GRACE KENNEDY & COMPANY LTD.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

---

1. Identification

Grace, Kennedy & Company Limited (the company) is a company limited by shares, incorporated and domiciled in Jamaica. The registered office of the company is 73 Harbour Street, Kingston, Jamaica.

The company is a publicly listed company having its primary listing on the Jamaica Stock Exchange, with further listings on the Barbados and the Trinidad and Tobago stock exchanges.

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.

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; lease and trade financing; stock brokerage; pension management; property rental; mutual fund management.

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.

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 International Financial Reporting Standards, and have been prepared under the historical cost convention as modified by the revaluation of certain fixed and financial assets.

Jamaica adopted International Financial Reporting Standards (IFRSs) as its national accounting standards, effective for accounting periods beginning on or after I July 2002. Comparative information has, therefore, been restated to conform with the provisions of IFRSs. Also, the Group has opted for early adoption of IFRS 1, First-time Adoption of International Financial Reporting Standards, and has applied the provisions of that standard in the preparation of these financial statements.The effects of adopting IFRSs on the equity and net profit as previously reported are detailed in Note 39.

The preparation of financial statements in conformity with International Financial Reporting Standards 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. Although these estimates are based on managements best knowledge of current events and action, actual results could differ from those estimates.

(b) Basis of consolidation
Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition

is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus cost directly attributable to the acquisition. The excess of the cost over the fair value of net assets acquired is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between the group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

All subsidiaries are wholly-owned unless otherwise indicated.
The subsidiaries consolidated are as follows:

Incorporated and Resident in Jamaica:
Allied Insurance Brokers Limited
First Global Bank Limited and its subsidiary -
  FGB Securities Limited
First Global Stock Brokers Limited
George & Branday Limited and its subsidiary -
  George & Branday Securities Limited
Global Capital Services Limited
Grace Food Processors Limited
Grace Pension Management Limited
Grace Food Processors (Canning) Limited
Grace, Kennedy & Company (Shipping) Limited
Grace, Kennedy Currency Trading Services Limited
Grace Foods International Limited
Grace, Kennedy Logistics Limited
Grace, Kennedy Payment Services Limited
Grace, Kennedy Properties Limited
Grace, Kennedy Remittance Services Limited
Grace, Kennedy Telemarketing Limited
Hamburg-Sud Jamaica Limited
Hardware and Lumber Limited (67%) and its subsidiaries -
  Agro-Grace Limited
  H&L True Value Limited
  H&L Agri and Marine Company Limited
  Hole in the Wall Limited
  Office Services Limited

Rapid & Sheffield Company Limited
Wherry Wharf Sales Company Limited
Hi-Lo Food Stores (Jamaica) Limited
H. Macaulay Orrett Limited
H. Macaulay Orrett Insurance Limited
International Communications Limited
International Shipping Limited
Jamaica International Insurance Company Limited and its subsidiary -
First Global Insurance Company Limited
Medi-Grace Limited
National Processors Limited
Port Services Limited (97.2%)
Versair In-Flite Services Limited (51 %) and its subsidiary -
Industrial Catering Services Limited (51 %)
World Brands Services Limited

Incorporated and Resident outside of Jamaica:
First Global Insurance Agency Limited, Turks and Caicos Islands
Grace Foods Limited, Bermuda
Grace, Kennedy (Belize) Limited, Belize (66.6%)
Grace, Kennedy (Ontario) Inc. (formerly Grace, Kennedy (Canada) Inc.), Canada and its subsidiary -
Grace, Kennedy (Caribbean) Limited, Turks and Caicos Islands
Grace, Kennedy (Guyana) Inc., Guyana
Grace, Kennedy Remittance Services (Guyana) Limited, Guyana
Grace, Kennedy Remittance Services Turks and Caicos Limited, Turks and Caicos Islands
Grace, Kennedy Remittance Services (USA) Limited, U.S.A.
Grace, Kennedy Financial Services (USA) Limited, U.S.A.
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 (UK) 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 and its subsidiary -
Grace, Kennedy Capital Services Limited, Cayman Islands
Knutsford Re, Turks and Caicos Islands

(c) Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the company's share of the post-acquisition profits or losses of associates is recognised in the profit and loss account and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates. In the company balance sheet, investment in associates is shown at cost.

