(4,613,023)	(3,989,282)	(3,562,526)	(2,972,349)
Liquidation of Hardware & Lumber Scheme	9,700	-	-	
Reduction in income due to limit	194,006	92,241	140,075	-
At end of year	(4,409,317)	(3,897,041)	(3,422,451)	(2,972,349)

The principal actuarial assumptions used were as follows:

	2004	2003
Discount rate	12.50%	15%
Lonq term inflation rate	8.25%	8.25%
Expected return on plan assets	12%	10%
Future salary increases	9.5%	9.5%
Future pension increases	3.5%	3.5%

Other post-retirement obligations

The Group operates a number of post-employment benefit schemes, principally in Jamaica. The benefits covered under the schemes include group life, insured and self-insured health care, gratuity and other supplementary plans. Funds are not built up to cover the obligations under these retirement benefit schemes. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for the pension schemes, the main actuarial assumption is a long term increase in health costs of 10% per year (2003 - 12.5% per year).

The amounts recognised in the balance sheet were determined as follows:

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Present value of unfunded obligations	1,074,656	766,040	468,244	354,881
Unrecognised actuarial (losses)/gains	(227,200)	73,051	(121,010)	(11,815)

Liability in the balance sheet	847,456	839,091	347,234	343,066

The amounts recognised in the profit and loss account were as follows:

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Current service cost	42,173	35,707	13,819	12,476
Interest cost	112,871	93,727	50,678	41,231
Net actuarial (gains)/losses recognised in year	(40,243)	(3,027)	4,057	(4,365)
Total, included in staff costs (Note 25)	114,801	126,407	68,554	49,342

Movement in the liability recognised in the balance sheet:

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
At beginning of year	839,091	766,075	343,066	335,544
Total expense - as shown above	114,801	126,407	68,554	49,342
Acquisition of subsidiary	-	9,817	-	-
Benefits paid	(94,639)	(63,208)	(64,386)	(41,820)
Liquidation of Hardware & Lumber Scheme	(11,797)	-	-	-
At end of year	847,456	839,091	347,234	343,066

10. Inventories

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Raw materials and spares	205,216	196,008	-	-
Work in process	4,272	610		
Finished goods	271,966	61,463	-	-
Merchandise	2,054,125	1,925,152	297,645	333,764

Goods in transit	793,752	412,792	214,059	140,603
	3,329,331	2,596,025	511,704	474,367

11. Receivables

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Trade receivables, less provision for doubtful debts	2,157,764	1,815,120	520,405	527,093
Insurance receivables, less provision for doubtful debts	1,411,365	907,026	-	-
Interest receivable by banking subsidiaries	890,067	1,163,245	-	-
Receivable from associates	17,691	35,605	5,660	6,292
Prepayments	171,396	128,154	24,373	20,201
Other receivables	988,065	743,734	174,779	93,375
	5,636,348	4,792,884	725,217	646,961

12. Cash and Short Term Investments

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Cash at bank and in hand	2,774,295	2,321,744	117,969	131,404
Short term deposits	1,647,848	493,349	1,103,904	474,396
	4,422,143	2,815,093	1,221,873	605,800
Short term investments	25,367,513	21,990,754	2,184,180	1,790,574
	29,789,656	24,805,847	3,406,053	2,396,374

The weighted average effective interest rate on short term deposits was 15.01% (2003 - 20.4%) and these deposits have an average maturity of under 90 days. Short term investments which mature between 90 days and 360 days or which the Group intends to realise within 12 months have an effective interest rate of 13.8 % (2003 -15.2%).

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2004	2003

	$'000	$'000
Cash at bank and in hand	2,774,295	2,321,744
Short term deposits	1,647,848	493,349
	4,422,143	2,815,093
Bank overdrafts (Note 15)	(718,279)	(654,948)
	3,703,864	2,160,145

13. Payables

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Trade payables	2,918,067	2,125,899	175,324	124,638
Payable to associates	97,931	106,573	82,516	74,238
Accruals	873,540	761,490	319,563	271,665
Claims outstanding	1,041,923	513,225	-	
Insurance reserves	810,682	575,252		
Interest payable by banking subsidiaries	600,912	815,541	-	-
Other payables	961,434	1,018,623	341,660	346,461
	7,304,489	5,916,603	919,063	817,002

14. Provisions

The provisions are broken down as follows:

	Group				
	2004				2003
	Warranties	Restructuring	Legal Claim	Total	Total
	$'000	$'000	$'000	$'000	$'000
At beginning of year	6,221	76,238	-	82,459	20,290
Additional provisions	-	42,500	2,655	45,155	76,238
Unused amounts reversed	-	(2,499)	(1,080)	(3,579)	(14,069)
Charged to profit and loss account	-	40,001	1,575	41,576	62,169

Utilised during year	-	(108,540)	-	(108,540)	-
At end of year	6,221	7,699	1,575	15,495	82,459

	Group		Company	
	2004	2003	2004	2003
Analysis of total provisions:	$'000	$'000	$'000	$'000
Non-current (warranty provision)	6,516	6,221	6,221	6,221
Current	8,979	76,238	-	-
	15,495	82,459	6,221	6,221

Warranties
This relates to warranties given on roofing, which was undertaken by one of the subsidiary companies. The Group is no longer in this line of business and the warranties expire fully in 2036.

Restructuring
The restructuring costs relate to the remaining reorganisation costs of the Financial Services Division.

