Notes to the Financial Statements

31 December 2000

1. Identification

Grace, Kennedy & Company Limited (the company) is a company limited by shares, incorporated and domiciled in Jamaica.

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;

Industrial, Retail and Trading -

Merchandising of agricultural and pharmaceutical supplies, stationery, hardware and lumber; institutional and airline catering; operation of a chain of supermarkets;

Financial Services -

General insurance and insurance brokerage; commercial and merchant banking; operation of travel and tour agencies;

Maritime

Operation of public wharves and port security services, shipping agencies and other maritime services;

Information -

Operation of money transfer services; information technology and international telecommunications services;

Corporate

Pension management; property rental; lease and trade financing.

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 Jamaican Accounting Standards, and have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets.

(b) Use of estimates

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles 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. Actual results could differ from those estimates.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the company and all of its subsidiaries, and its associated companies to the extent explained in Note 2(d). Subsidiaries are those undertakings in which the group, directly or indirectly, has an interest of more than one half the voting rights or otherwise has power to exercise control over the operations. Where subsidiaries are partly owned, the group's percentage interest is indicated. Investments in subsidiaries are shown at cost plus the par value of bonus shares received in the balance sheet of the company (Note 2(e)).

Subsidiaries are consolidated from the date on which effective control over the operations is transferred to the group, and are no longer consolidated from the date effective control ceases. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Separate disclosure is made of minority interests. The amount of any difference between the cost of acquisition of a subsidiary and the aggregate fair value of net assets acquired is written off against or credited to capital reserve as goodwill or reserve arising on consolidation.

The subsidiaries consolidated are as follows:

Resident in Jamaica:

Agro-Grace Limited
Allied Insurance Brokers Limited
Caribbean Greetings Corporation Limited
George & Branday Limited
Global Capital Services Limited (formerly Vortex Limited)
Grace Food Processors Limited
Grace Pension Management Limited
Grace Spices Limited (51%)
Grace Food Processors (Canning) Limited
Grace, Kennedy & Company (Shipping) Limited
Grace, Kennedy Properties Limited
Grace, Kennedy Export Trading Limited
Grace, Kennedy Remittance Services Limited
Grace, Kennedy Waste Management Limited
Hamburg-Sud/Columbus Jamaica Limited
Hi-Lo Food Stores (Jamaica) Limited
H.Macaulay Orreft Limited
H.Macaulay Orreft Insurance Limited
International Communications Limited

International Shipping Limited
Jamaica International Insurance Company Limited and its subsidiary -
Grace Financial Services Division Limited
(formerly Personal & Commercial Insurance Company Limited)
Medi-Grace Limited
National Processors Limited
Newport Motors Limited
Port Services Limited (97.2%)

Rapid & Sheffield Company Limited
United Agricultural Produce Traders Limited
Versair In-Flite Services Limited and its subsidiary (51 %)
Industrial Catering Services Limited (51%)
Grace Foods Limited, Bermuda
Grace, Kennedy (Belize) Limited, Belize (66.6%)
Grace, Kennedy (Canada) Inc. and its subsidiaries -
Grace, Kennedy (Ontario) Inc., Canada
Grace, Kennedy (Caribbean) Limited, Turks and Caicos Islands
Grace, Kennedy (Guyana) Inc., Guyana
Grace, Kennedy Remittance Services (Guyana) Limited, Guyana
Grace, Kennedy (St. Lucia) Limited, St. Lucia
Grace, Kennedy (Trinidad) 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 Trade Finance Limited, Belize
Graken Holdings Limited, Turks and Caicos Islands
Knutsford Re, Turks and Caicos Islands

During the year, the company disposed of its wholly owned subsidiaries Grace Tours Limited and Grace, Kennedy Travel Limited and its 84% holding in Caribbean Freight Forwarders & Customs Brokers Limited.

Armour Block & Construction Limited and International Maritime Services Limited are no longer trading entities and have been removed from the Register of Companies. Grace, Kennedy Shipping (U.S.A) Inc., U.S.A is also inactive and has been administratively dissolved.

(d) Associated companies

The equity method of accounting is adopted for all associated companies. Associated companies are those undertakings in which the group has between 20% and 50% of the voting rights, and over which the group exercises significant influence, but does not control. Under the equity method, the group's share of profits of associated companies is included in the group profit and loss account and the tax attributable to the share of profits is included in the group's tax charge.