The Group's associated companies are as follows:

	Group's percentage interest	
	2003	2002
Acra FinanciaL Services Inc.	30.0	30.0
Carib Star Shipping Limited	30.0	30.0
Challenge Enterprises Limited	50.0	50.0
CSGK Finance Holdings Limited	40.0	-
Dairy Industries (Jamaica) Limited	50.0	50.0
Express Catering Limited	12.5	12.5
Fish Importers Limited	32.7	32.7
Kingston Wharves Limited and its subsidiaries	44.0	43.6

Effective 30 June 2003, the Group acquired 40% of the shareholding of CSGK Finance Holdings Limited.

(d) Foreign currency translation

(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 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.

(e) 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.

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 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

Land is not depreciated.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining profit. When revalued assets are sold, the amounts included in capital and fair value reserves are transferred to retained earnings.

Repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

(f) Goodwill

Goodwill is recorded at cost and represents the excess of the value of consideration paid over the net assets acquired. Amortisation is calculated on the straight line basis to write off the carrying value over an estimated life of 5 years.

(g) Investments

The Group classified its investments in debt and equity securities into the following categories: originated debts and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs.

Loans and advances which are provided directly to a borrower, and government or other securities which are purchased directly from the issuer, are classified as originated debts. These include bonds and treasury bills, demand loans, and demand and term deposits. They are initially recorded at cost, which is the cash given to originate the debt including any transaction costs, and are subsequently measured at amortised cost using the effective yield method.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale, and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Available-for-sale investments are subsequently carried at fair value.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains and losses from investment securities.

The determination of financial instruments is detailed in Note 33.

(h) Investments in subsidiaries

Investments in subsidiaries are stated at cost.

(i) Impairment of long lived assets

Fixed assets and other non-current assets, including goodwill, 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.

(j) Loans receivable

Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs and subsequently measured at amortised cost using the effective interest rate method.

A provision for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

The provision for credit losses also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

For non-performing and impaired loans in the banking subsidiaries, the accrual of interest income based on the original terms of the loan is discontinued. The regulations of the Banking Act and the Financial Institutions Act require that interest on non-performing loans be taken into account on the cash basis. IFRS requires the increase in the present value of impaired loans due to the passage of time to be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries in part or in full of amounts previously

written-off are credited to credit loss expense in the profit and loss account.

Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in a non-distributable loan loss reserve in stockholders' equity, as an appropriation of retained earnings.

(k) Income taxes

Taxation expense in the profit and loss account comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at balance sheet date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on 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 recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited to equity, in which case, deferred tax is also dealt with in equity.

(l) 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.

(ii) Other post-retirement obligations

Some Group companies provide post-retirement healthcare 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 market price of the shares on the date of the grant and are exercisable at that price. Options are exercisable beginning one year from the date of grant and have a contractual option term of six years. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium. The Group does not make a charge to staff costs in connection with share options.

(iv) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably

committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(m) Inventories

Inventories are stated 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.

(n) Trade and insurance receivables

Trade and insurance receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of these receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

(o) 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.

(p) Payables

Payables are recorded at cost.

(q) 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.

(r) Provisions
Provisions are recognised 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. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(s) Deposits
Deposits are recognised initially at the nominal amount when funds are received. Deposits are subsequently stated at amortised cost using the effective yield method. Interest payable on deposits is included in payables.

(t) Securities purchased/sold under resale/ repurchase agreements
The purchase and sale of securities under resale and repurchase agreements are treated as collateralised lending and borrowing transactions. The related interest income and interest expense are recorded on the accrual basis.