Legal Claims
This is in respect of certain legal claims brought by an insurance broker. In the opinion of the directors, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2004.

15. Bank and Short Term Loans

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Secured on assets	326,427	87,406	-	-
Unsecured	1,725,580	1,685,841	1,432,596	1,389,266
	2,052,007	1,773,247	1,432,596	1,389,266

(a) Unsecured loans of subsidiaries are supported by promissory notes or letters of comfort from the parent company. Interest rates on these loans range between 2% - 22.75% (2003 - 2% - 22.5%).

(b) Bank and short term loans are broken down as follows:

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Bank overdrafts	718,279	654,948	384,940	226,257
Short term loans	1,333,728	1,118,299	1,047,656	1,163,009
	2,052,007	1,773,247	1,432,596	1,389,266

16. Share Capital

	2004	2003
	$'000	$'000
Authorised -		
Ordinary stock units of $1 each	400,000	400,000
Issued and fully paid -		
Ordinary stock units of $1 each	325,817	323,466

(a) During the year, the company issued 2,351,000 (2003 - 391,000) shares to its employees for cash at a premium of $71,541,000 (2003 - $6,915,000). The shares were issued under the Directors and Senior Managers Stock Option Plans.

(b) At the Annual General Meeting held on 25 June 2002, the stockholders passed a resolution for 7,000,000 of the authorised but unissued shares of $1.00 each to be set aside for allocation and sale to the directors of the company. The allocation and sale of these shares are governed by the provisions of the 2002 Stock Option Plan for the Directors of Grace, Kennedy & Company Limited.

On 1 July 2002, under the rules of the Stock Option Plan, the following allocation was made:

	No. of Shares
Executive directors	5,973,160
Non-executive-directors	600,000

The options were granted at a subscription price of $32.81, being the mid-market price of the company's shares on the Jamaica Stock Exchange at the grant date, and are exercisable over a period of ten years, at the end of which time unexercised options will expire. One-fifth of the total of the grant to each director will vest on each anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

As a result of the issue of bonus shares on 18 December 2002, the amount of shares allocated was increased and the option price per share reduced. The new option price has been set at $27.34, with adjusted allocations as follows:

	No. of Shares
Executive directors	7,167,792
Non-executive-directors	720,000

During the year several Directors exercised a portion of their options resulting in a reduction in the number of shares allocated to executive directors at the year-end to 5,622,693 (2003 - 7,107,792) and 576,000 (2003 - 720,000) being allocated to non-executive directors.

(c) At the Annual General Meeting held on 29 May 2003, the stockholders passed a resolution for 10,000,000 of the authorised but unissued shares of $1.00 each to be set aside for allocation and sale to the managers of the company. The allocation and sale of these shares will be governed by the provisions of the 2003 Stock Option Plan for the Managers of Grace, Kennedy & Company Limited.

On 28 August 2003, under the rules of the Stock Option Plan, the following allocation was made:

	No. of Shares
Senior managers	5,999,931

The options were granted at a subscription price of $41.92, being the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous ten days prior to the grant date and are exercisable over a period of six years, at the end of which time unexercised options will expire. One-third of the total of the grant to each senior manager will vest on each anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

During the year several senior managers exercised a portion of their options resulting in a reduction in the number of shares allocated to senior managers at the year-end to 5,338,168.

(d) During the year, a second grant from the Senior Managers 2003 Stock Option Plan was allocated. The allocation and sale of these shares will be governed by the provisions of the 2003 Stock Option Plan for the Managers of Grace, Kennedy & Company Limited.

On 25 November 2004, under the rules of the Stock Option Plan, the following allocation was made:

	No. of Shares
Senior managers	1,967,291

The options were granted at a subscription price of $115.97, being the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous ten days prior to the grant date, and are exercisable over a period of six years, at the end of which time unexercised options will expire.

17. Capital and Fair Value Reserves

	Group					
	Capital Reserve	Fair Value Reserves	Total	Capital Reserve	Fair Value Reserves	Total
		2004			2003	
	$'000	$'000	$'000	$'000	$'000	$'000
Share premium	203,191	-	203,191	132,713	-	132,713
Realised gains on disposal of assets	101,214	-	101,214	101,214	-	101,214
Capital distributions received	38,515	-	38,515	38,515	-	38,515
Asset replacement, rehabilitation and depreciation reserves	-	-	-	6,547	-	6,547
Profits capitalised by Group companies	1,995,360	-	1,995,360	2,054,734	-	2,054,734
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	277,248	277,248	-	1,071,012	1,071,012
Fair value gains/(losses), net of deferred taxes	-	273,545	273,545	-	(2,209)	(2,209)
Other	66,519	-	66,519	46,134	-	46,134
	2,404,799	550,793	2,955,592	2,379,857	1,068,803	3,448,660

	Company					
	Capital Reserve	Fair Value Reserves	Total	Capital Reserve	Fair Value Reserves	Total

		2004			2003	
	$'000	$'000	$'000	$'000	$'000	$'000
Share premium	203,189	-	203,189	131,651	-	131,651
Capital distribution received	16,272	-	16,272	16,272	-	16,272
Bonus shares issued	(41,803)	-	(41,803)	(41,803)	-	(41,803)
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	7,954	7,954		7,404	7,404
Fair value gains/(losses), net of deferred taxes	-	36,136	36,136		(10,376)	(10,376)
	177,658	44,090	221,748	106,120	(2,972)	103,148

18. Reserve Funds

Reserve funds represent those statutory reserves required to be maintained by the banking subsidiary, First Global Bank Limited, in compliance with the Banking Act of Jamaica.

