

GraceKennedy Limited

INTERIM REPORT TO OUR STOCKHOLDERS

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

The Group achieved Revenues for the period of \$24,854.9 million (2004: \$22,320.6 million), an increase of \$2,534.3 million or 11.4%. The Net Profit Attributable to Equityholders of the Company increased by \$48.3 million over the corresponding period of 2004, moving from \$1,383.2 million to \$1,431.5 million, an increase of 3.5%. This represents earnings per stock unit of \$4.38 (2004: \$4.27).

There was significant growth in the sale of Grace-owned brands in both the domestic and international markets. This was a major contributing factor to the excellent results reported by the Food Trading Division for the nine-month period. In response to strong consumer demands, we launched Diet Tropical Rhythms in the 10-ounce size and Springtime Delicate Wash in two variants. These were well received by our customers. The implementation of the new SAP software system across the Food Trading Division is on schedule with a total of four companies now utilizing the system.

The Retail & Trading Division experienced a flat performance in revenue and a decline in operating profits for the quarter. The main factor contributing to this was the downturn in construction activity and the decline in consumer spending power. The Hardware & Lumber Group recently completed its corporate reorganization and now operates as one company with three Divisions; namely,

wholesale, retail and agriculture. We commenced the roll-out of our new unified retail brand, Rapid>True Value, and plan to invest heavily in marketing the brand during the last quarter of 2005. During the quarter Mr. Anthony Holness was appointed Chief Executive Officer of Hardware & Lumber Limited and Mr. John Mahfood as Deputy Chairman of the Board of Hardware and Lumber Limited. In August, Hi-Lo Food Stores (Ja.) Limited closed its Hagley Park location. This was followed closely by the opening of a new store in Ocho Rios, which has received excellent reviews based on its unique interior design. We have put in place the necessary corrective measures for the company to start showing an improved performance.

The Information Services Division reported an increase in transaction volumes but decline in profits for the period under review. On August 12, the Division began the roll-out of its Western Union Money Transfer, FX Trader Cambio and Bill Express offerings under the banner GraceKennedy Money Services. GraceKennedy Currency Trading Services Limited launched its F/X Trader/MAGNA Loyalty Programme on September 19. This programme is geared towards increasing trade volumes by rewarding repeat customers who buy or sell foreign currency through our F/X Trader locations.

GraceKennedy Limited and Western Union International will be honored for their contributions to Jamaica's development at the American Friends of Jamaica's 24th Annual Jamaica Benefit Gala to be held on November 5 in New York.

The Financial Services Division continues to perform extremely well. During the quarter, First Global Bank Limited opened its in-store location in Hi-Lo Manor Park. This increases the bank's network to three branches, joining those in New Kingston and Montego Bay. The bank has also commenced testing of its

new credit card, with the official public launch scheduled for the last quarter of 2005. Medecus Health Insurance Agency has continued in its efforts to expand its provider network by embarking on a call programme to providers. The Jamaican policies held by Dyoll Insurance Company Limited continue to contribute significantly to the growth of Jamaica International Insurance Company Limited.

On September 1, 2005, Mr. Joseph Taffe was appointed Deputy Chief Operating Officer of the Financial Services Division of GraceKennedy Limited. He was also invited to join the Board of GraceKennedy Limited at its meeting held on September 29. Following a four-month transition period, Mr. Taffe who joined GraceKennedy in 1989 will assume the position of Chief Operating Officer for the Division to succeed Mr. Don Wehby who will be focusing on his expanded role as Group Chief Financial Officer. Mr. Wehby's role will include responsibility for a new Strategic Planning Unit in addition to his other responsibilities as Group Chief Financial Officer.

Violent crimes continued to escalate into the third quarter of this year, and this has had a significant impact on our society, and affected many of our customers in troubled areas. The Government has introduced some measures to quell the upsurge in crime. We welcome these measures and look forward to a return to less disruptive conditions. The GraceKennedy Group has put in place its own contingency measures to minimize dislocations in our businesses, and to help protect our employees.

