

Grace, Kennedy & Co. Ltd.

Unaudited Results for the period ended

31 March 2005

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the quarter ended March 31, 2005.

The Group achieved Revenues for the period of \$8,126.1 million (2004:\$7,338.1 million), an increase of \$788.0 million or 10.7%. The Net Profit Attributable to Equity holders of the Company increased by \$76.1 million over the corresponding period of 2004, moving from \$476.5 million to \$552.6 million, an increase of 16.0%. This represents earnings per stock unit of \$1.69 (2004:\$1.47).

On March 31, 2005, the Board of Directors approved an interim dividend payment to be made on May 27, 2005 of \$147.0 million, representing 45 cents per stock unit based on the existing 327 million issued shares. This is an increase of 13% in comparison to the previous year's interim dividend of \$130 million.

GraceKennedy adopted IFRS 2 - Share-based payment with effect from January 1, 2005. This standard requires that share options granted after November 7, 2002 to employees must be fair valued based on the date the options are granted and expensed through the profit & loss account over the period that the options vest. The amount expensed in the first quarter of 2005 was \$12.6 million. Further details

on the effect of the adoption of this standard as well as the accounting treatment are explained in the notes to the financial statements.

Our new corporate logo was launched on GraceKennedy's birthday, February 14. The new corporate logo is:

GraceKennedy

This is our new identity and a solid representation of the values of honesty, integrity and trust - the foundation of which Grace, Kennedy & Company Limited was built and continues to operate. The familiar Grace logo enclosed in its distinctive ellipse will continue unchanged as our cherished food brand.

Grace

There has been growth in the sale of Grace-owned brands in both the domestic and international markets. As a result, the Food Trading Division performed well for the first quarter with significant increases in revenue and profit in comparison to the comparative period last year. During the quarter we started the implementation of a software system known as SAP which will assist in faster decision making and improving efficiency levels of all the companies within the division.

The Hardware & Lumber Group had a satisfactory performance despite the adverse impact of severe drought on its agricultural business. The roll out of the new computer system commenced during March at the True Value Manor Park store and will eventually cover all twenty stores. The refurbishing of the Hi-Lo Manor Park branch has been completed with the installation of new equipment and expansion of the store to include expanded produce and bakery sections.

The Financial Services Division had another successful quarter. First Global Bank Limited has collaborated with Hi-Lo Food Stores (Jamaica) Limited to open a branch within the Hi-Lo Manor Park store to serve the needs of our customers in the Constant Spring area. During March, Jamaica International Insurance Company Limited (JIIC) assumed the complete portfolio of Jamaican policies held by Dyoll Insurance Company Limited. The cost of the transaction is \$585 million, of which \$113 million is payable in cash and \$472 million 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.

In the Information Services Division, remittance growth through Grace, Kennedy Remittance Services Limited was favourable due to pricing initiatives in the United Kingdom and the USA markets. Grace, Kennedy (Trinidad & Tobago) Limited launched its FX Trader Cash Card in March in Trinidad & Tobago. The FX Trader Cash Card which is a joint initiative between GraceKennedy & Republic Bank is an easily accessible and convenient pre-paid re-loadable Visa card that is accepted internationally.

The Grace, Kennedy Foundation held its annual Lecture Series at the Jamaica Pegasus Hotel on March 15, 2005, entitled, "Our Musical Heritage: The Power of the Beat". This year's presenter was Miss Marjorie Whyllie, renowned musicologist. The presentation was well attended and received.

At the Investors Briefing in Jamaica, Trinidad and St. Kitts, we advised our shareholders of our intention to invest \$1 billion in capital expenditures in order to provide greater operational efficiency to the Group. Approximately half of this investment will be allocated to upgrading our software.

GraceKennedy had its official listing on the Eastern Caribbean Securities Exchange in St. Kitts on April 21, 2005. Our stock is now accessible to residents in any of the countries within the Organisation of the Eastern Caribbean States (OECS).