19. Minority Interests

	2004	2003
	$'000	$'000
At beginning of year	460,032	227,776
Arising on business combination	-	182,770
Share of net profit of subsidiaries	101,712	60,327
Dividends paid	(39,614)	(28,839)
Disposal of interest in subsidiary	(13,256)	-
Other	(1,347)	17,998
At end of year	507,527	460,032

20. Long Term Liabilities

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Bank borrowings	1,356,754	1,262,143	1,028,145	1,030,489
Finance leases	26,001	26,191	4,565	6,528

Customer deposits	176,219	209,467	-	-
Other loans	92,453	31,888	677,753	413,972
Total borrowings	1,651,427	1,529,689	1,710,463	1,450,989
Less: Current portion	(177,060)	(100,198)	(127,268)	(67,199)
	1,474,367	1,429,491	1,583,195	1,383,790

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. All other borrowings are unsecured.

(a) The exposure of the Group and the company to interest rate changes and the periods in which the borrowings reprice are as follows:

Group

	Less than 12 months $'000	1-5 years $'000	Not rate Sensitive $'000	Total $'000
At 31 December 2004				
Total borrowings	1,531,546	105,647	14,234	1,651,427
At 31 December 2003				
Total borrowings	1,216,711	281,090	31,888	1,529,689

Company

	Less than 12 months $'000	1-5 years $'000	Not rate Sensitive $'000	Total $'000
At 31 December 2004				
Total borrowings	1,696,229	-	14,234	1,710,463
At 31 December 2003				
Total borrowings	1,419,101	-	31,888	1,450,989

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(b) The effective interest rates at the balance sheet date were as follows:

	Group		Company	
	2004	2003	2004	2003
Bank borrowings	5.75%	5.50%	5.87%	5.10%
Finance leases	21.40%	20.40%	23.10%	21.20%
Customer deposits	15.00%	15.30%	-	-
Other loans	5.50%	-	8.70%	7.00%

(c) Maturity of non-current borrowings (excluding finance lease liabilities):

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Between 1 and 2 years	536,440	859,508	525,319	850,163
Between 2 and 5 years	580,933	438,265	493,036	90,928
Over 5 years	343,548	119,785	562,860	440,442
	1,460,921	1,417,558	1,581,215	1,381,533

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(d) Finance lease liabilities - minimum lease payments:

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Not later than 1 year	13,788	19,069	2,585	5,256
Later than 1 year and not later than 5 years	17,143	12,675	3,270	2,440
	30,931	31,744	5,855	7,696
Future finance charges on financeleases	(4,930)	(5,553)	(1,290)	(1,168)
Present value of				

	Group 2004	Group 2003	Company 2004	Company 2003
finance lease liabilities	26,001	26,191	4,565	6,528
Less: Current portion	(12,555)	(14,258)	(2,585)	(4,271)
	13,446	11,933	1,980	2,257

The present value of finance lease liabilities is as follows:

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Between 1 and 2 years	20,795	22,573	4,565	6,528
Between 2 and 5 years	5,206	3,618	-	-
	26,001	26,191	4,565	6,528

(e) Borrowing facilities

The Group and the company have the following undrawn committed borrowing facilities:

	Group		Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Floating rate -				
Expiring within one year	2,421,748	1,492,020	1,484,123	642,600
Expiring beyond one year	350,367	453,900	266,795	453,900
Fixed rate -				
Expiring within one year	107,350	256,065	-	220,000
Expiring beyond one year	100,000	-	-	-

The facilities expiring within one year are annual facilities subject to review at various dates during the subsequent year. The other facilities have been arranged to help finance the Group's activities.

21. Segment Information

Primary reporting format - business segments

2004

	Food Trading $'000	Retail & Trading $'000	Financial Services $'000	Maritime $'000	Information $'000	Elimination $'000	Group $'000
REVENUE							
External sales	11,414,118	10,467,354	6,021,565	256,889	2,543,866	-	30,703,792
Inter-segment sales	440,875	2,814	130,088	29,297	-	(603,074)	-
Total Revenue	11,854,993	10,470,168	6,151,653	286,186	2,543,866	(603,074)	30,703,792
Segment result	144,220	411,191	1,173,610	(24,720)	607,615	20,575	2,332,491
Unallocated income						503,808	503,808
Profit from operations							2,836,299
Finance income - net	244,684	(108,294)	136,459	10,033	51,470	(20,575)	313,777
Share of results of associates before tax	52,702	13,441	(13,846)	1,984	28,784	-	83,065
Profit before tax	441,606	316,338	1,296,223	(12,703)	687,869	503,808	3,233,141
Income tax expense							(906,162)
Profft from ordinary activities after tax							2,326,979
Minority							

interest							(101,712)
Net profit							2,225,267
Segment assets	3,548,479	3,730,825	32,903,896	141,325	670,781	-	40,995,306
Investment in associates	249,990	22,047	42,429	8,949	91,101	-	414,516
Unallocated assets							11,273,743
Total Assets							52,683,565
Segment liabilities	1,857,058	1,577,638	28,176,760	166,743	461,023	-	32,239,222
Unallocated liabilities							6,723,554
							38,962,776
Other segment items							
Capital expenditure	116,224	188,932	113,499	3,979	82,477	-	505,111
Depreciation	113,246	103,594	53,976	7,961	162,208	-	440,985
Amortisation	48,695	8,051	-	-	7,657	-	64,403
Restructuring costs	-	(2,499)	42,500	-	-	-	40,001

