

Grace, Kennedy & Co.

GROUP PROFIT AND LOSS ACCOUNT

quarter ended September 30, 2000

	3 months to 30/09/2000	9 months to 30/09/2000	9 months to 30/09/1999
Revenues	3,373,040	10,413,461	10,315,556
Expenses	3,329,939	10,115,142	10,095,298
Operating Income	43,101	298,319	220,258
Other income	158,154	312,142	303,726
Share of results of associated companies	32,175	118,330	96,741
Exceptional items	(11,902)	(12,623)	(16,554)
Profit before Taxation	221,528	716,168	604,171
Taxation	63,393	196,946	163,151
Profit after Taxation	158,135	519,222	441,020
Minority interest in results of subsidiaries	11,126	34,799	40,018
Profit before Extraordinary Items	147,009	484,423	401,002
Extraordinary Items	-	-	-
Net Profit Attributable to the Stockholders	147,009	484,423	401,002
Earnings per stock unit of \$1.00			
Before extraordinary items	\$0.81	\$2.68	\$2.22
After extraordinary items	\$0.81	\$2.68	\$2.22

Douglas Orane
Chairman

Don G. Wehby
Finance Director

N.B. - Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year, in respect of the requirements of SSAP 3.29 & 3.30.

Grace, Kennedy & Company Limited

Group Balance Sheet

30 September 2000

	September 2000 \$'000	December 1999 \$'000	September 1999 \$'000
NET ASSETS EMPLOYED			
FIXED ASSETS	1,614,608	1,599,823	1,513,038
INVESTMENTS	1,840,223	1,750,543	1,648,702
LONG TERM RECEIVABLES	<u>126,097</u>	<u>173,149</u>	<u>180,709</u>
CURRENT ASSETS:			
Inventories	1,243,069	1,518,174	1,392,312
Receivables	1,972,996	1,965,097	1,994,295
Long term receivables - current portion	81,595	13,753	38,689
Taxation recoverable	241,703	211,670	138,152
Cash and short term investments	<u>3,016,599</u>	<u>2,767,590</u>	<u>2,440,552</u>
	<u>6,555,962</u>	<u>6,476,284</u>	<u>6,004,000</u>

CURRENT LIABILITIES:			
Payables	3,168,547	3,421,516	3,136,813
Bank and short term loans	967,891	955,807	963,818
Long term liabilities -			
current portion	111,508	136,705	126,772
Deposits	71,704	68,331	73,895
Taxation	133,141	155,822	142,411
	<u>4,452,791</u>	<u>4,738,181</u>	<u>4,443,709</u>
NET CURRENT ASSETS	2,103,171	1,738,103	1,560,291
TRADE MARKS	1,119	1,501	2,000
	<u>5,685,218</u>	<u>5,263,119</u>	<u>4,904,740</u>

FINANCED BY

SHARE CAPITAL	180,491	180,491	180,491
CAPITAL RESERVE	2,021,744	2,001,798	1,809,708
RESERVE FUND	11,284	11,088	7,623
RETAINED EARNINGS	2,403,832	1,961,119	2,023,439
TRANSLATION GAINS	403,074	363,101	375,089
	<u>5,020,425</u>	<u>4,517,597</u>	<u>4,396,350</u>
MINORITY INTEREST	115,657	111,387	130,723
DEFERRED LIABILITIES	0	4,440	-
LONG TERM LIABILITIES	549,136	629,695	377,667
	<u>5,685,218</u>	<u>5,263,119</u>	<u>4,904,740</u>

**Statement of Changes in Equity
quarter ended September 30, 2000**

Reserves	Total	Share Capital	Share Capital	Capital Reserve	Retained Earnings	Other
		Number	\$'000	\$'000	\$'000	
\$'000	\$'000					
Balance at 1 January 1999		180,491	180,491	1,806,872	1,660,996	
334,438	3,982,797					
Net g/(I) not in P&L :						

FC translation adjustments				
33,826	33,826			
Revaluation Deficit			(28,664)	
(28,664)				
Net excess of investments			17,776	
<u>17,776</u>				
Total	-	-	(10,888)	-
33,826	22,938			
Net profit				587,011
587,011				
Bonus shares received				11,189
11,189				
Transfers between reserves			205,814	(211,739)
5,925	0			
Dividends to stockholders				(81,221)
(81,221)				
Withholding tax				(5,117)
<u>(5,117)</u>				
Balance at 31 December 1999	<u>180,491</u>	<u>180,491</u>	<u>2,001,798</u>	<u>1,961,119</u>
374,189	4,517,597			
Net g/(I) not in P&L:				
FC translation adjustments				
39,973	39,973			
Revaluation Gain			20,035	
20,035				
Net excess of investments			(93)	
<u>(93)</u>				
Total	-	-	19,942	-
39,973	59,915			
Net profit				484,423
484,423				
Bonus shares received			4	
-	4			
Transfers between reserves			-	
196	-			
Dividends to stockholders				(41,514)
(41,514)				

Withholding tax				-
-				
Balance at 30 September 2000	180,491	180,491	2,021,744	2,403,832
414,358	5,020,425			

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the quarter and the period ended September 30, 2000. The Group recorded sales for the nine-month period of \$10,413.5 million (1999 \$10,315.6 million), an increase of \$97.9 million. The net profit attributable to stockholders increased by \$83.4 million over the corresponding period of 1999, moving from \$401.0 million to \$484.4 million. This represents earnings per stock unit of \$2.68 (1999 - \$2.22), an increase of 20.7%.