As we strive to be better citizens, we oftentimes try to play our role by standing up for the things that we believe in by doing what is right rather than what is expedient. The life of one of our members of staff, Mr. Linval Thompson, was ended abruptly for performing his civic duty. We convey condolences to the family of Mr. Thompson. As Chairman and CEO, I have been personally inspired by Linval Thompson's actions, and encourage the rest of the GraceKennedy family to remain positive, continuing to uphold our shared values, and performing our civic duties even in the face of adversity.

Thanks to my colleague directors, management and staff for their invaluable service and commitment to the continued growth and development of GraceKennedy.

We also wish to thank our customers; consumers, suppliers and all stakeholders who have supported us in our efforts to meet the needs of our customers wherever they live in the world.

Douglas R. Orane
Chairman & Chief Executive Officer

May 11, 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT - Unaudited

QUARTER ENDED 31 MARCH 2005

	3 months to 31/03/2005 \$'000	3 months to 31/03/2004 \$'000 ***
Revenues	8,126,088	7,338,056
Expenses	<u>7,543,318</u>	<u>6,763,020</u>
Operating Income	582,770	575,036
Other income	<u>97,206</u>	<u>49,965</u>
Profit from Operations	679,976	625,001
Finance income	73,759	35,310
Share of results of associated companies	<u>81,019</u>	<u>51,475</u>
Profit before Taxation	834,754	711,786
Taxation	<u>(265,057)</u>	<u>(216,115)</u>
Profit for the period	<u>569,697</u>	<u>495,671</u>
	=====	=====
Attributable to:		
Equity holders of the Company	552,616	476,513

Minority interest	17,081	19,158
	<u>569,697</u>	<u>495,671</u>
	=====	=====
Earnings per share for profit attributable to the equity holders of the Company (expressed in \$ per share)		
Basic	\$1.69	\$1.47
Diluted	<u>\$1.65</u>	<u>\$1.44</u>
	=====	=====

***:Restated to comply with changes in IFRS

CONSOLIDATED BALANCE SHEET - Unaudited

31 March 2005

	March 2005 \$'000	December 2004 \$'000***	March 2004 \$'000***
NET ASSETS EMPLOYED			
Non-Current Assets			
Fixed assets	2,187,491	2,175,647	2,154,206
Intangible assets	897,860	312,751	368,525
Investments in associates	461,905	414,516	333,835
Investments	2,812,752	2,947,076	3,752,207
Long term receivables	2,049,299	1,746,285	541,173
Deferred tax assets	607,080	601,249	586,539
Pension plan asset	4,486,706	4,409,317	3,983,794
	<u>13,503,093</u>	<u>12,606,841</u>	<u>11,720,279</u>
Current Assets			

Inventories	3,267,220	3,329,331	2,236,541
Receivables	5,429,523	5,636,348	4,968,168
Long term receivables - current portion	1,344,479	789,424	1,358,639
Taxation recoverable	478,234	531,965	385,684
Cash and short term investments	27,961,676	29,789,656	26,348,567
	<u>38,481,132</u>	<u>40,076,724</u>	<u>35,297,599</u>

Current Liabilities

Payables	7,435,521	7,304,489	5,875,162
Provisions	10,591	8,979	21,587
Taxation	172,508	467,916	223,361
Bank and short term loans	2,318,778	2,052,007	1,974,247
Long term liabilities - current portion	171,218	177,060	101,610
Deposits	6,789,371	4,185,409	3,560,686
Securities sold under agreement to repurchase	15,936,164	20,335,155	19,037,217
	<u>32,834,151</u>	<u>34,531,015</u>	<u>30,793,870</u>

Net Current Assets

	<u>5,646,981</u>	<u>5,545,709</u>	<u>4,503,729</u>
	<u>19,150,074</u>	<u>18,152,550</u>	<u>16,224,008</u>

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FINANCED BY

**Capital & reserves attributable to the equity holders
of the Company**

Share Capital	326,538	325,817	323,466
Capital and fair value reserves	3,168,030	2,955,592	2,742,661
Retained earnings	8,533,957	7,966,712	6,676,103
Reserve funds	696,529	696,529	643,207
Translation gains and other reserves	1,264,608	1,268,612	1,161,502
	<u>13,989,662</u>	<u>13,213,262</u>	<u>11,546,939</u>

Minority Interest

	<u>524,369</u>	<u>507,527</u>	<u>479,351</u>
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Total Equity