2003

	Food Trading $'000	Retail & Trading $'000	Financial Services $'000	Maritime $'000	Information $'000	Elimination $'000	Group $'000
REVENUE							
External sales	9,639,853	7,349,885	5,032,337	328,051	2,415,375	-	24,765,501
Inter-segment sales	557,235	3,663	337,839	19,114	-	(917,851)	-
Total Revenue	10,197,088	7,353,548	5,370,176	347,165	2,415,375	(917,851)	24,765,501

Segment result	326,202	212,444	882,410	75,036	472,934	(13,512)	1,955,514
Unallocated income						395,805	395,805
Profit from operations							2,351,319
Finance income - net	114,417	70,365	112,447	234	36,375	13,512	206,620
Share of results of associates before tax	55,840	1,251	(3,534)	55,370	1,364	-	110,291
Profit before tax	496,459	143,330	991,323	130,640	510,673	395,805	2,668,230
Income tax expense							(627,712)
Profit from ordinary activities after tax							2,040,518
Minority interest							(60,327)
Net profit							1,980,191
Segment assets	3,101,676	3,273,516	27,455,173	319,001	641,138	-	34,790,504
Investment in associates	229,759	(9,110)	20,244	1,318,995	54,665	-	1,614,553
Unallocated assets						-	8,940,310
Total assets							45,345,367
Segment liabilities	1,413,926	1,268,309	23,858,845	249,373	427,654	-	27,218,107
Unallocated liabilities							6,098,889
							33,316,996

							==========
Other segment items							
Capital expenditure	107,348	358,108	66,190	4,882	74,907	-	611,435
Depreciation	125,622	107,430	46,685	15,248	158,747	-	453,732
Amortisation	465	7,867	-	-	7,670	-	16,002
Restructuring costs	-	58,243	17,995	-	-	-	76,238

Secondary reporting format - geographical segments
At 31 December 2004, the Group is organised on a global basis into three main geographical areas.

Jamaica is the home country of the parent company, which is also the main operating company. All principal activities operate in this area.

The Caribbean - mainly food trading, insurance services and money transfer.
Europe, Central & North America - mainly food trading.

	Sales		Total assets		Capital expenditure	
	2004	2003	2004	2003	2004	2003
	$'000	$'000	$'000	$'000	$'000	$'000
Jamaica	25,346,690	20,061,718	39,866,793	34,169,684	433,274	585,497
The Caribbean	1,679,939	1,589,829	566,580	364,596	52,996	22,526
Europe, Central & North America	3,677,163	3,113,954	561,933	256,224	18,841	3,412
	30,703,792	24,765,501	40,995,306	34,790,504	505,111	611,435
Associates			414,516	1,614,553		
Unallocated assets			11,273,743	8,940,310		
Total assets			52,683,565	45,345,367		

22. Revenues

	2004 $'000	2003 $'000
Sales of products and services	24,682,226	19,733,164
Interest and other financial services income	6,021,566	5,032,337
	30,703,792	24,765,501

23. Expenses

	2004 $'000	2003 $'000
Cost of products and services sold	17,495,656	14,773,647
Interest expense and other financial services expenses	3,860,242	3,552,502
Selling, general and administrative expenses	6,932,629	4,453,060
	28,288,527	22,779,209

24. Operating Income

The following items have been charged in arriving at operating income:

	2004 $'000	2003 $'000
Auditors' remuneration	43,228	36,551
Amortisation of goodwill	64,403	16,002
Cost of inventory recognised as expense	14,218,007	11,188,126
Depreciation	440,985	453,732
Directors' emoluments (Note 38)	107,267	92,210
Lease rental charges	109,765	90,341
Repairs and maintenance expenditure	239,108	191,909
Staff costs (Note 25)	2,853,169	2,422,416

25. Staff Costs

	2004 $'000	2003 $'000
Wages and salaries	2,707,111	2,214,566
Pension	(500,847)	(443,400)

Other post-retirement benefits	114,801	126,407
Other	532,104	524,843
	2,853,169	2,422,416

The Group employed the following number of staff:

	2004	2003
Full time	1,881	1,821
Part time and contract workers	2,066	1,921
	3,947	3,742

26. Finance Income - net

	2004	2003
	$'000	$'000
Interest income	569,269	528,504
Interest expense	(255,492)	(321,884)
	313,777	206,620

27. Taxation

Taxation is based on the profit for the year adjusted for taxation purposes and comprises:

	2004	2003
	$'000	$'000
Income tax at 33 1/3%	786,358	342,914
Deferred tax (Note 8)	92,399	241,692
	878,757	584,606
Associated companies (Note 5)	27,405	43,106
	906,162	627,712

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the company as follows:

	2004	2003
	$'000	$'000

Profit before tax	3,233,141	2,668,230
Tax calculated at a tax rate of 33 1/3%	1,077,714	889,410
Adjusted for the effects of:		
Effect of different tax rates in other countries	(9,710)	(73,208)
Income not subject to tax	(229,391)	(318,543)
Expenses not deductible for tax purposes	72,491	164,988
Adjustment to prior year provision	21,907	66,009
Tax credit on bonus shares issued	-	(59,666)
Utilisation of previously unrecognised tax losses	(38,098)	(31,518)
Other	11,249	(9,760)
Tax expense	906,162	627,712

28. Discontinuing Operations

On January 21, 2004, the Group sold its shareholdings in its associated company Kingston Wharves Limited to National Commercial Bank Jamaica Limited. Prior to the sale, the associated company was reported as part of the Maritime Division. No results were recorded for Kingston Wharves Limited in 2004. The profit on the disposal of this shareholding was $2,513,000.