(u) Borrowings
Bank loans and overdrafts are recorded at proceeds received. Finance charges, including direct issue costs are accounted for on an accrual basis to the profit and loss account using the effective interest method and are added to the carrying amount of the loan to the extent that they are not settled in the period in which they arise.

(v) 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.

(w) Revenue recognition

Revenues represent the invoice value of goods and services sold to external customers of the Group, net of General Consumption Tax and other value added taxes, 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 and shipping services, revenues represent commissions earned and charges for services rendered.

Sales are recognised upon delivery of products and customer acceptance or performance of services. 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. For the banking subsidiaries, where collection of interest income is considered doubtful or payment is outstanding for more than 90 days, the banking regulations stipulate that interest should

be taken into account on the cash basis. IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. However such amounts under IFRS are considered to be immaterial.

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.

(x) Dividends
Dividends are recorded as a deduction from stockholders' equity in the period in which they are approved.

(y) Segment reporting
Business segments provide products or services that are subject to risks and returns that are different from those of other business segments, and comprise the Group's five operating divisions. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

(z) 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, securities sold under agreement to repurchase, deposits and long term liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The determination of the fair values of the Group's financial instruments is discussed in Note 33.

(aa) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to reflect the requirements of International Financial Reporting Standards (Note 39).

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 31 December 2002	543,485	390,467	2,334,951	25,323	3,294,226
Additions	34,244	82,132	382,226	112,833	611,435
Revaluation surplus	33,349	-	-	-	33,349
Transfer from CWIP	-		10,807	(10,807)	-
Disposals	(99,654)	(4,540)	(107,275)	-	211,469
Acquired in subsidiary	110,000	29,260	77,091	-	216,351
At 31 December 2003	621,424	497,319	2,697,800	127,349	3,943,892
Accumulated Depreciation					
At 31 December 2002	5,607	158,516	1,199,225	-	1,363,348
Charge for the year	11,805	61,277	380,650	-	453,732
Revaluation adjustment	(5,224)	-	-	-	(5,224)
Acquired in subsidiary	2,612	17,599	40,598	-	60,809
On disposals	(3,024)	(2,582)	(89,360)	-	(94,966)
At 31 December 2003	11,776	234,810	1,531,113	-	1,777,699
Net Book Value					
31 December 2003	609,648	262,509	1,166,687	127,349	2,166,193
31 December 2002	537,878	231,951	1,135,726	25,323	1,930,878

	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 31 December 2002	15,000	71,468	303,319	24,948	414,735
Additions	-	6,901	37,072		43,973

Disposals	-	-	(2,056)	-	(2,056)
Transfers	-	-	10,807	(10,807)	-
At 31 December 2003	15,000	78,369	349,142	14,141	456,652
Accumulated Depreciation					
At 31 December 2002	275	34,955	231,945	-	267,175
Charge for the year	275	5,686	39,825	-	45,786
On disposals	-	-	(1,342)	-	(1,342)
At 31 December 2003	550	40,641	270,428	-	311,619
Net Book Value					
31 December 2003	14,450	37,728	78,714	14,141	145,033
31 December 2002	14,725	36,513	71,374	24,948	147,560

(a) The tables above include carrying values of $44,666,000, (2002 - $87,973,000) and $12,272,000, (2002 - $69,020,000) in respect of the Group and the company, respectively, representing assets being acquired under finance leases.

(b) If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Cost	294,036	249,558	8,879	8,879
Accumulated depreciation	39,631	38,455	2,379	2,157
Net Book Value	254,405	211,103	6,500	6,722

(c) The Group's land and buildings were last revalued during 2002 by independent valuers. The valuations were done on the basis of open market value. The revaluation surpluses, net of applicable deferred income taxes, were credited to the capital and fair value reserves in stockholders' equity (Note 17).