Non-Current Liabilities

Provisions	6,221	6,516	6,221
Long Term Liabilities	1,638,968	1,474,367	1,415,664
Deferred Tax Liabilities	2,121,845	2,103,422	1,919,228
Other post-retirement obligations	869,009	847,456	856,605
	<u>4,636,043</u>	<u>4,431,761</u>	<u>4,197,718</u>
	<u>19,150,074</u>	<u>18,152,550</u>	<u>16,224,008</u>

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Issue of shares at a premium	-	-	-	-	-	-	-	-	-	-
Par value of bonus shares received	-	-	-	-	-	-	-	-	-	-
Transfers between reserves	-	-	(204,343)	204,343	-	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	8,599	8,599	-	-	8,599
Dividends paid	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2004	323,466	323,466	2,742,661	6,676,103	643,207	1,161,502	11,546,939	479,351	12,026,290	
Balance at 1 January 2005	323,466	325,817	2,955,592	7,966,712	696,529	1,268,612	13,213,262	507,527	13,720,789	
Net gains/(losses) not recognised in the profit and loss account:										
Foreign currency translation adjustments	-	-	-	-	-	(16,606)	(16,606)	(239)	16,845	
Fair value adjustments	-	-	205,021	-	-	-	205,021	-	205,021	
Revaluation surplus	-	-	-	-	-	-	-	-	-	
Other	-	-	(163)	-	-	-	(163)	-	(163)	
Total	-	-	204,858	-	-	(16,606)	188,252	(239)	188,013	
Profit for the period	-	-	-	552,616	-	-	552,616	17,081	569,697	
Issue of bonus shares	-	-	-	-	-	-	-	-	-	
Issue of shares at a premium	721	721	22,209	-	-	-	22,930	-	22,930	
Par value of bonus shares received	-	-	-	-	-	-	-	-	-	
-										
Transfers between reserves	-	-	(14,629)	14,629	-	-	-	-	-	
Employee share option scheme	-	-	-	-	-	12,602	12,602	-	12,602	
Dividends paid	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	
Balance at 31 March 2005	326,538	326,538	3,168,030	8,533,957	696,529	1,264,608	13,989,662	524,369	14,514,031	

CONSOLIDATED STATEMENT OF CASH FLOWS

QUARTER ENDED 31 MARCH 2005

(Unaudited)

	31/03/2005	31/03/2004
	\$'000	\$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	569,697	495,671
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	133,276	189,408
Cash provided by operating activities	702,973	685,079
Cash provided by/(used in) financing activities	1,906,365	(312,802)
Cash (used in)/provided by investing activities	(2,282,504)	272,079
Increase in cash and cash equivalents	326,834	644,356
Cash and cash equivalents at beginning of year	3,703,864	2,160,145
Exchange and translation gains on net foreign cash balances	(749)	6,941
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,029,949	2,811,442

FINANCIAL INFORMATION BY BUSINESS SEGMENT

QUARTER ENDED 31 MARCH 2005

(Unaudited)

3 months to 31 March 2005	Food & Trading \$'000	Retail & Trading \$'000	Financial Services \$'000	Maritime \$'000	Information \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	3,515,185	2,524,877	1,447,462	-	638,564		8,126,088
Inter-segment sales	146,303	117	33,487	-	-	(179,907)	-
Total Revenue	3,661,488	2,524,994	1,480,949	-	638,564	(179,907)	8,126,088
RESULT							
Segment Result	49,078	83,230	360,196	-	109,200	16,754	618,458
Unallocated income						61,518	61,518
Profit from operations							679,976
Finance income - net	56,858	(25,254)	48,035	-	10,874	16,754	73,759
Share of associates	81,199	4,451	(3,032)	-	(1,599)	-	81,019
Profit before Taxation	187,135	62,427	405,199	-	118,475	61,518	834,754
Taxation							(265,057)
Profit for the period							569,697
Attributable to:							
Equity holders of the Company							552,616
Minority Interest							17,081
							569,697

3 months to 31 March 2004	Food & Trading \$'000	Retail & Trading \$'000	Financial Trading \$'000	Maritime Services \$'000	Information \$'000	Consolidation Adjustments \$'000	Group \$'000
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REVENUE