In the group balance sheet, investments in associated companies are shown at cost or written down value plus the group's share of reserves arising since the acquisition of the investments. Provisions are recorded for long-term impairment in value. In the company balance sheet, these investments are shown at cost plus the par value of bonus shares received (Note 2(e)).

The group's associated companies are as follows:

	Group's percentage interest	
	2000	1999
Cari-Freight Shipping Company Limited, U.S.A. and its subsidiary	34.00	34.00
Ambassador Agencies Incorporated, U.S.A.	-	34.00
Carib Star Shipping Limited	30.00	30.00
Challenge Enterprises Limited	50.00	50.00
Computers & Control (Jamaica) Limited	40.00	40.00
Dairy Industries (Jamaica) Limited	50.00	50.00
Equipment Care Limited	-	50.00
Fish Importers Limited	32.70	32.70
Kingston Wharves Limited and its subsidiaries	39.60	39.60
P.S.C. Limited and its subsidiary	-	33.30
Pilkington Glass Jamaica Limited	40.00	40.00
Trafalgar Commercial Bank Limited	49.00	49.00
Recycle Jamaica Limited	50.00	50.00

Ambassador Agencies Inc. is inactive and has been administratively dissolved. Equipment Care Limited is no longer trading and has been removed from the Register of Companies.

The group's interest in P.S.C. Limited and its subsidiaries was disposed of for $1.

(e) Bonus shares received

The par value of bonus shares received is credited to capital reserve. The carrying value of the investments is increased accordingly.

(f) Foreign currencies

(i) Transactions during the year are converted at appropriate rates of exchange ruling on transaction dates. Assets and liabilities are translated at appropriate rates of exchange ruling at balance sheet date. Gains and losses arising from fluctuations in exchange rates are included in the group 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.

(g) 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, deposits and long term liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The fair values of the group's financial instruments are discussed in Note 27.

(h) Fixed assets

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

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 mainly 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

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining profit.

(i) Quoted and other investments

Quoted and other investments are shown at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

(j) Inventories

Inventories are stated mainly 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.

(k) Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

(l) 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 at bank and in hand, and deposits held at call with banks, net of bank and short term loans.

(m) Trade marks

Trade marks are amortised on a straight-line basis over 4 years.

(n) 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.

(o) 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.

(p) Revenue recognition

Sales are recognised upon delivery of products and customer acceptance or performance of services, net of discounts.

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 except that, where collection of interest income is considered doubtful or payment is outstanding for more than 90 days, interest is taken into account on the cash basis.

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.

(q) Employee benefit costs

The group accrues and funds pension costs annually. Such costs are actuarially determined and include amounts to fund future service benefits, expenses and past service benefits.

(r) Deferred taxation

Deferred taxation is not recognised in the financial statements of local group companies as the timing differences are not expected to reverse in the foreseeable future.

(s) 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 2000	841,074	261,772	1,330,682	53,062	2,486,590
Additions	23,282	6,959	235,000	11,585	276,826
Revaluation adjustment	151,101	-	2,408	-	153,509
Transfer from CWIP	308	298	30,450	(31,056)	-
Disposed of in subsidiary	-	(1,211)	(6,774)	-	(7,985)
Disposals	(3,054)	(1,773)	(42,791)	(497)	(48,115)
At 31 December 2000	1,012,711	266,045	1,548,975	33,094	2,860,825
Accumulated Depreciation -					
At 1 January 2000	232,037	85,289	569,441	-	886,767
Charge for the year	14,530	23,442	196,192	-	234,164
Revaluation adjustment	37,207	-	(3,662)	-	33,545
Disposed of in subsidiary	-	(205)	(4,248)	-	(4,453)
On disposals	(1,525)	(1,126)	(27,601)	-	(30,252)
At 31 December 2000	282,249	107,400	730,122	-	1,119,771
Net Book Value -					
31 December 2000	730,462	158,645	818,853	33,094	1,741,054
31 December 1999	609,037	176,483	761,241	53,062	1,599,823

