Grace, Kennedy & Company Limited

GROUP PROFIT AND LOSS ACCOUNT - Audited

Year ended 31 December 2001

	2001 $'000	2000 $'000
Revenues	15,442,090	14,103,951
Expenses	14,681,556	13,726,619
Operating Income	760,534	377,332
Other Income	506,910	475,506
Share of results of associated companies	89,414	167,925
Exceptional items	(23,609)	9,314
Profit before Taxation	1,333,249	1,030,077
Taxation	276,273	260,447
Profit after Taxation	1,056,976	769,630
Minority interest in results of subsidiaries	46,656	48,111
Net Profit Attributable to the Stockholders	1,010,320	721,519
Earnings per stock unit of $1.00	3.79	2.70 ****

****Adjusted to reflect issue of New and Bonus Shares

Group Balance Sheet -Audited

31 December 2001

	December 2001 $'000	December 2000 $'000
NET ASSETS EMPLOYED		
FIXED ASSETS	1,947,667	1,741,054
INVESTMENTS	2,628,368	2,393,993
LONG TERM RECEIVABLES	183,512	24,012
CURRENT ASSETS:		
Inventories	1,485,668	1,302,300
Receivables	2,329,372	2,204,753
Long term receivables - current portion	343,238	9,267
Taxation recoverable	302,307	280,846
Cash and short term investments	6,162,953	3,200,432
	10,623,538	6,997,598
CURRENT LIABILITIES:		
Payables	3,933,968	3,676,683
Bank and short term loans	1464829	1040913
Long term liabilities current portion		

current portion	94,391	90,796
Deposits	927,530	68,009
Securities sold under agreement to repurchase	1,582,497	-
Taxation	189,149	146,271
	8,192,364	5,022,672
NET CURRENT ASSETS	2,431,174	1,974,926
TRADE MARKS	-	991
	7,190,721	6,134,976
FINANCED BY		
SHARE CAPITAL	266,887	216,588
CAPITAL RESERVE	2,779,571	2,380,861
RESERVE FUND	106,659	42,714
RETAINED EARNINGS	2,712,458	2,263,654
TRANSLATION GAINS	568,312	500,958
	6,433,887	5,404,775
MINORITY INTEREST	175,030	129,374
LONG TERM LIABILITIES	581,804	600,827
	7,190,721	6,134,976

ON BEHALF OF THE BOARD

....

D. R. Orane D. G. Wehby

Chairman Chief Financial Officer

Statement of Changes in Equity - Audited

Year Ended 31 December 2001

	Share Capital Number	Share Capital $'000	Capital Reserve $'000	Retained Earnings $'000	Other Reserves $'000	Total $'000
Balance at 1 January 2000	180,491	180,491	2,001,798	1,961,119	374,189	4,517,597
Net 9/(1) not in P&L:						
FC translation adjustments					137,857	137,857
Revaluation Gain			123,482			123,482
Net excess of investments			-			-
Total			123,482	-	137,857	261,339
Net profit	-	-		721,519		721,519
Issue of Bonus Shares	36,097	36,097		(36,097)		-
Bonus shares received				6		6
Transfers between reserves			255,581	(287,207)	31,626	-
Dividends to stockholders				(90,246)		(90,246)
Withholding tax				(5,440)		(5,440)
Balance at 31 December 2000	216,588	216,588	2,380,861	2,263,654	543,672	5,404,775
Net g/(I) not in P&L:						
FC translation adjustments					67,353	67,353
Revaluation Gain			(9,784)			(9,784)
Total	-	-	(9,784)	-	67,353	57,569
Net profit				1,010,320		1,010,320
Issue of Bonus shares	44,480	44,480		(44,480)		-
Issue of shares at a premium	5,819	5,819	73,108	-		78,927
Bonus shares received			-	-		-
Transfers between reserves			303,233	(367,179)	63,946	-
Reserve arising on acquisition			32,153			32,153
Dividends to stockholders				(116,260)		(116,260)

Withholding tax				(33,597)		(33,597)
Balance at 31 December 2001	266,887	266,887	2,779,571	2,712,458	674,971	6,433,887

CHAIRMAN'S REPORT

YEAR IN REVIEW - 2001

Our theme for the year 2001 was "building on the positives". We have therefore steadily sought to identify the positive indicators in our environment whether economic, political, social or cultural and build on them. This has resulted in a successful year of growth and innovation.