4. Goodwill

	Group	
	2003	2002
	$'000	$'000
At cost	53,441	-

Arising from the acquisition of subsidiary	203,147	-
Arising from other business acquisitions	25,417	53,441
	282,005	53,441
Less: Accumulated Amortisation	(23,152)	(7,150)
	258,853	46,291

5. Investments in Associates

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
At the beginning of year	1,555,966	1,397,955	109,892	109,892
Share of results before tax	110,291	177,133	-	-
Share of tax (Note 27)	(43,106)	(40,741)	-	-
Share of results after tax	67,185	136,392	-	-
Additions	33,590	50,642	23,666	-
Movement in other reserves	(42,188)	29,023	-	-
At end of year	1,614,553	1,555,966	133,558	109,892

6. Investments

Investments comprise:

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Originated debt -				
Government of Jamaica securities	2,358,394	1,191,040	-	-
Available-for-sale -				
Quoted equities	33,385	35,920	130	21,310
Government of Jamaica securities	432,648	249,096	432,648	249,096
Other	36,770	78,850	917	917
	502,803	363,866	433,695	271,323
Subsidiaries	-	-	1,083,688	414,696
Total	2,861,197	1,554,906	1,517,383	686,019

7. Long Term Receivables

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Finance leases, less deferred profit	179,434	155,374	-	-
Originated loans and receivables -				
Loans to subsidiaries	-	-	144,210	147,117
Loans to associated companies	18,540	21,384	15,500	15,500
Loans to others	1,174,603	959,771	77,779	16,631
Other non-current receivables	4,590	982	399	399
	1,377,167	1,137,511	237,888	179,647
Less: Due within 12 months	(840,090)	(611,266)	(81,211)	(18,465)
	537,077	526,245	156,677	161,182

All non-current receivables are due within 6 years from the balance sheet date.

Effective interest rates on receivables (current and non-current)

	Group		Company	
	2003	2002	2003	2002
Lease receivables	16%	16%	-	-
Loans to associates	26%	26%	-	-
Loans to subsidiaries	-	-	10%	12%
Loans to others	11-28%	10-27%	-	-

Finance lease receivables

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Gross receivables from finance leases:				
Not later than 1 year	107,138	76,987	-	-

Later than 1 year and not later than 5 years	103,151	113,489	-	-
Later than 5 years	7,360	-	-	-
	217,649	190,476	-	-
Unearned future finance income on finance leases	(38,215)	(35,102)	-	-
Net investment in finance leases	179,434	155,374	-	-
The net investment in finance leases may be analysed as follows:				
Not later than 1 year	86,101	57,176	-	-
Later than 1 year and not later than 5 years	86,267	98,198	-	-
Later than 5 years	7,066	-	-	-
Total	179,434	155,374	-	-

8. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33 1/3%

The movement on the deferred income tax account is as follows:

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
At beginning of year	(1,106,095)	(971,659)	(790,811)	(701,647)
Acquisition of subsidiary (Note 37)	(15,249)	-	-	-
Profit and loss account charge (Note 27)	(241,692)	(35,106)	(161,296)	(79,144)
Tax credited/(charged) to equity	53,734	(99,330)	14,533	(10,020)
At end of year	(1,309,302)	(1,106,095)	(937,574)	(790,811)

The deferred tax charged/(credited) to equity during the year is as follows:

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000

Fair value reserves in shareholders' equity -

Land and buildings	(662)	64,952	-	708
Available-for-sale investments	(53,072)	34,378	(14,533)	9,312
	(53,734)	99,330	(14,533)	10,020

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. Subject to agreement with the Taxpayer Audit and Assessment Department, the Group has recognised tax losses of $204,689,000 (2002 - $159,871,000) to carry forward indefinitely against future taxable income. The Group also has unrecognised tax losses of $39,715,000 (2002 - $46,097,000) in respect of one subsidiary.

Deferred income tax liabilities of $377,566,000 (2002 - $385,347,000) have not been established for the withholding and other taxes that would be payable on the unremitted earnings of certain subsidiaries, as such amounts are permanently reinvested; such unremitted earnings totalled $1,132,697,000 (2002 - 1,156,041,000).