On 31 December 2004, the Group entered into a sale agreement to dispose of its shareholding in Grace, Kennedy & Co. (Shipping) Limited, Grace, Kennedy Logistics Limited and International Shipping Limited. These companies are reported as part of the Maritime Division. The disposal is consistent with the Group's strategy to focus its activities in the areas of highest growth opportunities and return on investment and to divest those activities which do not meet these criteria. The Group hopes to complete the sale in early 2005.

At 31 December 2004, the carrying amounts of the assets of these companies amounted to $236,144,000 and their liabilities $191,855,000. During 2004, the companies earned income of $161,684,000, incurred expenses of $186,524,000, and incurred a pre-tax loss of $24,841,000 with a related tax charge of $3,645,000. For 2004, the companies' cash outflows from operating activities amounted to $6,006,000, from investing activities, $2,149,000 and from financing activities, $79,000.

29. Net Profit Attributable to the Stockholders of Grace, Kennedy & Company Limited

Dealt with as follows in the financial statements of:

	2004 $'000	2003 $'000
The company	978,861	780,309
The subsidiaries	1,190,746	1,132,697
The associated companies	55,660	67,185
	2,225,267	1,980,191

30. Dividends

	2004 $'000	2003 $'000
Paid,		
Interim - 40 cents per stock unit (2003 - 30 cents)	129,519	96,933
Final - 50 cents per stock unit (2003 - 35 cents)	162,399	113,213
	291,918	210,146

31. Earnings Per Stock Unit

Basic earnings per share is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year.

	2004	2003
Net profit attributable to stockholders ($'000)	2,225,267	1,980,191
Weighted average number of stock units in issue('000)	323,932	323,150
Basic earnings per stock unit ($)	6.87	6.12

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary stock units outstanding to assume conversion of all dilutive potential ordinary stock units.

(a) 6,198,693 ordinary stock units for the full year in respect of the Stock Option Plan for directors (Note 16),
(b) 5,338,168 ordinary stock units for the full year in respect of the Stock Option Plan for managers (Note 16) and

(c) 1,967,291 ordinary stock units for one month in respect of the Stock Option Plan for managers (Note 16).

	2004	2003
Net profit attributable to stockholders ($'000)	2,225,267	1,980,191
Weighted average number of stock units in issue ('000)	331,267	329,437
Basic earnings per stock unit ($)	6.72	6.01

32. Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	2004 $'000	2003 $'000
Net profit	2,225,267	1,980,191
Items not affecting cash:		
Depreciation	440,985	453,732
Goodwill amortised	64,403	16,002
(Gain)/loss on disposal of fixed assets	(32,470)	1,349
Profit on disposal of investments	(147,708)	(2,678)
Minority interest in results of the year	101,712	60,327
Exchange (gain)/loss on foreign balances	(51,018)	65,069
Interest income	(569,269)	(528,504)
Interest expense	255,492	321,884
Taxation expense	906,162	627,712
Unremitted equity income in associated companies	(40,661)	(24,998)
Pension plan surplus	(512,276)	(471,805)
Other post-retirement obligations	8,365	73,016
	2,648,984	2,571,297
Changes in non-cash working capital components:		
Inventories	(733,306)	(1,040,396)
Receivables	(800,138)	(1,441,948)
Payables	1,355,022	441,376
Provisions	(66,964)	62,169
	2,403,598	592,498
Translation gains	76,019	447,597
Taxation paid	(754,232)	(557,619)

Cash provided by operating activities	1,725,385	482,476

33. Financial Risk Management

The Group's activities expose it to a variety of financial risks including the effects of changes in debt and equity market prices, foreign currency exchange rates, interest rates and liquidity risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Risk management is carried out by a central treasury function which identifies, evaluates and manages financial risks in close co-operation with the Group's operating business units. The Board of Directors sets guidelines for overall risk management including specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity.

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group operates internationally and is exposed to this risk arising from various currency exposures primarily with respect to the United States dollar.

The consolidated balance sheet at 31 December 2004 includes aggregate net foreign assets/ (liabilities) for local Group companies in respect of transactions arising in the ordinary course of business. Currency risk for foreign Group companies, to currencies other than their originating currency, is not considered to be significant to the Group's overall position at 31 December 2004.

Net foreign currency assets/ (liabilities) of the Group were as follows:

	2004	2003
	$'000	$'000
United States dollar	(11,950)	(14,954)
Pound Sterling	530	165
Canadian dollar	(279)	53
Cayman dollar	20	3
Euro	132	12

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The banking subsidiary Asset and Liability Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The Group's interest bearing financial instruments include other investments, leases and loans receivable, short term investments, bank and short term loans, deposits payable and long term liabilities. The effective rates of interest impacting these instruments are disclosed in the individual notes to the financial statements associated with each item.