There has been an accelerating rate of growth in our profits, year over year, despite many setbacks along the way. We believe that this demonstrates our ability to develop competencies enabling us to grow despite uncertainties in the environment.

An important factor in this process is that we have learnt how to listen carefully to our customers' preferences, spot their unmet needs, and create products and services from this interaction so as to make their lives more hassle free. They have rewarded us by coming back to us over and over again to spend their money with us.

The Directors are pleased to present the results of the group for the year ended 31 December 2001. The group recorded sales for the year of $15.4 billion (2000: $14.4 billion), an increase of $1.3 billion The net profit attributable to stockholders increased by 40% or $288.8 million over the corresponding period for 2000, moving from $721.5 million to $1,010.3 million which is above our expectations. This represents earnings per stock unit of $3.79 (2000: $2.70).

Of particular significance, operating income for the year increased to $760.5 million (2000: $377.3 million) an increase of 101.6%. This demonstrates that our investments in recent restructurings have been bearing fruit, through substantial increases in internal efficiencies and productivity gains. Dividends paid to stockholders during the year totalled $116.3 million, a 29% increase over the $90.2 million paid in 2000. 11.5% of after tax profits were paid out as dividends, in keeping with our dividend policy. Grace,Kennedy experienced few adverse effects in the aftermath of the terrorist aftacks in the USA.

The Food Trading Division produced outstanding results for 2001. Grace Foods & Services Company, created out of the former Merchandise Division, surpassed its budget in both sales and profits by reaping the benefits of greater efficiencies produced by the reorganisation in October 2000, and by the launching of new products. This has been made possible by its new lower cost profile, the introduction of several new products and improved customer focus. 2001 reflects this business unit's performance for the first time without the sales of Unilever products, which ceased being distributed on 31't December, 2000. The sales, however, include a wide range of new products launched during the year, all with Grace-owned brand names, at very attractive prices relative to the competition, which are receiving encouraging consumer acceptance. We are particularly pleased with the tremendous reception that our Grace Tropical Rhythms juice drinks have had from consumers at home and abroad, surpassing all our expectations.

As a result of further streamlining of the company's activities, a new marketing and sales company for principals' brands, World Brands Services, commenced operations on 1 January 2002, under the leadership of Mr. Ryan Mack, former General Sales Manager of Grace Foods and Services. This new entity will now be able to grow by exploiting the opportunities of other third party principals which previously would not have been possible owing to conflicts with the Grace and Grace-owned brands. Simultaneously, it also releases the Grace brands to grow without restrictions. Our expectations are that within the next twelve months, the business wll grow substantially, through the representation of additional brands and expanding the sales of the brands currently distributed.

In the international market place, Grace-owned brands grew by a healthy 21 % over 2000. Sales of ackees to the United States have been exceedingly strong since the recent lifting of entry restrictions by the US authorities. Volumes of sauces and drinks have been increasing steadily in several markets. Grace, Kennedy Export Trading Ltd. currently exports to twenty-five countries.

On 29 June, the operations of Grace Food Processors Limited, our meat processing facility in Savanna-la-mar were suspended. After a thorough reorganisation designed to improve international competitiveness, the operations of the plant returned to full production by the middle of September, and using its new methods of operations, is now producing a profit. The costs of termination payments of $75 million been fully accounted for as exceptional items.

Pre-tax profits in the Food Trading Division increased from $67.2 million in 2000 to $266.1 million in 2001, an increase of $198.9 million or 296%. This has been the major contributor to the group's increased profits, year over year.