Once again, each citizen, individual or corporate, must ask the question as to how we can collectively contribute to identifying and curing the root causes of violent crime sweeping over our society. It is critical that the links between our

citizenry and our police force be returned to one of cordial cooperation, that the judicial system be rapidly upgraded to facilitate the speedy dispensation of impartial justice, and that our communities return to more peaceful conditions. We can, as individuals, begin by taking a stand to raise the standards of civility and law-abiding behaviour.

We wish to thank all our customers, suppliers and stakeholders for their continued loyalty and encouragement, and our committed team of directors, management and staff for their support and dedicated service. “We Think the World of You”.

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

Douglas Orane
Chairman & Chief Executive Officer

October 27, 2005

GraceKennedy Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT - Unaudited

QUARTER ENDED 30 September 2005

	3 months to 30/09/2005 \$'000	9 months to 30/09/2005 \$'000	3 months to 30/09/2004 \$'000 ***	9 months to 30/09/2004 \$'000 ***
Revenues	8,479,893	24,854,919	7,510,950	22,320,587
Expenses	7,968,697	23,351,810	6,887,304	20,653,321
Operating Income	511,196	1,503,109	623,646	1,667,266
Other income	90,313	320,926	57,406	210,190
Profit from Operations	601,509	1,824,035	681,052	1,877,456
Finance income	65,871	233,466	51,865	108,136
Share of results of associated companies	10,596	83,066	3,558	60,665
Profit before Taxation	677,976	2,140,567	736,475	2,046,257
Taxation	(203,373)	(663,576)	(213,821)	(585,376)
Profit for the period	474,603	1,476,991	522,654	1,460,881
Attributable to:				
Equity holders of the Company	464,197	1,431,547	487,919	1,383,158
Minority interest	10,406	45,444	34,735	77,723
	474,603	1,476,991	522,654	1,460,881
Earnings per share for profit attributable to the equity holders of the Company (expressed in \$ per share)				
Basic	\$1.42	\$4.38	\$1.51	\$4.27
Diluted	\$1.39	\$4.29	\$1.47	\$4.17

*** : Restated to comply with changes in IFRS

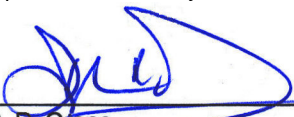
GraceKennedy Limited

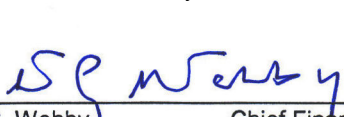
CONSOLIDATED BALANCE SHEET - Unaudited

QUARTER ENDED 30 September 2005

	September 2005 \$ '000	December 2004 \$ '000 ***	September 2004 \$ '000 ***
NET ASSETS EMPLOYED			
Non-Current Assets			
Fixed assets	2,261,606	2,175,647	1,996,077
Intangible assets	887,708	312,751	369,620
Investments in associates	497,883	414,516	411,816
Investments	3,099,533	2,947,076	3,626,069
Long term receivables	2,395,259	1,746,285	1,004,479
Deferred tax assets	581,311	601,249	598,658
Pension plan asset	4,811,251	4,409,317	4,157,300
	14,534,551	12,606,841	12,164,019
Current Assets			
Inventories	3,158,183	3,329,331	2,373,270
Receivables	6,343,924	5,636,348	4,865,563
Long term receivables - current portion	776,609	789,424	1,071,038
Taxation recoverable	523,924	531,965	461,325
Cash and short term investments	35,251,181	29,789,656	28,699,793
	46,053,821	40,076,724	37,470,989
Current Liabilities			
Payables	8,159,253	7,304,489	6,144,896
Provisions	8,194	8,979	36,719
Taxation	249,250	467,916	228,853
Bank and short term loans	2,851,925	2,052,007	1,896,298
Long term liabilities - current portion	175,311	177,060	91,054
Deposits	8,428,129	4,185,409	4,025,822
Securities sold under agreement to repurchase	20,080,827	20,335,155	19,969,312
	39,952,889	34,531,015	32,392,954
Net Current Assets	6,100,932	5,545,709	5,078,035
	20,635,483	18,152,550	17,242,054
FINANCED BY			
Capital & reserves attributable to the equity holders of the Company			
Share Capital	326,804	325,817	324,102
Capital and fair value reserves	3,154,399	2,955,592	2,721,380
Retained earnings	9,229,485	7,929,814	7,440,734
Reserve funds	696,529	696,529	643,207
Translation gains and other reserves	1,417,171	1,305,510	1,258,922
	14,824,388	13,213,262	12,388,345
Minority Interest	763,462	507,527	509,126
Total Equity	15,587,850	13,720,789	12,897,471
Non-Current Liabilities			
Provisions	6,221	6,516	6,221
Long Term Liabilities	1,822,685	1,474,367	1,464,930
Deferred Tax Liabilities	2,286,408	2,103,422	1,985,549
Other post-retirement obligations	932,319	847,456	887,883
	5,047,633	4,431,761	4,344,583
	20,635,483	18,152,550	17,242,054