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

	Group					
Deferred tax liabilities	Accelerated Tax Depreciation	Fair Value Gains	Unrealised Foreign Exchange	Pension Plan Assets	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2003	255,513	45,353	73,105	1,141,745	13,190	1,528,906
Charged / (credited) to net profit	901	(30,089)	12,299	157,269	191,715	332,095
Acquisition of subsidiary	18,262	-	-	-	-	18,262
(Credited)/charged to equity	4,296	6,443	-	-	-	10,739
At 31 December 2003	278,972	21,707	85,404	1,299,014	204,905	1,890,002

Deferred tax assets	Accelerated tax depreciation	Unutilised tax losses	Provisions	Employee Benefit Obligations	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000

At 1 January 2003	80,320	57,212	9,156	255,358	20,765	422,811
Credited/(charged) to net profit	(24,750)	34,158	(1,492)	24,339	58,148	90,403
Acquisition of subsidiary	2,478	116	-	-	419	3,013
Credited to equity	4,959	-	-	-	59,514	64,473
At 31 December 2003	63,007	91,486	7,664	279,697	138,846	580,700

Company

Deferred tax liabilities	Accelerated tax depreciation	Fair Value gains	Pension Plan Asset	Other	Total
	$'000	$'000	$'000	$'000	$'000
At 1 January 2003	25,099	9,312	849,506	39,818	923,735
Charged / (credited) to net profit	(13,400)	-	141,277	27,530	155,407
Charged to equity	-	(9,312)	-	-	(9,312)
At 31 December 2003	11,699	-	990,783	67,348	1,069,830

Deferred tax assets	Accelerated tax depreciation	Employee Benefit Obligations	Fair Value Gains	Other	Total
	$'000	$'000	$'000	$'000	$'000
At 1 January 2003	9,992	111,848	-	11,084	132,924
(Charged)/credited to net profit	(7,355)	2,507	-	(1,041)	(5,889)
Credited to equity	-	-	5,221	-	5,221
At 31 December 2003	2,637	114,355	5,221	10,043	132,256

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Deferred tax assets	580,700	422,811	132,256	132,924

Deferred tax liabilities	(1,890,002)	(1,528,906)	(1,069,830)	(923,735)
	(1,309,309)	(1,106,095)	(937,574)	(790,811)

The amounts shown in the balance sheet include the following:

Deferred tax assets to be recovered after more than 12 months	364,726	342,723	116,992	121,840
Deferred tax liabilities to be settled after more than 12 months	(1,577,986)	(1,397,258)	(1,002,482)	(874,605)

9. Pensions and Other Post-Retirement Obligations

The Group's pension 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 0.5%, 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.

Pension benefits

The amounts recognised in the balance sheet are determined as follows:

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Present value of funded obligations	1,638,725	1,172,069	603,928	419,259
Fair value of plan assets	(7,649,744)	(6,340,622)	(5,260,752)	(4,491,934)
	(6,011,019)	(5,168,553)	(4,656,824)	(4,072,675)
Unrecognised actuarial gains	1,575,683	1,323,599	1,456,818	1,296,501
Limitation on asset due to uncertainty of obtaining economic benefit	538,295	419,718	227,657	227,657
Asset in the balance sheet	(3,897,041)	(3,425,236)	(2,972,349)	(2,548,517)

The pension plan assets include the company's ordinary shares, with a fair value of $688,626,000 (2002 - $445,898,000), buildings occupied by Group companies with fair values of $285,000,000 (2002- $205,256,000) and finance lease receivables from group companies of $27,088,000 (2002 - $27,944,000).

The amounts recognised in the profit and loss account are as follows:

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Current service cost	10,370	8,103	4,460	997
Interest cost	160,983	145,272	53,600	49,859
Expected return on plan assets	(620,980)	(460,656)	(426,066)	(301,657)
Net actuarial gains recognised in year	(86,014)	(46,913)	(53,700)	-
	(535,641)	(354,194)	(421,706)	(250,801)
Reduction in income due to limit	92,241	86,317	-	-
Total, included in staff costs (Note 25)	(443,400)	(267,877)	(421,706)	(250,801)

The actual return on plan assets was $1,274,996,000 (2002 - $1,442,360,000) for the Group.