The Retail and Trading Division showed mixed results for the year. Our newest Hi-Lo store in Barbican, was opened on 27 March, and indications are that it is greatly appreciated by shoppers throughout the corporate area. Versair In-Flite Services Limited, through a joint venture with Montego Bay based entrepreneurs Messrs. Ian Dear and Brian Jardirn in collaboration with internationally acclaimed singer Mr. Jimmy Buffett, opened Air Margueritaville restaurant at the Sangster International Airport in Montego Bay in early April. It has proven to be a resounding success with tourists.

Our joint venture Fidelity Motors Limited is managed by its majority equity partner, Global Enterprises Limited of Barbados. It is the Nissan distributor for Jamaica, and besides offering new motor cars, has a wide offering of car parts for both the new and used car markets. The turnaround actions at Medi-Grace Limited continue and we are monitoring the company very closely.

The Financial Services Division continues to perform exceptionally well, showing increased profits for the year. On 1 March 2001, Grace, Kennedy received final approval from the Ministry of Finance & Planning to acquire the remaining 51% of Trafalgar Commercial Bank from its partner, Trafalgar Development Bank Limited.

The bank is now a wholly owned subsidiary of Grace, Kennedy & Company Limited and is being consolidated as a wholly owned subsidiary for the first time. The bank has now been renamed, First Global Bank Limited and has relocated to the Life of Jamaica Centre, New Kingston. Customers have responded very favourably to us fully owning a commerical bank which has contributed to the increasing porfitability of the bank.

In June, Grace, Kennedy & Company Limited acquired a seat on the Jamaica Stock Exchange. An equities trading company has been formed, named First Global Stockbrokers Limited, which has been capitalised at over $20 million. The company was the first of the new brokers to begin trading on the Stock Exchange on 28 December 2001.

Our insurance companies, Allied Insurance Brokers Limited and Jamaica International Insurance Company Limited, surpassed all targets for revenue and profit.

Pre-tax profits in the Financial Services Division increased from $280.0 million in 2000 to $386.6 million in 2001, an increase of $106.6 million or 38%.

The overall results of the Maritime Division were mixed. Kingston Wharves Limited, an associated company in which we have a 39% shareholding, was advised by the Port Authority that its joint venture bid with Stevedoring Services of America, was not selected as the first ranked bid for the management of the Kingston Container Terminal. A. P. Moller Group of Copenhagen, Denmark, who also owns Maersk Shipping Line was awarded the management contract.

Kingston Wharves Limited had for sometime faced the possibility that the management contract might not be renewed. A number of contingency plans which were drawn up to ensure that the impact of the loss would be minimized as much as possible, are now in effect. This includes a capital expenditure of $272 million in 2001 for infrastructural and other improvements to the facility.

The Information Services Division continues to show impressive results. Our remittance businesses in all three territories recorded continued growth and are producing increased profits. We are proud that Grace, Kennedy Remittance Services Limited was awarded the coveted prize of "Worldwide Western Union Agent of the Year" for 2000 from a total of 368 Western Union Agents around the world. The company was also awarded the prize of being the "Regional Agent of the Year, Caribbean Region", and is of the top 25 revenue producing agents for First Data Corporation, the parent company of Western Union International. Our remaining 40% shareholding in Computers & Controls (Jamaica) Limited was sold to our partner, the Gillette Group of Trinidad & Tobago.

Pre-tax profits in the Information Services Division increased from $418.2 million in 2000 to $489.0 million in 2001, an increase of $70.8 million or 17%.

Our share of results in associated companies declined primarily due to reduced profits in Dairy Industries (Jamaica) Limited and Kingston Wharves Limited. Costs associated with a longer than expected start up of a new canning line at the dairy plant temporarily depressed its performance. Increased competitiveness in the worldwide shipping industry reduced management fees earned by Kingston Wharves Limited, coupled with the loss of this management contract at the end of October.

Grace, Kennedy hosted its annual Group Business Conference in January of this year for 290 of our management and specialist staff as part of the process of aligning our employees' actions with the group's strategy. The focus of the conference was on investing in our people, as well as on growing the group's businesses internationally and successfully increasing overall earnings for the year. These are critical components of the 2020 Vision, which now includes the objective of earning at least 50% of the group's profits from economies outside of Jamaica by 2005.