Approved for issue by the Board of Directors on 27 October 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 SEPTEMBER 2005

(Unaudited)

	Attributable to equity holders of the Company							Minority Interest	Total Equity
	No. of Shares	Share Capital	Capital and	Retained Earnings	Reserve Fund	Other Reserves	Total		
			Fair Value Reserve						
'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2004	323,466	323,466	3,448,660	5,985,265	643,207	1,167,741	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	-	-	-	-	-	46,810	46,810	778	47,588
Fair value adjustments	-	-	156,472	-	-	-	156,472	-	156,472
Revaluation surplus	-	-	(702,674)	-	-	-	(702,674)	-	(702,674)
Other	-	-	4,048	-	-	-	4,048	(7)	4,041
Total	-	-	(542,154)	-	-	46,810	(495,344)	771	(494,573)
Profit for the period	-	-	-	1,383,158	-	-	1,383,158	77,723	1,460,881
Issue of shares at a premium	636	636	16,704	-	-	-	17,340	-	17,340
Transfers between reserves	-	-	(201,830)	201,830	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	44,371	44,371	-	44,371
Dividends paid	-	-	-	(129,519)	-	-	(129,519)	-	(129,519)
Dividends paid by subsidiary to minority interest	-	-	-	-	-	-	-	(29,400)	(29,400)
Other	-	-	-	-	-	-	-	-	-
Balance at 30 September 2004	324,102	324,102	2,721,380	7,440,734	643,207	1,258,922	12,388,345	509,126	12,897,471
Balance at 1 January 2005	325,817	325,817	2,955,592	7,929,814	696,529	1,305,510	13,213,262	507,527	13,720,789
Net gains/(losses) not recognised in the profit and loss account:									
Foreign currency translation adjustments	-	-	-	-	-	46,635	46,635	715	47,350
Fair value adjustments	-	-	180,257	-	-	-	180,257	-	180,257
Revaluation surplus	-	-	-	-	-	-	-	-	-
Other	-	-	564	-	-	-	564	-	564
Total	-	-	180,821	-	-	46,635	227,456	715	228,171
Profit for the period	-	-	-	1,431,547	-	-	1,431,547	45,444	1,476,991
Issue of shares at a premium	987	987	33,097	-	-	-	34,084	-	34,084
Increase in minority interest	-	-	-	-	-	-	-	229,376	229,376
Transfers between reserves	-	-	(15,111)	15,111	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	65,026	65,026	-	65,026
Dividends paid	-	-	-	(146,987)	-	-	(146,987)	-	(146,987)
Dividends paid by subsidiary to minority interest	-	-	-	-	-	-	-	(19,600)	(19,600)
Other	-	-	-	-	-	-	-	-	-
Balance at 30 September 2005	326,804	326,804	3,154,399	9,229,485	696,529	1,417,171	14,824,388	763,462	15,587,850