The following tables summarise carrying amounts of balance sheet assets, liabilities and equity, in order to arrive at the Group's and company's interest rate gap based on earlier of contractual repricing or maturity dates.

The Group
2004

	Immediately rate sensitive $'000	Within 3 months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non rate sensitive $'000	Total $'000
Investments	-	121,260	82,800	1,433,985	1,069,604	239,427	2,947,076
Long term receivables including current portion	182,616	368,625	270,821	1,651,042	-	62,605	2,535,709
Cash and short term investments	-	9,850,559	17,319,199	-	-	2,619,898	29,789,656
Other non-current assets	-	-	-		-	7,913,480	7,913,480
Other current assets	-	-	-	-	-	9,497,644	9,497,644
Total assets	182,616	10,340,444	17,672,820	3,085,027	1,069,604	20,333,054	52,683,565
Bank and short	773,511	697,956	580,540	-	-	-	2,052,007

term loans							
Deposits	-	3,907,325	278,084	-	-	-	4,185,409
Long term liabilities including current portion	-	890	1,530,656	105,647	-	14,234	1,651,427
Securities sold under agreements to repurchase	-	18,371,866	1,963,289	-	-	-	20,335,155
Other non-current liabilities	-	-	-	-	-	2,957,394	2,957,394
Other current liabilities						7,781,384	7,781,384
Minority interest	-	-	-	-	-	507,527	507,527
Stockholders' equity	-	-	-	-	-	13,213,262	13,213,262
Total liabilities and stockholders' equity	773,511	22,978,037	4,352,569	105,647	-	24,473,801	52,683,565
Total interest rate sensitivity gap	(590,895)	(12,637,593)	13,320,251	2,979,380	1,069,604	(4,140,747)	-
Cumulative gap	(590,895)	(13,228,488)	91,763	3,071,143	4,140,747	-	-
				2003			
Total Interest rate sensitivity gap	(369,175)	(11,025,362)	11,195,029	1,781,234	987,805	(2,569,531)	-
Cumulative gap	(369,175)	(11,394,537)	(199,508)	1,581,726	2,569,531	-	-

The Company

	2004						
	Immediately rate sensitive $'000	Within 3 months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non rate sensitive $'000	Total $'000
Investments	-	-	-	216,224	-	1,356,864	1,573,088
Long term receivables including current portion	-	-	-	-	-	163,309	163,309
Cash and short term investments	-	1,103,904	2,247,811	-	-	54,338	3,406,053
Other non-current assets	-	-	-	-	-	3,782,591	3,782,591
Other current assets	-	-	-	-	-	1,364,461	1,364,461
Total assets	-	1,103,904	2,247,811	216,224	-	6,721,563	10,289,502
Bank and short term loans	348,725	656,956	426,915	-	-	-	1,432,596
Long term liabilities including current portion	-	-	1,696,229	-	-	14,234	1,710,463
Other non-current liabilities	-	-	-	-		1,557,671	1,557,671
Other current liabilities	-	-	-	-		1,874,258	1,874,258
Stockholders' equity	-	-	-	-	-	3,714,514	3,714,514
Total liabilities and stockholders' equity	348,725	656,956	2,123,144	-	-	7,160,677	10,289,502
Total interest rate sensitivity gap	(348,725)	446,948	124,667	216,224	-	(439,114)	-
Cumulative gap	(348,725)	98,223	222,890	439,114	439,114	-	-
				2003			
Total Interest rate sensitiviy gap	(226,256)	299,151	(633,884)	510,427	-	50,562	-
Cumulative gap	(226,256)	72,895	(560,989)	(50,562)	(50,562)	-	-

The Group
2004

	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Investments		14.98	17.43	13.18	12.10	12.96
Long term receivables	18.25	25.96	15.07	15.10	-	16.95
Cash and short term investments	-	14.72	13.76	-	-	14.49
Bank and short term loans	21.50	5.48	5.89	-		8.79
Deposits	-	5.29	8.42	-	-	5.50
Long term liabilities	-	23.92	7.01	4.96	-	6.91
Securities sold under repurchase agreements	-	13.16	12.87	-	-	13.13

The Group
2003

	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Investments	-	-	-	15.49	12.95	14.52
Long term receivables	18.11	16.05	20.91	18.37	-	18.56
Cash and short term investments	-	20.37	15.24	-	-	16.07
Bank and short term loans	21.76	4.35	3.68	-	-	6.71
Deposits	-	7.27	9.01	-	-	7.98
Long term liabilities	-	23.85	5.74	8.76	-	6.24
Securities sold under repurchase agreements	-	12.69	19.86	-	-	14.85

The Company
2004

	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Investments	-	-	-	11.45	-	11.45
Long term receivables	-	-	-	10.00	-	10.00
Cash and short term investments	-	7.86	14.82	-	-	12.53
Bank and short term loans	20.25	4.85	5.50	-	-	8.79
Long term liabilities	-	-	7.04	-	-	7.04

The Company
2003

	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Investments	-	-	-	11.65	-	11.65
Long term receivables	-	-	-	10.00	-	10.00
Cash and short term investments	-	18.92	16.35	-	-	17.40
Bank and short term loans	20.75	4.29	3.68	-	-	6.73
Long term liabilities	-	-	5.71	-	-	5.71

(c) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group has no significant exposure to market risk as the financial instruments subject to this risk are not material to the Group.

