

Jamaica Producers Group Limited

AUDITED GROUP RESULTS FOR THE YEAR ENDED

DECEMBER 31, 2002

CHAIRMAN'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2002

In 2002 your Group advanced on all its major strategic objectives:

- To expand our investments in fresh chilled juices, drinks and food
- To continue to build a major globally competitive distributor and processor of fresh produce in the United Kingdom
- To increase our sales in Jamaica of tropical snacks, ripe bananas and other fresh produce
- To create shareholder value through the management of our investment portfolio.

We are pleased to report that the results of this strategic programme were satisfactory. In 2002, we recorded net profits of \$588.3 million on revenues of \$14.10 billion. This represents a turnaround from our 2001 net loss of \$381.2 million. Profit before extraordinary items of \$612.3 million was up 1,411.9% from \$40.5 million the previous year. Extraordinary costs of \$24.1 million were incurred in the reorganisation of the Group during 2002, primarily at Victoria Banana Company. At the end of 2002, we had shareholders' equity of \$3.27 billion. Net cash increased 164.8% to \$1.73 billion (including short-term investments and securities purchased under resale agreements).

The Group remains committed to its mission: to maintain the highest standards of quality,

integrity and efficiency in the production, processing and marketing of fresh foods.

In 2002, we sourced fresh produce for our food processing and distribution operations from every continent and from more than 20 countries, including Jamaica. No single source country accounted for more than 15% of our total produce supply.

Our profitability relies on the diversity of our fresh produce suppliers and, most importantly, on our efficiency and our ability to satisfy the demands for price, service and high quality fresh food and drink by our customers. The United Kingdom (UK) is our principal market. In light of subdued UK GDP growth and significant margin pressure, driven by heightened market share competition in the UK retail sector, our ability to meet these demands at the highest standard represents the single greatest area of sustained focus for us. Our 2002 performance is gratifying because it is underpinned by confirmation from our customers that our efforts to satisfy them were largely successful.

BANANA DIVISION

Jamaica Producers Group operates a vertically integrated banana business. The Banana Division sources, ripens, markets and distributes bananas in the UK, operates a shipping line that inter alia transports bananas to the UK, and grows and sells bananas in Jamaica for export and local consumption. In 2002, divisional pre-tax profits were \$344.7 million on revenues of \$6.80 billion. These results compare favourably with profits of \$312.7 million on revenues of \$6.66 billion in 2001.

The UK ripening, marketing and distribution operations of the Banana Division form part of our subsidiary, JP Fruit Distributors Limited (JPFDD). This part of our banana operation continues to contribute the largest share of the division's profits. The business has, however, been buffeted by downward price pressure from customers in the UK supermarket sector and from adverse regulatory changes. These regulatory changes, introduced in 2001, have resulted in JPFDD receiving fewer import licenses for bananas from Latin American "Dollar" sources. The Banana Division has responded to this by diversifying its sourcing base to include strong supply arrangements in Africa to complement its Latin American and Caribbean sources.

Our banana farms in Jamaica underwent a rationalisation exercise in which we ceased export operations at one estate, Victoria Banana Company (a joint venture between Fyffes, the Government of Jamaica and ourselves). As part of this exercise, St. Mary Banana Estates (SMBE) and Eastern Banana Estates Limited (EBEL) redoubled their efforts at cost

containment, labour productivity, environmental protection and quality control, and generated improved financial results.

In 2002, SMBE and EBEL achieved ISO 14001 certification, becoming the first farms in the Caribbean to do so. We continue to focus on quality and have greatly improved our indices of customer satisfaction throughout the year.

In 2006 there will be a new regulatory regime for bananas imported into the European Union (EU). Subsequently, the viability of SMBE and EBEL will be critically dependent on the level of tariffs applied to bananas from the ACP, of which Jamaica is a member. This level of tariff has not yet been determined by the EU. To mitigate against this uncertainty, we continue to develop consumer markets for ripe and green bananas in Jamaica as well as to supply green bananas to the Jamaican banana chip industry and to promote its development. The sales of ripe and green bananas in Jamaica have continued to increase in 2002.