During the quarter, the Merchandise Division commenced a major reorganisation which will result in the development of a new food distribution business with significantly lower overheads, greater focus in the selected range of products and services offered to its customers, and more nimble in anticipating changes in the market-place. While the impending loss of the distributorship for Unilever created a greater sense of urgency, the Merchandise Division in recent years has not been able to adjust quickly enough to the new competitive realities in the Jamaican marketplace solely by a series of incremental adjustments, and the situation has had to be addressed in a decisive way.

The reorganisation will involve the creation of 446 job positions in the new organisation effective November 1. The incumbents in the existing 745 positions have been offered positions in the new entity, or alternatively the options of internal transfers, redundancy or early retirement where applicable. The implementation will be carried out on a phased basis from the beginning of November through to the end of the first quarter of 2001. The cost of terminal payments involved will be \$115 million, and this has been fully accounted for in the third quarter results, under exceptional items.

In the international marketplace, we have recorded fair growth of the Grace brand for the first nine months of the year moving to US\$12.91m from US\$11.65m for the comparable period in '1999, an increase of 11%. Both Grace, Kennedy (Belize) Limited and Grace, Kennedy (Ontario) Inc. have produced revenues well above last year. The initial launch activities for Grace Jerk Barbecue sauce were completed over the summer with fair consumer

acceptance, particularly in Canada.

The Industrial, Retail and Trading Division did not perform as well as projected during this quarter. The 2000 third quarter profit performance was 83% of the prior year. Despite the results, Agro-Grace Limited performed well making up lost ground from the first half of the year. Hi-Lo Food Stores (Jamaica) Limited also improved its sales and profit position during the period.

Versair In-Flite Services Limited and Industrial Catering Services Limited continue to perform satisfactorily, however, high labour costs have impacted on their profitability. Medi-Grace Limited had disappointing results for the quarter and the management team will be implementing a turnaround plan during the fourth quarter. This plan is expected to stabilise the company and position it for growth in 2001.

Our Financial Services Division continues to perform well, resulting in significant growth in profit compared with the nine-month period of last year. Our associated company, Trafalgar Commercial Bank Limited, although showing improvement, continues to be affected by old non-performing loans which are being worked on by the bank's management to return them to the performing category.

In the Maritime Division, Kingston Wharves Limited's domestic cargo volume is up 10% on last year's figure, reflecting that company's gain in market share to 54%, which is above budget and above last year's 50%. Major renovations continue at several berths, scheduled for completion in 2001. These improvements will place Kingston Wharves Limited in the beneficial position to be either an effective integral part of a merged port, or alternatively to operate as an independent terminal offering more modern facilities to niche customers.

At Kingston Terminal Operators Limited, Kingston Wharves Limited's wholly owned subsidiary, transshipment volumes have jumped significantly to 126,802 moves for the quarter, up 49% on the same period last year, and up 15% on the previous quarter. New services have been added by CSAV and CMA/CGM shipping lines. The large increase in volumes is a commendation to the joint public sector/private sector efforts of the Port Authority and the management

and staff of Kingston Terminal Operators Limited, working together to further advance the Port of Kingston as the premier transshipment port in the region.

The Information Services Division continues to show impressive results for the nine-month period in comparison to last year. Our remittance businesses in all three territories recorded continued growth and are producing increased profits. We have signed an agreement with the Western Union Agent in Haiti to manage the company on their behalf. International Communications Limited has launched a Sprint collect call service in Guyana. This is in line with our strategic plan to continue expansion of our businesses throughout the Caribbean.

As part of the ongoing rationalisation within our portfolio of companies, the directors took the decision to divest our shareholding in Seprod Limited. The company realised a gain of \$127.5 million, which is also reflected in the results under exceptional items. The shares of Caribbean Freight Forwarders and Customs Brokers Limited were also sold during the quarter.

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 the situation returning to less disruptive conditions. The Grace, Kennedy group has put in place its own contingency measures to minimize dislocations in our businesses.

Once again, each citizen, individual or corporate, must ask the question as to how we are to collectively cure 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 each of us takes a stand to raise the standards of civility and law-abiding

behaviour.

Through the efforts of Grace & Staff Community Development Foundation, 24 young Jamaicans from communities islandwide received scholarships to Benedict College, South Carolina, U.S.A. for the new school year, bringing to 34 the number of Jamaicans on scholarship at that institution. Our Tower Street Homework Centre helped our neighbourhood children to improve CXC results this summer with 16 students passing between 3 and 8 subjects, including several distinctions. We encourage them, by our example, to help our young Jamaicans to get a head start towards creating lives of excellence.

I wish to thank our customers, consumers, suppliers and all stakeholders for their continued loyalty and encouragement, and our committed team of directors, management and staff for their support and dedicated service.

Douglas R. Orane
Chairman & Chief Executive Officer

October 26, 2000