Movement in the asset recognised in the balance sheet:

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
At beginning of year	(3,425,236)	(3,088,529)	(2,548,517)	(2,274,902)
Total expense - as shown above	(443,400)	(267,877)	(421,706)	(250,801)
Acquisition of subsidiary	(5,998)	-	-	-
Contributions paid	(22,407)	(68,830)	(2,126)	(22,814)
At end of year	(3,897,041)	(3,425,236)	(2,972,349)	(2,548,517)

The principal actuarial assumptions used were as follows:

	2003	2002
Discount rate	15.0%	12.5%
Long term inflation rate	8.25%	7.25%
Expected return on plan assets	10.0%	9.5%
Future salary increases	9.5%	8.0%
Future pension increases	3.5%	2.5%

Other post-retirement obligations

The Group operates a number of post-employment benefit schemes, principally in Jamaica. The benefits covered under the schemes include group life, insured and self-insured health care, gratuity and other supplementary plans. Funds are not built up to cover the obligations under these retirement benefit schemes. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for the pension schemes, the main actuarial assumption is a long term increase in health costs of 12.5% per year (2002 - 7.5% per year).

The amounts recognised in the balance sheet were determined as follows:

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Present value of unfunded obligations	766,040	736,338	354,881	338,286
Unrecognised actuarial (gains)/losses	73,051	29,737	(11,815)	(2,742)
Liability in the balance sheet	839,091	766,075	343,066	335,544

The amounts recognised in the profit and loss account were as follows:

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Current service cost	35,707	35,399	12,476	12,864
Interest cost	93,727	88,660	41,231	40,170
Net actuarial (gains)/losses recognised in year	(3,027)	100	(4,365)	(381)
Total, included in staff costs (Note 25)	126,407	124,159	49,342	52,653

Movement in the liability recognised in the balance sheet:

	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
At beginning of year	766,075	701,793	335,544	326,217

Total expense - as shown above	126,407	124,159	49,342	52,653
Acquisition of subsidiary	9,817	-	-	-
Contributions paid	(63,208)	(59,877)	(41,820)	(43,326)
At end of year	839,091	766,075	343,066	335,544

10. Inventories

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Raw materials and spares	196,008	217,690	-	-
Work in process	610	1,491	-	-
Finished goods	61,463	55,950	-	-
Merchandise	1,925,152	1,017,300	333,764	166,037
Goods in transit	412,792	263,198	140,603	102,858
	2,596,025	1,555,629	474,367	268,895

11. Receivables

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Trade receivables, less provision for doubtful debts	1,815,120	1,509,503	527,093	401,606
Insurance receivables, less provision for doubtful debts	907,026	555,910	-	-
Interest receivable by banking subsidiaries	1,163,245	574,125	-	-
Receivable from associates	35,605	42,173	6,292	31,168
Prepayments	128,154	136,690	20,201	20,106
Other receivables	743,734	514,962	93,375	145,357
	4,792,884	3,333,363	646,961	598,237

12. Cash and Short Term Investments

Group		Company	
2003	2002	2003	2002
$'000	$'000	$'000	$'000

Cash at bank and in hand	2,321,744	1,586,294	131,404	77,993
Short term deposits	493,349	430,298	474,396	238,916
	2,815,093	2,016,592	605,800	316,909
Short term investments	21,990,754	18,893,729	1,790,574	2,185,717
	24,805,847	20,910,321	2,396,374	2,502,626

The weighted average effective interest rate on short term deposits was 20.4% (2002 - 18%), and these deposits have an average maturity of under 90 days. Short term investments which mature between 90 days and 360 days or which the Group intends to realise within 12 months have an effective interest rate of 15.2% (2002 -17%).