Jamaica Producers Shipping Company saw improved performance in 2002 but suffered from periodic under-utilisation of shipping space and container equipment and continued to incur losses. The line has restructured its operations for 2003 to better absorb variances in shipping space requirements and to reduce its stock of equipment.

FRESH AND PROCESSED FOODS DIVISION

This division includes the sourcing, marketing and distribution of a range of fresh produce (other than bananas) in the UK and Jamaica, and the production and marketing of fresh juices, drinks and other freshly prepared foods in the UK and tropical snacks in Jamaica. The Fresh and Processed Foods Division performed very well in 2002, with pre-tax profits of \$357.3 million up 248.2% from \$102.6 million the previous year. Revenues increased 17.2% to \$7.22 billion in 2002.

The production and marketing of fresh juices, drinks and other fresh prepared foods in the UK is undertaken by our subsidiary, Sunjuice Limited. 2002 was another excellent year for the company, which is the UK market leader in short-shelf life fresh fruit juices and smoothies. Sunjuice enjoyed significant growth in sales and profits during the year and capitalised on increasing demand in the United Kingdom for fresh, chilled, healthy, high quality food products. The majority of this business remains private label production for the major supermarkets in the UK. Our continued strength in this sector underlines the value of our commitment to maintain the highest standards of quality, integrity and efficiency.

In September 2001, Sunjuice expanded its product range to include NFC (not from concentrate) and FC (from concentrate) juices with a shelf life of up to 45 days. These are produced in our state-of-the-art Tetra Pak facility, which enjoyed a successful year in 2002. We gained additional contracts toward the end of the year, the full effects of which will be felt in 2003.

Our Sunjuice brand grew in 2002 and strengthened its position as the leading brand of freshly squeezed fruit juices in the UK. We launched a more contemporary brand image in the second quarter and introduced a variety of new products. We are proud to have won the World Juice Award for Innovation at the World Juice Conference in Amsterdam in October.

We plan to enter the fresh soup sector in the second quarter of 2003. Our new plant is substantially complete and we expect our entry into the soup business to complement our fresh juice business, and to benefit from synergies in production and marketing as well as continued growth in the fresh prepared foods sector.

Produce trading and distribution in the United Kingdom form part of our JP Fruit Distributors subsidiary. This business is a major supplier of a wide range of fruits including apples, pears, citrus, grapes, melons and pineapples to leading supermarkets. Following an extensive restructuring in 2001, the business made a significant contribution to the 2002 profitability of the division.

As a result of the restructuring initiated at the end of 2001, the Jamaican arm of the Fresh and Processed Foods Division registered improved performance. It now focuses on the export of produce (principally yams, sweet potatoes, pumpkins and coconuts) to the United States and the United Kingdom and the manufacture of tropical snacks (principally banana and plantain chips). The produce export business benefited from improved competitiveness and achieved increased sales and a return to profitability in 2002. The tropical snack business implemented the first phase of its plant expansion (a new packaging line and warehousing facility) and exceeded targeted growth in turnover and productivity.

CORPORATE

This segment primarily comprises the cost of corporate activities in Jamaica and the United Kingdom that are not directly charged to the business units, as well as interest and investment income. The Corporate segment produced excellent results in 2002. The previous year, the net

cost of corporate operations was \$137.7 million. In 2002, the Corporate segment generated pre-tax profits of \$228.7 million, primarily due to a substantial increase in the level of investment income and disposal gains.

Investments

We remain committed to our strategic objective of creating shareholder value through the management of our investment portfolio. In 2002, we realized gains of \$317.9 million on the sale of various investments. At year-end the market value of quoted equities in the portfolio was \$1.27 billion, compared with \$675.0 million the previous year.

We realized a gain on our shareholding in Grace Kennedy during the year. We sold less than one fifth of our Grace shares and still own approximately 10% of Grace.