	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 2000	8,879	53,070	259,426	30,400	351,775
Additions	-	8,870	13,269	3,384	25,523
Transfer from CWIP		297	19,346	(19,643)	-
Disposals	-	(784)	(4,231)	-	(5,015)
At 31 December 2000	8,879	61,453	287,810	14,141	372,283
Accumulated Depreciation -					
At I January 2000	1,491	16,739	135,790	-	154,020
Charge for the year	222	7,321	46,776	-	54,319
On disposals	-	(157)	(2,246)	-	(2,403)
At 31 December 2000	1,713	23,903	180,320	-	205,936
Net Book Value -					
31 December 2000	7,166	37,550	107,490	14,141	166,347
31 December 1999	7,388	36,331	123,636	30,400	197,755

(a) Freehold land and buildings of the group were revalued during 2000 by D.C. Tavares & Finson Limited, independent valuers, and the revaluation surplus of $119,964,000 was credited to capital reserve. Additions subsequent to valuations are stated at cost.

(b) The following amounts are included in the table in respect of assets being acquired under finance leases (Note 15(c)):

	Group 2000	Company 2000
Cost	73,907	42,450
Accumulated depreciation	31,002	18,679
Additions	39,664	39,664
Disoosals	(14,199)	-

4. Investments

Investments comprise:

	Group		Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
(a) Associated companies	1,235,634	1,038,838	353,549	323,275
Subsidiaries	-	-	1,155,577	928,893
Quoted	15,099	36,204	10,236	31,340
Other	1,143,260	675,501	361,803	141,081
	2,393,993	1,750,543	1,881,165	1,424,589
(b) Associated companies -				
At cost or written down value	359,192	327,306	353,549	323,275
Group's share of reserves	876,442	711,532	-	-
	1,235,634	1,038,838	353,549	323,275
(c) Quoted investments at market value	16,340	118,147	6,618	111,553

5. Long Term Receivables

	Group		Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
Leases, less deferred profit	2,211	1,204	-	-
Subsidiaries	-	-	147,443	152,443
Associated companies	20,127	38,720	20,127	38,720
Loans	9,877	145,914	2,923	133,549
National Housing Trust (NHT)	1,064	1,064	399	399
	33,279	186,902	170,892	325,111
Less: Due within 12 months	9,267	13,753	-	4,367
	24,012	173,149	170,892	320,744

NHT contributions are recoverable in the years 2001 to 2004.

6. Inventories

Group		Company	
2000	1999	2000	1999

	$'000	$'000	$'000	$'000
Raw materials and spares	102,385	87,698	-	-
Work in process	9,747	1,292		
Finished goods	35,577	61,586	-	-
Merchandise	895,206	1,131,954	271,573	520,705
Goods in transit	259,385	235,644	168,178	131,659
	1,302,300	1,518,174	439,751	652,364

7. Receivables

	Group		Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
Trade receivables, less provision for doubtful debts	1,636,596	1,379,130	572,479	545,803
Receivable from associates	46,621	105,579	43,237	28,054
Prepayments	97,267	59,065	14,735	16,783
Interest receivable by banking subsidiary	79,603	88,404	-	-
Other receivables	344,666	332,919	126,873	101,828
	2,204,753	1,965,097	757,324	692,468

8. Cash and Short Term Investments

	Group		Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
Cash at bank and in hand	1,044,198	1,068,537	1,712,538	120,520
Short term deposits	2,156,234	1,699,053	35,279	1,351,430
	3,200,432	2,767,590	1,747,817	1,471,950

The weighted average effective interest rate on short term deposits was 22% (1999 - 24%), and these deposits have an average maturity of under 90 days.

9. Payables

Group	Company

	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
Trade payables	1,501,247	1,208,805	204,407	204,256
Payable to associates	355,660	412,435	271,748	356,164
Accruals	361,844	307,099	120,145	119,991
Claims outstanding	345,763	315,281	-	-
Insurance reserves	221,083	200,199		
Interest payable by banking subsidiary	6,988	30,441	-	-
Other payables	884,098	947,256	739,791	737,545
	3,676,683	3,421,516	1,336,091	1,417,956

10. Bank and Short Term Loans

	Group		Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
Secured on assets	108,922	82,419	-	-
Unsecured	931,991	873,388	691,396	473,625
	1,040,913	955,807	691,396	473,625

Unsecured loans of subsidiaries are supported by promissory notes or a letter of comfort from the parent company. Interest rates on these loans range between 6.83% - 25% (1999 - 6.75% - 32%).