External sales	2,703,601	2,452,629	1,454,550	90,564	636,712		7,338,056
Inter-segment sales	172,123	272	55,859	4,903		(233,157)	-
Total Revenue	2,875,724	2,452,901	1,510,409	95,467	636,712	(233,157)	7,338,056

RESULT

Segment Result	34,843	68,447	299,268	22,073	89,240	50,490	564,361
Unallocated income						60,640	60,640
Profit from operations							625,001
Finance income - net	45,008	(22,664)	36,302	1,928	25,226	(50,490)	35,310
Share of associates	61,269	(26)	(2,693)	1,054	(8,129)	-	51,475
Profit before Taxation	141,120	45,757	332,877	25,055	106,337	60,640	711,786
Taxation							(216,115)
Profit for the period							495,671

Attributable to:

Equity holders of the Company							476,513
Minority Interest							19,158
							495,671

INTERIM CONSOLIDATED FINANCIAL STATEMENTS**QUARTER ENDED 31 MARCH 2005****Notes****1. Accounting Policies****(a) Basis of preparation**

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention, as modified by the revaluation of certain fixed and financial

assets.

The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2004, with the exception of amendments to IAS 36 - Impairment of Assets, IAS 38 - Intangible Assets and IAS 39 - Financial Instruments: Recognition and Measurement which became effective 1 January 2005; and the adoption of IFRS 2 - Share-based Payment and IFRS 3 - Business Combinations. The effect of IAS 36, IAS 38 and IFRS 3 is explained in notes 1(c) and 1(d). With the application of the amendment to IAS 39, investments previously in the category of originated debt were reclassified as available for sale. IFRS 2 was adopted on 1 January 2005 with retrospective application for all share options granted after 7 November 2002. These options include those granted under the Managers' Stock Option Plan but exclude the Directors' Stock Option Plan.

These financial statements are presented in Jamaican dollars.

The adoption of IFRS 2 resulted in:

	3 months to 31/03/2005	12 months to 31/12/2004	3 months to 31/03/2004	12 months to 31/12/2003
Increase in of her reserves (\$'000)	63,849	51,247	22,463	13,864
Decrease in retained earnings (\$'000)	63,849	51,247	22,463	13,864
Increase in expenses (\$'000)	12,602	37,383	8,599	13,864
Decrease in basic earnings per share (\$)	0.04	0.12	0.03	0.04
Decrease in diluted earnings per share (\$)	0.04	0.12	0.03	0.04

(b) Fixed Assets

All fixed assets are initially recorded at cost. Freehold land and buildings are subsequently shown at market valuation based on biennial valuations by external independent valuers, less subsequent depreciation of buildings. All other fixed assets are carried at cost less accumulated depreciation.

(c) Intangible Assets

Included in intangible assets is Goodwill which represents the excess of the value of consideration paid over the net assets acquired. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses, it is no longer amortised. Other intangible assets with an indefinite useful life are not subject to amortisation and are tested at least annually for impairment and carried at cost less

accumulated impairment losses. Intangible assets with a finite useful life are amortised on a straight line basis to write off the carrying value over their estimated useful lives (8 - 10 years).

(d) Impairment of assets

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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.

(e) Investments

The Group classifies its investments in debt and equity securities into the available-for-sale category. Available-for-sale investments are subsequently re-measured at fair value. Unrealised gains and losses arising from changes in the fair value of these investments are recorded in the Capital and fair value reserve.

(f) 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 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 at that price. Options are exercisable when they vest, which is in three equal annual instalments beginning one year from the date of grant and have a contractual option term of six years.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted.

When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(g) 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.

(h) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, if 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.

(i) 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.

(j) Segment reporting

The Group is organized into four (five in 2004) 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 banking; investment management; lease and trade financing; stock brokerage; pension management; property rental; mutual fund management;

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

Maritime - Shipping agencies and other maritime services. The Group exited this business segment at the end of 2004.

(k) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, comparative figures have been restated to comply with the adoption of IFRS 2.

Don Wehby

Chief Financial Officer
11 May 2005