Our results also include a gain on the sale of shares in Jamaica Money Market Brokers Limited (JMMB) as part of the December 2002 Offer for Sale. At year-end, unquoted equities included, at cost, JMMB shares with a market value of \$344.25 million (calculated at the Offer Price). JMMB was listed on the Jamaica Stock Exchange on January 2, 2003. We subsequently sold most of this investment realizing additional gains which will be included in our 2003 accounts.

In 2002, we continued to manage our cash balances and short-term investments to generate interest income while maintaining an appropriate risk profile, having regard to the size of our business in the United Kingdom. We are pleased with the results in the context of declining interest rates in the major industrial countries.

HUMAN RESOURCES

The Group continued to invest in human resource development and productivity improvement.

In Jamaica, we continued our Employee Education and Training Programme at the banana estates. The programme now enrolls 800 employees and is geared towards improving the level of literacy within our workforce. Each participating employee attends classes for 5 1/2 hours per week and receives full payment for the time allotted. The European Union has supported the programme assisting with the financing of computer labs which we established as a teaching aid. The first class graduated in February 2003.

In the UK, we actively encouraged employees to achieve a national vocational qualification in the

field in which they operate.

In 2002, your Group had 1,978 employees-1,365 in Jamaica, 607 in the UK and 6 in Costa Rica.

We invest in our people. We are committed to a healthy working environment and a culture that fosters innovation, efficiency and a strong focus on quality and Customer satisfaction.

COMMUNITY SUPPORT

We continue to contribute to a range of charities and worthy institutions as part of our commitment to be good corporate citizens. Our support covers a wide range of social responsibilities in education at all levels, health, environmental control (working with the Jamaica Environment Trust in school programmes) and the promotion of peace initiatives in schools through PALS (Peace and Love in Schools).

THE FUTURE

Your Group is well positioned to take advantage of increasing demand in the market for fresh food and drink that is high quality, conveniently packaged, well presented and healthy. Our products are targeted at the rapidly growing consumer group who:

- (a) are increasingly committed to health and fitness and want a balanced diet that includes fresh foods;
- (b) work longer hours and care about convenience,
- (c) want traditional fresh food staples such as bananas and orange Juice but are also interested in a variety of different and exotic fresh food products from all over the world; and
- (d) demand high ethical and environmental standards at every stage in the production, processing and marketing of their food.

Every business in your Group is focused on meeting the needs of these consumers.

In the United Kingdom, our principal market, we reach many of our ultimate customers through the major supermarkets and we support their efforts to develop reliable sources of fresh produce and prepared foods. Increasingly, we do this by inviting the supermarkets to work closely with

us at all stages of product development, production, processing and marketing. Our focus on remaining close to the customer is invaluable in the process of innovation and continuous improvement.

We have supplied the United Kingdom market with short shelf-life foods for 74 years and we are among the leaders in the key market segments that we serve. However, by its nature, the fresh food industry is subject to relatively wide swings in prices and volumes and ultimately financial performance. We continue to find ways to mitigate this risk by diversifying our supply and customer bases, by developing brands and brand loyalty, by adding value to our products in ways that differentiate us from our competitors, and by maintaining a strong balance sheet that allows us to exploit new opportunities and weather difficult periods.

Our commitment to develop and retain excellent management and staff is critical to our future growth and success. In 2003 and beyond, we will empower the members of our team to be increasingly entrepreneurial, flexible, accountable and performance-focused within their specific businesses while promoting cross-selling and information sharing across the Group's business units.

ACKNOWLEDGEMENTS

Our management and staff at all levels remained committed to their task in the midst of much change and challenge. On behalf of the Board, I thank them for their dedicated service, hard work and achievements in 2002.

The members of your Board continue to serve with dedication, and I thank them all for their help and support.