In order to encourage an ownership culture among our employees, the first tranche of the, stock offer to our staff approved at the extra-ordinary general meeting in November 2000, was made in April 2001. The response has been very positive.

The introduction of formal Corporate Governance practices is proceeding steadily. On 25 June, a seminar entitled "Corporate Governance in the 212t Century", was held for the directors of Grace, Kennedy & Company Limited, Kingston Wharves Limited, and a cross-section of senior managers. The presenter was Mr. Richard Westlake of New Zealand, a widely respected authority on Corporate Governance. As part of the seminar, the implications of a recent survey by McKinsey & Company, a global management consultancy, were considered.

McKinsey's findings were that three quarters of investors say that Board practices are at least as important to their evaluation of a company as is financial performance. Over 80% say they would pay a premium for well-governed companies and these prenuums range as follows by region:

Asia-Pacific:	A premium ranging from 20% in Japan to 27% in Indonesia
Latin America:	A premium ranging from 21 % in Chile to 28% in Venezuela
Europe, USA:	A premium ranging from 18% in the UK and USA to 22% in Italy

Following on the decisions taken at the Executive Directors' annual retreat in September and approval by the Corporate Governance Committee, the size of the Board of Directors was reduced to twelve from twenty-two. The existing Directors agreed that the Board would comprise the Chairman and CEO, the Finance Director, the company's Divisional Directors and the six external Directors who are currently serving. The new Board structure became effective on 1 January 2002.

A smaller size Board coupled with an increasingly higher percentage of External Directors is in keeping with trends of Corporate Governance practices worldwide. As part of the developing system of checks and balances, Grace, Kennedy's Board has three committees, namely Corporate Governance, Audit, and Compensation, composed entirely of external Directors.

As part of living our motto of "Grace - We Care", we have been supportive of health-related issues. Towards this end, the management and staff of the Food Trading Division took the initiative to raise $1 million on behalf of the Jamaica Cancer Society. Theinitiative, which was named, "Summer Sizzler", involved a series of fundraising events during April through August.

The year marked the 13th presentation of the Grace, Kennedy Foundation Lecture Series. In April 2001, Professor Errol Miller, Lecturer within the Faculty of Education at the University of the West Indies, delivered the 2001 Grace, Kennedy Foiindation Lecture entitled, "Jamaica in the 2 Pt Century - Contending Choices", to a large audience.

During March, the Grace & Staff Community Development Foundation for the first time hosted a College Fair featuring recruiters from seven colleges in the United States. Over 1,400 students visited the Fair, which was held at different venues across the island. As a result, 75 scholarships valued at approximately $30 million were offered of which 30 have been accepted to date.

Seventeen employees graduated from our Executive Development Programme which is designed to prepare our young managers for senior leadership roles in the future. We launched our second structured mentorship programme involving 38 mentors and the equivalent number of mentees from across the group. The aim is both to develop leadership competencies and to pass on valuable experience and knowledge.

Grace, Kennedy & Company Limited celebrated its 80th Anniversary on 14 February 2002. On Sunday, 17 February, an ecumenical service was held at the National Arena with the staff of Grace, Kennedy and their families. Staff members with ten years service and over were honoured at a long service awards ceremony following the religious service. Our companies have been utilising the 80th anniversary activities to reach out to our customers and consumers, through a variety of promotional activities. The theme for 2002, the year of our 80th anniversary and year seven of our 2020 Vision is "Our roots are Jamaican - our outlook global".

I wish to thank all our customers, consumers, suppliers, stockholders and other stakeholders who supported us through the critical transition into the year 2001, with so many changes taking place in Jamaica and simultaneously in our group. In particular, I am deeply grateful to those caring customers who have continued to guide and advise us by giving important feedback on the products and services that they expect from our business. Finally, I thank our team of directors, management and staff who have collectively pooled their energies to produce results of which we can all be proud.

Douglas R. Orane
Chairman & Chief Executive Officer

13 March 2002