GraceKennedy Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

QUARTER ENDED 30 SEPTEMBER 2005

(Unaudited)

	30/09/2005 \$'000	30/09/2004 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Profit for the period	1,476,991	1,460,881
Adjustments for items not affecting cash, changes in non-cash working capital components and other, net	134,196	330,468
Cash provided by operating activities	1,611,187	1,791,349
Cash provided by/(used in) financing activities	3,950,246	(234,159)
Cash used in investing activities	(4,853,390)	(809,731)
Increase in cash and cash equivalents	708,043	747,459
Cash and cash equivalents at beginning of year	3,703,864	2,160,145
Exchange and translation gains on net foreign cash balances	26,888	13,019
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,438,795	2,920,623

GraceKennedy Limited

FINANCIAL INFORMATION BY BUSINESS SEGMENT

QUARTER ENDED 30 SEPTEMBER 2005

(Unaudited)

9 months to 30 September 2005	Food Trading \$'000	Retail & Trading \$'000	Financial Services \$'000	Maritime \$'000	Information \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	9,956,682	7,554,439	5,263,338	-	2,080,460		24,854,919
Inter-segment sales	468,803	1,658	91,527	-	-	(561,988)	-
Total Revenue	10,425,485	7,556,097	5,354,865	-	2,080,460	(561,988)	24,854,919
RESULT							
Segment Result	128,611	171,051	899,468	-	350,706	3,870	1,553,706
Unallocated income						270,329	270,329
Profit from operations							1,824,035
Finance income - net	147,168	(77,043)	131,187	-	36,024	(3,870)	233,466
Share of associates	94,000	15,535	(23,073)	-	(3,396)	-	83,066
Profit before Taxation	369,779	109,543	1,007,582	-	383,334	270,329	2,140,567
Taxation							(663,576)
Profit for the period							1,476,991
Attributable to:							
Equity holders of the Company							1,431,547
Minority Interest							45,444
							1,476,991

9 months to 30 September 2004	Food Trading \$'000	Retail & Trading \$'000	Financial Services \$'000	Maritime \$'000	Information \$'000	Consolidation Adjustments \$'000	Group \$'000
REVENUE							
External sales	8,136,632	7,602,618	4,325,392	221,458	2,034,487		22,320,587
Inter-segment sales	412,315	1,152	290,704	14,817	-	(718,988)	-
Total Revenue	8,548,947	7,603,770	4,616,096	236,275	2,034,487	(718,988)	22,320,587
RESULT							
Segment Result	74,020	261,477	857,005	23,140	379,508	118,960	1,714,110
Unallocated income						163,346	163,346
Profit from operations							1,877,456
Finance income - net	140,289	(75,432)	105,074	9,512	47,653	(118,960)	108,136
Share of associates	43,589	6,058	(6,032)	5,162	11,888	-	60,665
Profit before Taxation	257,898	192,103	956,047	37,814	439,049	163,346	2,046,257
Taxation							(585,376)
Profit for the period							1,460,881
Attributable to:							
Equity holders of the Company							1,383,158
Minority Interest							77,723
							1,460,881

GraceKennedy Limited

INTERIM CONSOLIDATED FINANCIAL STATEMENTS QUARTER ENDED 30 SEPTEMBER 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:

	9 months to 30/09/2005	12 months to 31/12/2004	9 months to 30/09/2004	12 months to 31/12/2003
Increase in other reserves (\$'000)	153,171	88,145	68,217	23,846
Decrease in retained earnings (\$'000)	153,171	88,145	68,217	23,846
Increase in expenses (\$'000)	65,026	64,299	44,371	23,846
Decrease in basic earnings per share (\$)	0.20	0.20	0.14	0.07
Decrease in diluted earnings per share (\$)	0.19	0.19	0.13	0.07

(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
27 October 2005