C. H. Johnston
Chairman
April 4, 2003

Group Balance Sheet

	<u>2002</u>	<u>2001</u>
	\$'000	\$'000
CURRENT ASSETS		
Cash resources	1,125,526	762,564
Short-term investments	26,503	10,984
Securities purchased under resale agreements	729,113	28,017
Accounts receivable	1,708,829	1,580,324
Taxation recoverable	18,504	14,163
Inventories	<u>355,424</u>	<u>420,127</u>
	<u>3,963,899</u>	<u>2,816,179</u>
CURRENT LIABILITIES		
Bank overdrafts and short-term loans	153,216	148,983
Taxation	124,595	106,666
Accounts payable	2,006,353	1,776,419
Unclaimed dividends	5,544	15,743
Due to related companies	96,106	89,037
Current portions of long-term loans	<u>34,524</u>	<u>35,362</u>
	<u>2,420,338</u>	<u>2,172,210</u>
WORKING CAPITAL	1,543,561	643,969
INTERESTS IN ASSOCIATED COMPANIES	91,485	72,685
INVESTMENTS	413,945	541,352
FIXED ASSETS	<u>1,766,786</u>	<u>1,650,867</u>
	3,815,777	2,908,873
Less:		
MINORITY INTERESTS	(241,763)	(219,400)

DEFERRED TAXATION	(54,083)	(58,148)
DEFERRED INCOME	(42,914)	(39,199)
LONG-TERM LOANS	<u>(206,258)</u>	<u>(151,614)</u>
NET ASSETS	<u>3,270,759</u>	<u>2,440,512</u>
	=====	=====
Financed by:		
STOCKHOLDERS' EQUITY		
Share capital	18,702	18,702
Reserves	<u>3,252,057</u>	<u>2,421,810</u>
	<u>3,270,759</u>	<u>2,440,512</u>
	=====	=====
Buying exchange rates at December 31:		
US\$1 to J\$	50.55	47.17
UK1 to J\$	79.89	66.76

Group Profit and Loss Account

	<u>2002</u>	<u>2001</u>
	\$'000	\$'000
Gross operating revenue	14,097,166	12,846,012
Cost of operating revenue	<u>(11,040,541)</u>	<u>(10,255,838)</u>

Gross profit	3,056,625	2,590,174
Distribution costs	(1,003,690)	(956,492)
Administration and other operating expenses	(1,251,784)	(1,124,770)
Depreciation and amortisation	<u>(294,360)</u>	<u>(304,735)</u>
Profit from operations	506,791	204,177
Share of loss in associated companies	(3,031)	(3,190)
Finance cost - interest	(28,466)	(30,466)
Net gains from fluctuations in exchange rates	36,387	5,068
Gains on disposal of fixed assets and investments	341,360	16,422
Other income	<u>77,626</u>	<u>85,595</u>
Profit before taxation and minority interests	930,667	277,606
Taxation	<u>(232,298)</u>	<u>(199,050)</u>
Profit after taxation and before minority interest	698,369	78,556
Minority interests	<u>(86,067)</u>	<u>(38,102)</u>
Profit attributable to the group before extraordinary items	612,302	40,454
Extraordinary items	<u>(24,051)</u>	<u>(421,610)</u>
Net profit/(loss) for the year attributable to the	588,251	(381,156)
	=====	=====
Earnings/(loss) per ordinary stock unit:		
- before extraordinary items	327.39c	21.63c
- after extraordinary items	314.53c	(203.80c)

Average exchange rates:

US\$1 to J\$	48.40	45.91
UK 1 to J\$	71.32	65.67

Group Statement of Changes in Stockholders' Equity

	<u>Share Capital</u> \$'000	<u>Share premium</u> \$'000	<u>Capital reserves</u> \$'000	<u>Retained profits</u> \$'000	<u>Total</u> \$'000
Balances at December 31, 2000	18,702	135,087	1,439,970	1,276,423	2,870,182
Exchange gains not recognised in the group profit and loss account	-	-	17,093	-	17,093*
Net loss for the year attributable to the group	-	-	-	(381,156)	(381,156)*
Appropriation in respect of bonus shares issued by a subsidiary company	-	-	59,127	(59,127)	-
Unrealised exchange gains	-	-	4,758	-	4,758*
Capital distribution paid	-	-	(82,291)	-	(82,291)
Capital distribution received	-	-	73	(73)	-
Transfer of gains on disposal of fixed assets and investments	-	-	16,422	(16,422)	-