(d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk attaching to trade and insurance receivables as the Group has a large and diverse customer base, with no significant balances arising from any single economic or business sector, or any single entity or group of entities. The company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Trade and insurance receivable balances are shown net of provision for doubtful debts.

Cash and short term investments are held with substantial financial institutions. A significant level of investments is held in various forms of Government instruments.

The following table summarises the credit exposure of the Group with respect to long term receivables from individuals, businesses and Government by sector:

	Total 2004 $'000	Total 2003 $'000
Government and public utilities	1,100,134	30,356
Personal	300,043	260,433
Professional and other services	1,135,532	1,086,378
	2,535,709	1,377,167

(e) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the management of the Group aims at maintaining flexibility in funding by keeping committed lines of credit available.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the banking subsidiaries. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The following tables summarise the liquidity risk of the Group and the company by analysing the assets and liabilities into relevant maturity groupings, based on the remaining period at balance sheet date to the contractual maturity date:

The Group
2004

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No Specific maturity $'000	Total $'000
Investments	-	-	1,820,980	1,069,604	56,492	2,947,076
Long term receivables including current portion	368,625	420,799	1,746,285	-	-	2,535,709
Cash and short term investments	4,422,143	25,367,513	-	-	-	29,789,656
Other non-current assets	-	-	-	-	7,913,480	7,913,480
Other current assets	9,497,644	-	-		-	9,497,644
Total assets	14,288,412	25,788,312	3,567,265	1,069,604	7,969,972	52,683,565
Bank and short term loans	1,471,467	580,540	-	-	-	2,052,007
Deposits	3,907,325	278,084	-	-	-	4,185,409
Long term liabilities including current portion	890	176,170	1,130,819	343,548	-	1,651,427
Securities sold under repurchase agreements	18,371,866	1,963,289	-	-	-	20,335,155
Other non-current liabilities	-	-			2,957,394	2,957,394
Other current liabilities	7,781,384	-	-	-	-	7,781,384

Minority interest	-	-	-	-	507,527	507,527
Stockholders' equity	-	-			13,213,262	13,213,262
Total liabilities and -						
stockholders' equity	31,532,932	2,998,083	1,130,819	343,548	16,678,183	52,683,565
Total liquidity gap	(17,244,520)	22,790,229	2,436,446	(7,261,056)	(8,708,211)	
Cumulative gap	(17,244,520)	5,545,709	7,982,155	8,708,211	-	-

2003

Total liquidity gap	(12,862,608)	17,140,170	998,720	899,908	(6,176,190)	
Cumulative gap	(12,862,608)	4,277,562	5,276,282	6,176,190	-	

The Company
2004

	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No Specific maturity $'000	Total $'000
Investments	-	-	216,224	-	1,356,864	1,573,088
Long term receivables including current portion	-	1,774	161,535	-	-	163,309
Cash and short term investments	1,221,873	2,184,180	-	-	-	3,406,053
Other non-current assets	-	-	-	-	3,782,591	3,782,591
Other current assets	1,364,461	-	-	-	-	1,364,461
Total assets	2,586,334	2,185,954	377,759	-	5,139,455	10,289,502
Bank and short term l oans	1,005,681	426,915	-	-	-	1,432,596
Long term liabilities including current						

portion	-	127,268	1,275,190	308,005	-	1,710,463
Other non-current liabilities	-	-	-	-	1,557,671	1,557,671
Other current liabilities	1,874,258	-	-	-	-	1,874,258
Stockholders' equity	-	-	-	-	3,714,514	3,714,514
Total liabilities and - stockholders' equity	2,879,939	554,183	1,275,190	308,005	5,272,185	10,289,502
Total liquidity gap	(293,605)	1,631,771	(897,431)	(308,005)	(132,730)	
Cumulative gap	(293,605)	1,338,166	440,735	132,730	-	
			2003			
Total liquidity gap	(606,726)	1,258,997	(354,024)	(440,441)	142,194	
Cumulative gap	(606,726)	652,271	298,247	(142,194)	-	

34. Fair Values of Financial Instruments

The amounts included in the financial statements for cash and cash equivalents, short term investments, receivables, payables, bank, short term loans, securities sold under agreements to repurchase and deposits reflect their approximate fair value because of the short term maturity of these instruments.

The estimated fair values of the Group's other financial instruments are as follows:

	2004		2003	
	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Financial assets				
Investments	28,314,589	28,560,414	24,851,951	24,476,211
Long term receivables	2,535,709	2,534,231	1,377,167	1,377,171

Financial liabilities

Long term liabilities (including current portion)	1,651,427	1,607,955	1,529,689	1,398,690

The estimated fair values have been determined using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented above are not necessarily indicative of the amounts that the Group would realise in a current market exchange.

Fair values were estimated as follows:

Investments
Fair value of debt instruments is based upon projected cash flows discounted at an estimated current market rate of interest. Fair value of equity instruments is determined based on quoted market prices for these instruments. When quoted market prices are not available, an approximation of fair value is based on the net underlying assets of the investee. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer.

Long term receivables
The carrying value of leases approximates fair value because these leases are contracted at market rates. Fair value of loans receivable is based upon projected cash flows discounted at an estimated current market rate of interest.