11. Trade Marks

	2000	1999
	$'000	$'000
Cost	2,000	2,000
Less: Amortisation	1,009	499
	991	1,501

12. Share Capital

	2000	1999
	$'000	$'000

Authorised		
Ordinary shares of $1 each		
	300,000	200,000
Issued and fully paid		
Ordinary stock units of $1 each	216,588	180,491

The issued share capital was increased during the year by the issue of 30,096,960 shares to stockholders at 13 December 2000 being a bonus issue of one share for every five shares held and credited as fully paid by the capitalisation of $36,097,000 out of earnings for the year.

The shares issued were then converted to stock units of identical denomination ranking pari passu with previously issued stock units.

13. Capital Reserve

	Group		Company	
	2000	1999	2000	1999
	$'000	$'000	$'000	$'000
(a) Transfer from profit and loss account:				
Capital distributions received	5,522	4,486	5,522	4,486
Gain on disposal of fixed assets	3,897	394	-	
Par value of bonus shares received	31,220	-	30,279	191,180
Profits capitalised by group companies	217,002	202,245	174,522	-
Other	(2,060)	(1,311)	-	-
	255,581	205,814	210,323	195,666
(b) Capital reserve is comprised of:				
Share premium	15,356	15,356	15,356	15,356
Realised gains on disposal of assets	101,214	97,317	87,305	87,305
Capital distributions received	38,515	32,993	42,459	36,937
Par value of bonus shares received	36,872	5,652	884,500	854,221
Bonus shares issued	(41,803)	(41,803)	(41,803)	(41,803)
Profits capitalised by group companies	1,031,529	814,527	174,522	-
Unrealised surplus on the revaluation of fixed assets	1,289,118	1,165,636	-	-

Goodwill arising on consolidation	(92,789)	(92,789)	-	-
Other	2,849	4,909	-	-
	2,380,861	2,001,798	1,162,339	952,016

14. Deferred Liabilities

This represents deferred taxes of a foreign subsidiary.

15. Long Term Liabilities

(a) Long term liabilities comprise:

		Group		Company	
		2000	1999	2000	1999
		$'000	$'000	$'000	$'000
Bank Loans -					
Rate	Repayable				
12.5%	2000	-	230	-	-
13.0%	2000	-	3,021	-	-
25.0%	2000	-	142	-	-
21.0%	2001	875	2,625	-	-
12.0%	2001	-	1,732	-	-
12.0%	2001	-	5,642	-	-
21.0%	2001	868	2,604	-	-
8.5%	2002	1,357	2,142	-	-
8.3%	2002	91,057	82,844	91,057	82,844
9.5%	2002	113,821	165,687	113,821	165,687
9.75%	2002	113,873	151,880	113,873	151,880
13.0%	2002	1,318	19,882	-	-
13.0%	2002	4,333	6,933	-	-
23.0%	2002	5,970	11,450	-	-
28.0%	2002	1,900	4,833	-	-
12.5%	2003	3,581	5,428	-	-
12.5%	2003	84,499	91,000	-	-
12.5%	2004	6,616	6,757	-	-
12.5%	2004	26,250	30,000	-	-
13.0%	2004	29,059	38,000	-	-

12.5%	2005	25,661	8,605	-	-
8.5%	2005	7,645	28,871	-	-
14.0%	2007	24,166	23,657	-	-
23.0%	2008	5,869	-	-	-
		548,718	693,965	318,751	400,411

			Group		Company	
			2000	1999	2000	1999
			$'000	$'000	$'000	$'000
Mortgage Loans -						
	Rate	Repayble				
	25.0%	2002	-	1,551	-	-
	25.0%	2002	-	383	-	-
	18.0%	2004	30	79	-	-
	25.0%	2005	-	676	-	-
	20.0%	2008	-	1,481	-	-
	23.0%	2008	-	6,136	-	-
	24.5%	2010	14,823	-	-	-
			14,853	10,306	-	-
Other Loans and Advances-						
		Repayable				
		2001-2003	20,856	10,795	2,084	-
Other		2001-2003	47,454	9,915	-	-
Customer deposits		2001-2004	19,408	7,369	-	
Finance leases		2002	40,334	34,050	39,716	34,050
Associated company			-	-	192,872	183,792
Subsidiaries			128,052	62,129	234,672	217,842
			691,623	766,400	553,423	618,253
Total long term liabilities			90,796	136,705	2,698	61,664
Less: Payable within 12 months			600,827	629,695	550,725	556,589

(b)

2000	1999

	$'000	$'000
Secured on assets	250,113	255,732
Unsecured	441,510	510,668
	691,623	766,400

Unsecured loans of subsidiaries are supported by promissory notes or a letter of comfort from the parent company.