For the purposes of the cash flow statement, the cash and cash equivalents comprise the following:

	2003 $'000	2002 $'000
Cash at bank and in hand	2,321,744	1,586,294
Short term deposits	493,349	430,298
	2,815,093	2,016,592
Bank overdrafts (Note 15)	(654,948)	(348,674)
	2,160,145	1,667,918

13. Payables

	Group		Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Trade payables	2,125,899	1,922,862	124,638	28,542
Payable to associates	106,573	194,576	74,238	164,553
Accruals	761,490	676,596	271,665	322,448
Claims outstanding	513,225	413,661	-	-
Insurance reserves	575,252	554,133	-	-
Interest payable by banking subsidiaries	815,541	473,144	-	-
Other payables (Note 14)	1,101,082	1,260,563	352,682	652,800
	5,999,062	5,495,535	823,223	1,168,343

14. Provisions

Included in other payables are provisions of $82,459,000 (2002 - $20,290,000). The provisions are broken down as follows:

	2003			2002
	Warranties	Restructuring	Total	Total
	$'000	$'000	$'000	$'000
At 1 January	20,290	-	20,290	-
Additional provisions	-	76,238	76,238	20,290
Unused amounts reversed	(14,069)	-	(14,069)	-
(Credited)/charged to profit and loss account	(14,069)	76,238	62,169	20,290
Utilised during year	-	-	-	-
At 31 December	6,221	76,238	82,459	20,290

Analysis of total provisions:

	2003	2002
	$'000	$'000
Non-current (warranty provision)	6,221	6,221
Current	76,238	14,069
	82,459	20,290

Warranties
This relates to warranties given on roofing, which was undertaken by one of the subsidiary companies. The Group is no longer in this line of business and the warranties expire fully in 2036.

Restructuring
The restructuring costs relates to the planned reorganisation of the Financial Services Division and Hardware & Lumber Group.

15. Bank and Short Term Loans

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Secured on assets	87,406	58,449	-	-
Unsecured	1,685,841	1,195,668	1,389,266	889,362

	1,773,247	1,254,117	1,389,266	889,362

(a) 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 2% - 22.5% (2002 - 3.75% - 20.25%)

(b) Bank and short term loans are broken down as follows:

	Group		Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Bank overdrafts	654,948	348,674	226,257	92,417
Short term loans	1,118,299	905,443	1,163,009	796,945
	1,773,247	1,254,117	1,389,266	889,362

16. Share Capital

	2003 $'000	2002 $'000
Authorised -		
Ordinary shares of $1 each	400,000	400,000
Issued and fully paid -		
Ordinary stock units of $1 each	323,466	323,075

(a) During the year, the company issued 391,000 shares to its employees for cash at a premium of $6,915,000. The shares were issued at a discount of 25% on the last sale price on the trading day prior to the offer.

(b) At the Annual General Meeting held on 25 June 2002, the stockholders passed a resolution for 7,000,000 of the authorised but unissued shares of $1.00 each to be set aside for allocation and sale to the directors of the company. The allocation and sale of these shares are governed by the provisions of the 2002 Stock Option Plan for the Directors of Grace, Kennedy & Company Limited.

On 1 July 2002, under the rules of the Stock Option Plan, the following allocation was made:

	No. of Shares
Executive directors	5,973,160
Non-executive-directors	600,000

The options were granted at a subscription price of $32.81, being the mid-market price of the company's shares on the Jamaica Stock Exchange at the grant date, and are exercisable over a period of ten years, at the end of which time unexercised options will expire. One-fifth of the total of the grant to each director will vest on each anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

As a result of the issue of bonus shares on 18 December 2002, the amount of shares allocated was increased and the option price per share reduced. The new option price has been set at $27.34, with adjusted allocations as follows:

	No. of Shares
Executive directors	7,167,792
Non-executive-directors	720,000

During the year one Director exercised a portion of his option resulting in a reduction in the number of shares allocated to executive directors at the year-end to 7,107,792.