Long term liabilities
Long term liabilities reflect the Group's contractual obligations and are carried at amortised cost, which is deemed to approximate the fair value of these liabilities because these liabilities are subject to such terms and conditions as are available in the market for similar transactions.

35. Commitments

(a) Future lease payments under operating leases at 31 December 2004 were as follows:

$'000

In financial year	2005	214,083
	2006	192,246
	2007	169,678
	2008 and beyond	258,974

(b) At 31 December 2004, the Group had $214,300,000 (2003 - $9,400,000) in authorised capital expenditure for which it had established contracts.

36. Summary of Banking Subsidiary

Summary of assets and liabilities

	2004 $'000	2003 $'000
Assets		
Cash resources	637,626	566,101
Investments and loans	13,433,400	13,005,517
Acceptances, guarantees, indemnities and credits	303,261	283,698
Securities purchased under agreements to resell	619,798	580,587
Cheques in the course of collection	225,305	287,334
Other assets	752,623	697,860
Liabilities		
Deposits	4,575,491	3,639,155
Securities sold under agreements to repurchase	8,471,553	9,601,426
Liability on acceptances, guarantees, indemnities and credits	303,261	283,698
Other liabilities	751,227	671,875
Equity and reserves	1,870,481	1,224,943

The banking subsidiary is potentially liable under acceptances in respect of guarantees, commitments and letters of credit, which is reported as liabilities in its balance sheet. The subsidiary has equal and offsetting claims against customers in the event of a call on these commitments, which is reported as assets. These amounts are not included in the consolidated balance sheet.

37. Contingent Liabilities

Various companies in the Group are involved in certain legal proceedings incidental to the normal conduct of business. The management of these companies believes that none of these proceedings,individually or in aggregate, will have a material effect on the Group.

38. Related Party Transactions and Balances

The following transactions were carried out with associated companies:

(a)Sales of goods and services	2004 $'000	2003 $'000
Sales of goods -		
Dairy Industries Limited	19,373	3,683
Carib Star Shipping Limited	1,250	-
Fidelity Motors Limited	991	-
	21,614	3,683
Sales of services -		
Dairy Industries Limited	1,061	10,129
Kingston Wharves Group	-	22,311
Carib Star Shipping Limited	642	1,251
Fidelity Motors Limited	683	-
	2,386	33,691

The above transactions were carried out in the normal course of business.

(b) Purchases of goods and services	2004 $'000	2003 $'000
Purchases of goods -		
Dairy Industries Limited	1,000,948	925,849
Fidelity Motors Limited	3,847	-
	1,004,795	925,849

	2004 $'000	2003 $'000
Purchases of services -		
Dairy Industries Limited	-	9,152
Kingston Wharves Group	-	38,302
Carib Star Shipping Limited	7,701	5,101

Fidelity Motors Limited	4,902	-
Grace, Kennedy & Company Limited Pension Scheme	565	-
	13,168	52,555

The above transactions were carried out in the normal course of business.

(c) Year-end balances arising from sales/purchases of goods and services

	2004 $'000	2003 $'000
Receivable from associates	17,691	35,605
Payable to associates	97,931	106,573

(d) Loans from related parties

Loan from Challenge Enterprises Limited:

	2004 $'000	2003 $'000
At beginning of year	31,888	28,827
Addition	-	3,061
Repayment	(17,654)	-
At end of year	14,234	31,888

Loan from Grace, Kennedy & Company Limited Pension Scheme:

At beginning of year	-	-
Addition	1,218	-
Repayment	-	-
At end of year	1,218	-

The loan from Challenge Enterprises Limited is interest free, and has no specified repayment date. The loan from Grace, Kennedy & Company Limited Pension Scheme attracts interest at 21.2% and is repayable on 30 June 2006.

(e) Directors' remuneration

In 2004 the total remuneration of the directors was as below:

	2004	2003
	$'000	$'000
Directors' emoluments -		
Fees	7,730	6,670
Management remuneration (included in staff costs)	90,512	76,732
Pensions	9,025	8,808
	107,267	92,210

(f) Loans to associates

	2004	2003
	$'000	$'000
At beginning of year	18,540	21,384
Loans advanced during year	3,928	-
Loan repayments received	(3,040)	(2,844)
At end of year (Note 7)	19,428	18,540

The loans to associates were given in the normal course of business, with the exception of the loan to Challenge Enterprises Limited, which does not attract interest and does not have a specific repayment date. The related interest income was $946,000 (2003 - $1,166,000). The other loans are due in 2005 and carry interest at 11% (2003-26%). No provision was required in 2004 and 2003 for loans made to associated undertakings.

(g) Share options granted to directors

The aggregate number of share options granted to the directors of the company during 2004 was nil (2003 - nil). The outstanding number of share options granted to the directors of the company at the end of the year was 6,198,693 (7,827,792 at the end of 2003).

39. Post Balance Sheet Event

Jamaica International Insurance Company Ltd. (JIIC), a wholly owned subsidiary of Grace, Kennedy & Company Ltd. has assumed the complete portfolio of Jamaican policies held by Dyoll Insurance Company Ltd. The cost of the transaction is $585,000,000, of which $113,000,000 is payable in cash and $472,000,000 is attributed to the cost of unearned premium reserve that will result from JIIC's issuance of the new policies. The coverage took effect from March 7, 2005 for policies covering motor and accident classes; and from March 11, 2005 for policies covering property classes.