GraceKennedy Limited

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the quarter ended June 30, 2005.

The Group achieved Revenues for the period of $16,375.0 million (2004: $14,809.6 million), an increase of $1,565.4 million or 10.6%. The Net Profit Attributable to Equityholders of the Company increased by $72.1 million over the corresponding period of 2004, moving from $895.2 million to $967.3 million, an increase of 8.05%. This represents earnings per stock unit of $2.96 (2004: $2.77).

At the Annual General Meeting held on May 30, 2005, the company officially changed its name to GraceKennedy Limited. Subsequently, the majority of companies within the GraceKennedy Group are changing their names to reflect this. This is in keeping with the branding strategy of the company, initiated by the launch of the GraceKennedy corporate logo in February of this year.

The Food Trading Division continued to report excellent results for the period under review with substantial increases in both revenues and profit. Our Grace-owned brands generated growth in both the domestic and international markets with the launch of three new variants of Grace Cup Soup (Caribbean Fish, Cock Soup, Pumpkin Beef) and Grace Tropical Rhythms Island Mango. These were well received by our customers. Implementation of the new SAP software system, which commenced in the first quarter, is on target with two companies already operative.

The Retail & Trading Division reported mixed results for the period. This was due primarily to the heavy rains in May and June, which had a negative impact on Hardware & Lumber's performance; as well as the excess inventories in that company, which, however, are in the process of being cleared. Hardware & Lumber's Renounceable Rights Issue, which was completed during the quarter, was heavily oversubscribed. A net $336 million was raised from the issue, which will be used to fund capital expenditure projects as well as to repay bank loans. Both Fidelity Motors Limited and Agro-Grace experienced very satisfactory results.

The results of the Financial Services Division were very good for the first half of 2005. Both First Global Bank Limited and First Global Financial Services Limited continued to produce excellent results. Medecus Health Insurance Company Limited, a company formed in partnership with Guardian Life Limited, successfully commenced operations on June 1, 2005. Four new Mutual Funds, GK Caribbean/US Equity Fund, GK Global Fund, GK Global Industry Focused Fund and GK Caribbean Blue Chip Fund, were launched in Trinidad on May 16, 2005. The Jamaican policies held by Dyoll Insurance Company Limited which were assumed by Jamaica International Insurance Company Limited are contributing significantly to our growth in the insurance industry. Our retention rate of the policies is going according to plan and we have been able to rationalize a significant amount of the administrative expenses.

The Information Services Division reported an increase in transaction volumes but decline in profits for the period under review. This is due to significant reductions in fees charged to consumers, as Western Union is driving to make itself more competitive worldwide. The new Western Union marketing campaign entitled “You Send Me” was launched on June 20 and is being communicated via press, radio, TV and outdoor billboards. In a continued effort to expand Bill Express throughout the Caribbean, a Bill Express Licensing agreement was recently signed for St. Vincent.

GraceKennedy’s Jamaican Birthright Programme, a two-month professional and cultural internship is now in its second year. Eight candidates of Jamaican parentage were selected from the United States, United Kingdom and Canada. The programme is designed to give the candidates a well-rounded Jamaican experience after which they will make the transition from ‘intern’ to ‘ambassador’ and return home to promote Jamaica and GraceKennedy to the Jamaican Diaspora.

The recently launched Accelerated Development Programme for incoming professionals welcomed the first group of associates on May 2. The programme is an additional way of ensuring that GraceKennedy has a broad base of specialized individuals who can fill positions that will become available in the near future.

GraceKennedy’s Code of Ethics & Guidelines for Business Conduct was introduced to the over 400 participants at the 2005 Mid-Year Business Conference, held on June 25, 2005 under the theme “Together we are GraceKennedy”. The document, which was approved by the Board of Directors of the Company, is based on the company’s values, traditions and philosophies and provides the guidelines for conduct for the directors, and employees throughout the Group.