Unclaimed dividends	<u>-</u>	<u>-</u>	<u>11,926</u>	<u>-</u>	<u>11,926</u>
Balances at December 31, 2001	18,702	135,087	1,467,078	819,645	2,440,512
Exchange gains not recognised in the group profit and loss account	-	-	310,501	-	310,501*
Net profit for the year attributable to the group	-	-	-	588,251	588,251*
Unrealised exchange gains	-	-	33,859	(33,859)	-
Capital distributions paid	-	-	(82,291)	-	(82,291)
Unclaimed dividends	<u>-</u>	<u>-</u>	<u>13,786</u>	<u>-</u>	<u>13,786</u>
Balances at December 31, 2002	<u>18,702</u>	<u>135,087</u>	<u>1,742,933</u>	<u>1,374,037</u>	<u>3,270,759</u>
Retained in the financial statements of.					
The company	18,702	135,087	1,491,133	(282,722)	1,362,200
Subsidiary companies	-	-	243,891	1,649,909	1,893,800
Associated companies	<u>-</u>	<u>-</u>	<u>7,909</u>	<u>6,850</u>	<u>14,759</u>
Balances at December 31, 2002	<u>18,702</u>	<u>135,087</u>	<u>1,742,933</u>	<u>1,374,037</u>	<u>3,270,759</u>
The company	18,702	135,087	1,536,407	(377,018)	1,313,178
Subsidiary companies	-	-	(75,553)	1,186,782	1,111,229
Associated companies	<u>-</u>	<u>-</u>	<u>6,224</u>	<u>9,881</u>	<u>16,105</u>
Balances at December 31, 2001	<u>18,702</u>	<u>135,087</u>	<u>1,467,078</u>	<u>819,645</u>	<u>2,440,512</u>

*Total recognised gains for the year - \$898,752,000 (2001: losses - \$359,305,000).

Group Statement of Cash Flows

	<u>2002</u>	<u>2001</u>
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/(loss) for the year attributable to the group	588,251	(381,156)
Adjustments to reconcile net profit/(loss) for the year to net cash provided by operating activities:		
Items not involving cash:		
Depreciation	294,360	304,735
Writedown in asset values	30,867	246,038
Increase in provision for diminution in value of investments	1,869	10,436
Exchange gain/(loss) on investments, associates and fixed assets	22,144	(68,092)
Deferred taxation	(4,065)	(7,286)
Gain on disposal of fixed assets and investments	(341,360)	(16,422)
Adjustment to carrying value of development costs	-	142,118
Share of loss in associated companies	(3,031)	(3,190)
Movement in minority interests	127,028	(59,743)
Deferred income amortised	(9,599)	-
	<u>706,464</u>	<u>167,438</u>
(Increase)/decrease in current assets:		
Accounts receivable	(128,505)	2,334
Taxation recoverable	(4,341)	33,939
Inventories	64,703	(79,840)
Increase/(decrease) in current liabilities:		
Taxation	17,929	63,872
Accounts payable	229,934	171,011
Unclaimed dividends	(10,199)	1,360
Related companies	7,069	3,536
	<u>883,054</u>	<u>363,650</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Short-term investments	(15,519)	30,589
Securities purchased under resale agreements	(701,096)	(17,517)

Additions to fixed assets and work-in-progress	(233,199)	329,198
Proceeds from disposal of fixed assets and investments	572,467	86,573
Interests in associated companies	(15,769)	58,340
Additions to investments	<u>(23,159)</u>	<u>-</u>
Net cash used by investment activities	<u>(418,275)</u>	<u>(171,214)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Minority interest in dividends paid by subsidiary company	(104,665)	(233,172)
Bank overdrafts and short-term loans	4,233	77,522
Long-term loans	67,120	41,103
Deferred income received	-	5,145
Dividends paid	<u>(68,505)</u>	<u>(70,365)</u>
Net cash used by financing activities	<u>(101,817)</u>	<u>(179,767)</u>
Net increase in cash resources	362,962	12,669
Cash resources at beginning of the year	<u>762,564</u>	<u>749,895</u>
Cash resources at end of the year	1,125,526	792,564
	=====	=====