(c) The group had outstanding obligations under finance leases as follows:

		2000	1999
		$'000	$'000
In financial year	2000	-	4,168
	2001	10,856	2,565
	2002	9,378	2,202
	2003	7,418	546
	2004	1,112	-
		28,764	9,481
Less: Future finance charges		9,356	2,112
Present value of minimum lease payments		19,408	7,369
Less: Current portion		5,964	3,332
		13,444	4,037

The weighted average effective interest rate on leases ranged between 13% and 31%% (1999 14% and 31 %).

16. Revenues

	2000	1999
	$'000	$'000
Sales of products and services	13,318,259	13,254,523
Interest and other financial services income	785,692	809,130
	14,103,951	14,063,653

Revenues represent the price of goods and services sold to external customers of the group, net of General Consumption Tax, 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, travel and shipping services, revenues represent commissions earned and charges for services rendered.

17. Expenses

	2000	1999
	$'000	$'000
Cost of products and services sold	9,734,025	9,693,373
Interest expense and other financial services expenses	434,160	475,964
Selling, general and administrative expenses	3,558,434	3,645,812
	13,726,619	13,815,149

18. Operating Income

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

	2000	1999
	$'000	$'000
Depreciation	234,164	208,676
Directors' emoluments -		
Fees	2,485	1,035
Other (included in staff costs)	93,426	101,817
Pensions (included in staff costs)	7,802	7,702
Auditors' remuneration	19,717	20,609
Staff costs (note 19)	1,894,593	1,816,387
Repairs and maintenance expenditure	104,462	126,578
Lease rental charges	72,024	71,347

19. Staff Costs

	2000	1999
	$'000	$'000
Wages and salaries	1,340,191	1,339,051
Pension costs	99,572	104,105
Other	454,830	373,231
	1,894,593	1,816,387

The group employed 2,077 persons at the end of the year (1999 - 2,220).

20. Other Income

	2000 $'000	1999 $'000
Investment income - non-financial services	579,743	597,311
Gain on sale of fixed assets	4,908	3,478
Interest expense - non-financial services	(339,800)	(419,868)
Other, net	230,655	309,306
	475,506	490,227

21. Exceptional Items

	2000 $'000	1999 $'000
Brand (re) launch expenses	(24,908)	(53,642)
Redundancy costs	(128,494)	(35,938)
Other provisions	(3,720)	-
Surplus realised on the termination of an associated company's superannuation scheme	-	14,625
Gain on disposal of subsidiary	8,224	17,122
Gain on disposal of associated company	-	19,210
Reduction in provision for associated company losses	30,307	
Gain on disposal of investments	127,905	-
	9,314	(38,623)

22. Taxation

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

	2000 $'000	1999 $'000
Income tax at 33 1/3%	220,749	169,256
Overseas taxation	53,681	13,115
Prior years	(335)	2,136
	274,095	184,507
Associated companies	40,001	35,389
	314,096	219,896

Tax credit on bonus shares issued	(53,649)	(37,483)
	260,447	182,413

(b) Withholding tax represents tax suffered by the group in respect of dividends paid within the group.

(c) Subject to agreement with the Commissioner of Income Tax, losses of approximately $396,558,000 (1999 - $187,403,000) are available for set off against future profits of local entities.

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

Dealt with as follows in the financial statements of:

	2000	1999
	$'000	$'000
The company	144,064	229,461
The subsidiaries	449,531	245,923
The associated companies	127,924	111,627
	721,519	587,011

24. Dividends

	2000	1999
	$'000	$'000
Paid out of franked income, net		
Interim - 50 cents per share (1999 - 45 cents)	90,246	81,221

At 31 December 2000, the company has franked income of $287,816,000 (1999 - $276,209,000) available for distribution to stockholders without further deduction of tax.

25. Earnings Per Stock Unit

The calculation of earnings per stock unit is based on the group net profit and the average number of stock units in issue, after the bonus issue in December 2000. (2000 - 216,588,145; 1999 180,491,185). The earnings per stock unit for the prior year have been restated to give effect to the bonus issue of shares during the year.

26. Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	2000 $'000	1999 $'000
Net profit	721,519	587,011
Items not affecting cash:		
Depreciation	234,164	208,676
Trade marks amortised	510	499
Deferred liabilities	(4,440)	(9,233)
(Gain)/loss on disposal of fixed assets	(4,908)	6,678
Gain on disposal of investments	(129,489)	(3,643)
Investment written off	-	167
Minority interest in results of the year	48,111	63,075
Exchange loss/(gains) on foreign cash balances	13,958	(6,609)
Unremitted equity income in associated companies	(141,725)	(58,119)
	737,700	788,502
Changes in non-cash working capital components:		
Inventories	215,874	(190,781)
Receivables	(239,656)	(104,903)
Taxation recoverable	(69,176)	(134,830)
Payables	255,167	162,094
Taxation	(9,551)	81,162
Translation gains	67,509	(10,578)
	220,167	(197,836)
Cash provided by operating activities	957,867	590,666

27. Financial Instruments

(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 2000 includes aggregate net foreign liabilities for local group companies of approximately US$17,601,000 (1999 - US$20,410,000) 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 2000.

(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'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.

(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 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 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

(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.

(f) Fair values

The amounts included in the financial statements for cash, short term investments, receivables, payables, bank, short term loans 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:

	2000			1999
	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Financial assets				
Investments	2,393,993	2,359,696	1,750,543	1,750,543
Long term receivables	33,279	32,792	173,149	173,149
Financial liabilities				
Long term liabilities (including current portion)	691,623	691,623	766,400	766,400

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.

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, which incur interest at prevailing market rates and reflect the group's contractual obligations, are carried at amortised cost which is deemed to approximate the fair value of these liabilities.

28. Pension Scheme

In addition to an approved superannuation scheme, the company and its local subsidiaries participate in a joint contributory pension scheme which is open to all permanent employees and administered by trustees.

The 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 10% of salary 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.

The results of the actuarial valuation as of 31 December 1999 disclosed that the scheme was adequately funded at that date.

29. Commitments

(a) Future lease payments under operating leases at 31 December 2000 were as follows:

		$'000
In financial year	2001	57,098
	2002	39,916
	2003	24,143
	2004 and beyond	21,532

(b) At 31 December 2000, the group had capital expenditure authorised and contracted for amounting to $10,180,000.

30. Summary of Merchant Bank Subsidiary

(a) Summary of assets and liabilities

	2000 $'000	1999 $'000
Assets		
Cash resources	14,691	69,557
Investments and loans	189,343	702,998
Acceptances	194,548	63,438
Other assets	117,961	143,147
Liabilities		
Deposits and repos	116,191	688,977
Liabilities under acceptances	194,548	63,438
Other liabilities	38,175	112,170
Equity and reserves	167,629	114,555

(b) Assets under management

Assets under management, which are not beneficially owned by the group, but which the finance subsidiary, George & Branday Limited, manages on behalf of investors, have been excluded from the balance sheet. At balance sheet date, the book value of these assets amounted to $6,264,915,000 (1999 -$3,550,977,000).

31. Contingent Liabilities

(a) A suit has been filed jointly against a subsidiary and a software developer, by Paymaster (Jamaica) Limited (Paymaster), a bills payment company. The suit claims damages arising out of the use by the subsidiary of certain software, which it is alleged that Paymaster holds under exclusive licence from the software developer. The matter arose when the subsidiary implemented the use of this software under an agreement with the developer. An injunction was obtained by Paymaster to prevent further use of the software by the subsidiary, until the matter has been decided in court. Management has ceased use of the software in question, and written off the costs related to its acquisition. Management is of the opinion that the plaintiff claim is unlikely to succeed against the subsidiary, as they were unaware of any existing exclusivity at the time of contracting with the developer. Consequently, no provision has been made for this claim in the financial statements.

(b) Various companies in the group are involved in certain other 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.

32. Subsequent Event

On 13 December 2000, the company entered into a conditional agreement for the purchase of a 51 % shareholding in Trafalgar Commercial Bank Limited (TCB), from Trafalgar Development Bank Limited for a consideration of $8,500,000. The company holds the remaining 49% of TCB's shares. The completion of the sale was conditional on the written approval of the Minister of Finance, with such completion to be effective seven days after the approval is granted. Approval by the Minister was granted on 1 March 2001. The company assumed management of the operations of TCB with effect from 6 November 2000.