After over 35 years of service to the GraceKennedy Group, Mr. A. Rafael Diaz retired from the board of Directors of GraceKennedy Limited at the Annual General Meeting held on May 30, 2005. Originally from Belize, Mr. Diaz worked in several different Caribbean countries for 16 years prior to joining GraceKennedy in 1969 as an Accountant. He moved up the ranks and was appointed Chairman & Chief Executive Officer in 1989 until his retirement as CEO in 1995. He stayed on as Chairman until March 31, 1998. He will continue as a director on some of our subsidiary boards. Mr. Diaz has given invaluable service to the GraceKennedy Group and has been integral to our growth and the preservation and promotion of our values. We wish him a long and happy retirement.

I wish to extend my thanks and appreciation to our colleague directors, management and staff for their continued support and dedication as we move towards our goal of becoming a global consumer group by the year 2020.

Douglas Orane
July 28, 2005

GraceKennedy Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT - Unaudited

QUARTER ENDED 30 JUNE 2005

	3 months to 30/06/2005 $'000	6 months to 30/06/2005 $'000	3 months to 30/06/2004 $'000 ***	6 months to 30/06/2004 $'000 ***
Revenues	8,248,938	16,375,026	7,471,581	14,809,637
Expenses	7,839,795	15,383,113	7,002,997	13,766,017
Operating Income	409,143	991,913	468,584	1,043,620
Other income	133,407	230,613	102,819	152,784
Profit from Operations	542,550	1,222,526	571,403	1,196,404
Finance income	93,836	167,595	20,961	56,271
Share of results of associated companies	(8,549)	72,470	5,632	57,107
Profit before Taxation	627,837	1,462,591	597,996	1,309,782
Taxation	(195,146)	(460,203)	(155,440)	(371,555)
Profit for the period	432,691	1,002,388	442,556	938,227
Attributable to:				
Equity holders of the Company	414,734	967,350	418,726	895,239
Minority interest	17,957	35,038	23,830	42,988
	432,691	1,002,388	442,556	938,227
Earnings per share for profit attributable to the equity holders of the Company				
(expressed in $ per share)				
Basic	$1.27	$2.96	$1.29	$2.77
Diluted	$1.24	$2.90	$1.26	$2.70

***** : Restated to comply with changes in IFRS**

GraceKennedy Limited

CONSOLIDATED BALANCE SHEET - Unaudited

QUARTER ENDED 30 JUNE 2005

	June 2005 $ '000	December 2004 $ '000 ***	June 2004 $ '000 ***
NET ASSETS EMPLOYED			
Non-Current Assets			
Fixed assets	2,220,687	2,175,647	2,058,205
Intangible assets	894,902	312,751	366,116
Investments in associates	496,511	414,516	373,718
Investments	2,970,547	2,947,076	4,065,023
Long term receivables	2,128,532	1,746,285	646,113
Deferred tax assets	611,992	601,249	592,804
Pension plan asset	4,592,481	4,409,317	4,070,547
	13,915,652	12,606,841	12,172,526
Current Assets			
Inventories	3,219,242	3,329,331	2,206,830
Receivables	5,879,739	5,636,348	4,903,158
Long term receivables - current portion	1,447,325	789,424	1,722,127
Taxation recoverable	527,287	531,965	417,798
Cash and short term investments	31,734,628	29,789,656	25,510,644
	42,808,221	40,076,724	34,760,557
Current Liabilities			
Payables	8,166,218	7,304,489	5,855,400
Provisions	9,769	8,979	27,749
Taxation	216,519	467,916	165,101
Bank and short term loans	2,633,720	2,052,007	1,851,628
Long term liabilities - current portion	183,792	177,060	88,901
Deposits	7,902,764	4,185,409	3,664,595
Securities sold under agreement to repurchase	17,551,323	20,335,155	18,695,385
	36,664,105	34,531,015	30,348,759
Net Current Assets	6,144,116	5,545,709	4,411,798
	20,059,768	18,152,550	16,584,324
FINANCED BY			
Capital & reserves attributable to the equity holders of the Company			
Share Capital	326,770	325,817	323,960
Capital and fair value reserves	3,213,636	2,955,592	2,682,515
Retained earnings	8,801,704	7,966,712	6,962,797
Reserve funds	696,529	696,529	643,207
Translation gains and other reserves	1,283,242	1,268,612	1,171,708
	14,321,881	13,213,262	11,784,187
Minority Interest	752,455	507,527	503,297
Total Equity	15,074,336	13,720,789	12,287,484
Non-Current Liabilities			
Provisions	6,221	6,516	6,221
Long Term Liabilities	1,787,239	1,474,367	1,463,623
Deferred Tax Liabilities	2,291,308	2,103,422	1,956,627
Other post-retirement obligations	900,664	847,456	870,369
	4,985,432	4,431,761	4,296,840
	20,059,768	18,152,550	16,584,324

Approved for issue by the Board of Directors on 28 July 2005 and signed on its behalf by:

D. R. Orane — Chairman

D.G. Wehby — Chief Financial Officer

***** : Restated to comply with changes in IFRS**

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
QUARTER ENDED 30 JUNE 2005
(Unaudited)

		Attributable to equity holders of the Company						Minority Interest	Total Equity
	No. of Shares	Share Capital	Capital and Fair Value Reserve	Retained Earnings	Reserve Fund	Other Reserves	Total		
	'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2004	323,466	323,466	3,448,660	5,995,247	643,207	1,157,759	11,568,339	460,032	12,028,371
Net gains/(losses) not recognised in the profit and loss account, net of tax:									
Foreign currency translation adjustments	-	-	-	-	-	(3,249)	(3,249)	311	(2,938)
Fair value adjustments	-	-	127,169	-	-	-	127,169	-	127,169
Revaluation surplus	-	-	(702,674)	-	-	-	(702,674)	-	(702,674)
Other	-	-	(1,813)	-	-	-	(1,813)	(34)	(1,847)
Total	-	-	(577,318)	-	-	(3,249)	(580,567)	277	(580,290)
Profit for the period	-	-	-	895,239	-	-	895,239	42,988	938,227
Issue of shares at a premium	494	494	13,003	-	-	-	13,497	-	13,497
Transfers between reserves	-	-	(201,830)	201,830	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	17,198	17,198	-	17,198
Dividends paid	-	-	-	(129,519)	-	-	(129,519)	-	(129,519)
Other	-	-	-	-	-	-	-	-	-
Balance at 30 June 2004	323,960	323,960	2,682,515	6,962,797	643,207	1,171,708	11,784,187	503,297	12,287,484
Balance at 1 January 2005	325,817	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	-	-	-	-	-	(10,574)	(10,574)	114	(10,460)
Fair value adjustments	-	-	240,399	-	-	-	240,399	-	240,399
Revaluation surplus	-	-	-	-	-	-	-	-	-
Other	-	-	565	-	-	-	565	-	565
Total	-	-	240,964	-	-	(10,574)	230,390	114	230,504
Profit for the period	-	-	-	967,350	-	-	967,350	35,038	1,002,388
Issue of shares at a premium	953	953	31,709	-	-	-	32,662	-	32,662
Increase in minority interest	-	-	-	-	-	-	-	229,376	229,376
Transfers between reserves	-	-	(14,629)	14,629	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	25,204	25,204	-	25,204
Dividends paid	-	-	-	(146,987)	-	-	(146,987)	-	(146,987)
Dividends paid by subsidiary to minority interest	-	-	-	-	-	-	-	(19,600)	(19,600)
Other	-	-	-	-	-	-	-	-	-
Balance at 30 June 2005	326,770	326,770	3,213,636	8,801,704	696,529	1,283,242	14,321,881	752,455	15,074,336

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS
QUARTER ENDED 30 JUNE 2005
(Unaudited)

	30/06/2005 $'000	30/06/2004 $'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	1,002,388	938,227
Adjusments for items not affecting cash, changes in non-cash working capital components and other, net	589,835	221,902
Cash provided by operating activities	1,592,223	1,160,129
Cash provided by/(used in) financing activities	3,295,855	(744,616)
Cash (used in)/provided by investing activities	(3,868,888)	300,655
Increase in cash and cash equivalents	1,019,190	716,168
Cash and cash equivalents at beginning of year	3,703,864	2,160,145
Exchange and translation gains on net foreign cash balances	2,368	6,474
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,725,422	2,882,787

GraceKennedy Limited

FINANCIAL INFORMATION BY BUSINESS SEGMENT
QUARTER ENDED 30 JUNE 2005
(Unaudited)

6 months to 30 June 2005	Food Trading $'000	Retail & Trading $'000	Financial Services $'000	Maritime $'000	Information $'000	Consolidation Adjustments $'000	Group $'000
REVENUE							
External sales	6,671,631	5,061,510	3,280,174	-	1,361,711		16,375,026
Inter-segment sales	345,566	672	62,773	-	-	(409,011)	-
Total Revenue	7,017,197	5,062,182	3,342,947	-	1,361,711	(409,011)	16,375,026
RESULT							
Segment Result	124,325	134,321	597,294	-	244,149	(599)	1,099,490
Unallocated income						123,036	123,036
Profit from operations							1,222,526
Finance income - net	107,029	(52,620)	87,774	-	24,813	599	167,595
Share of associates	82,319	11,988	(18,261)	-	(3,576)	-	72,470
Profit before Taxation	313,673	93,689	666,807	-	265,386	123,036	1,462,591
Taxation							(460,203)
Profit for the period							1,002,388
Attributable to:							
Equity holders of the Company							967,350
Minority Interest							35,038
							1,002,388

6 months to 30 June 2004	Food Trading $'000	Retail & Trading $'000	Financial Services $'000	Maritime $'000	Information $'000	Consolidation Adjustments $'000	Group $'000
REVENUE							
External sales	5,372,526	4,996,858	2,916,369	178,320	1,345,564		14,809,637
Inter-segment sales	300,986	627	94,375	8,998	-	(404,986)	-
Total Revenue	5,673,512	4,997,485	3,010,744	187,318	1,345,564	(404,986)	14,809,637
RESULT							
Segment Result	28,992	113,744	538,541	36,000	249,482	108,365	1,075,124
Unallocated income						121,280	121,280
Profit from operations							1,196,404
Finance income - net	100,534	(45,293)	70,245	4,252	34,898	(108,365)	56,271
Share of associates	58,688	3,798	(2,871)	2,240	(4,748)	-	57,107
Profit before Taxation	188,214	72,249	605,915	42,492	279,632	121,280	1,309,782
Taxation							(371,555)
Profit for the period							938,227
Attributable to:							
Equity holders of the Company							895,239
Minority Interest							42,988
							938,227

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:

	6 months to 30/06/2005	**12 months to 31/12/2004**	**6 months to 30/06/2004**	**12 months to 31/12/2003**
Increase in other reserves ($'000)	76,451	51,247	31,062	13,864
Decrease in retained earnings ($'000)	76,451	51,247	31,062	13,864
Increase in expenses ($'000)	25,204	37,383	17,198	13,864
Decrease in basic earnings per share ($)	0.08	0.12	0.05	0.04
Decrease in diluted earnings per share ($)	0.08	0.12	0.05	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.

Employee benefits (continued)

(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, 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.

2. Rights Issue by Hardware & Lumber Limited

Hardware & Lumber Limited offered a renounceable rights issue to its shareholders, GraceKennedy Limited renounced its right to the offer making it available to the minority shareholders. Arising from the rights issue the Group's percentage shareholdings in Hardware and Lumber Limited was reduced from 69.7% to 58.1%; thus resulting in a gain on the dilution of ownership of $108 million and an increase of $229 million in the minority interest as shown in the statement of changes in equity.

Don Wehby
Chief Financial Officer
28 July 2005