(c) At the Annual General Meeting held on 29 May 2003, the stockholders passed a resolution for 10,000,000 of the authorised but unissued shares of $1.00 each to be set aside for allocation and sale to the managers of the company. The allocation and sale of these shares will be governed by the provisions of the 2003 Stock Option Plan for the Managers of Grace, Kennedy & Company Limited.

On 28 August 2003, under the rules of the Stock Option Plan, the following allocation was made:

No. of

	Shares
Senior managers	5,999,931

The options were granted at a subscription price of $41.92, being 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 over a period of six years, at the end of which time unexercised options will expire. One-third of the total of the grant to each senior manager will vest on each anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

17. Capital and Fair Value Reserves

	Group					
	Capital Reserve	Fair Value Reserves 2003	Total	Capital Reserve	Fair Value Reserves 2002	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Share premium	132,713	-	132,713	125,798	-	125,798
Realised gains on disposal of assets	101,214	-	101,214	101,214	-	101,214
Capital distribution received	38,515	-	38,515	38,515	-	38,515
Asset replacement, rehabilitation and depreciation reserves	6,547	-	6,547	19,927	-	19,927
Profits capitalised by Group companies	2,054,734	-	2,054,734	1,760,140	-	1,760,140
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	1,071,012	1,071,012	-	1,040,006	1,040,006
Fair value (losses)/gains, net of deferred taxes	-	(2,209)	(2,209)	-	126,724	126,724
Other	46,134	-	46,134	24,478	-	24,478
	2,379,857	1,068,803	3,448,660	2,070,072	1,166,730	3,236,802

	Company					
	Capital Reserve	Fair Value Reserves 2003	Total	Capital Reserve	Fair Value Reserves 2002	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Share premium	131,651	-	131,651	124,735	-	124,735
Capital distribution received	16,272	-	16,272	16,272	-	16,272
Bonus shares issued	(41,803)	-	(41,803)	(41,803)	-	(41,803)
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	7,404	7,404	-	7,404	7,404
Fair value (losses)/gains, net of deferred taxes	-	(10,376)	(10,376)	-	29,697	29,697
	106,120	(2,972)	103,148	99,204	37,101	136,305

18. Reserve Funds

Reserve funds represent those statutory reserves required to be maintained by the banking subsidiaries, First Global Bank Limited and George & Branday Limited, in compliance with the Banking Act and the Financial Institutions Act.

19. Minority Interests

	2003 $'000	2002 $'000
At 1 January	227,776	233,774
Arising on business combination	182,770	-
Share of net profit of subsidiaries	60,327	33,306
Dividends paid	(28,839)	(16,170)
Other	17,998	(23,134)
At 31 December	460,032	227,776

20. Long Term Liabilities

	Group		Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Bank borrowings	1,262,143	645,440	1,030,489	361,346
Mortgage loans	-	62,321	-	-
Finance leases	26,191	35,452	6,528	10,065
Customer deposits	209,467	4,315	-	-
Other loans	31,888	-	413,972	159,755
Total borrowings	1,529,689	747,528	1,450,989	531,166
Less: Current portion	(100,198)	(133,530)	(67,199)	(62,751)
	1,429,491	613,998	1,383,790	468,415

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. All other borrowings are unsecured.

(a) The exposure of the Group and the company to interest rate changes and the periods in which the borrowings reprice are as follows:

	Group			
	Less than 12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000
At 31 December 2003				
Total borrowings	100,198	1,341,594	87,897	1,529,689
At 31 December 2002				
Total borrowings	133,530	506,041	107,957	747,528

	Company			
	Less than 12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000
At 31 December 2003				
Total borrowings	67,199	943,349	440,441	1,450,989
At 31 December 2002				
Total borrowings	62,751	366,374	102,041	531,166

(b) The effective interest rates at the balance sheet date were as follows:

	Group		Company	
	2003	2002	2003	2002
Bank borrowings	5.5%	5.5%	5.1%	4.5%
Mortgage loans	-	14.7%	-	-
Finance leases	20.4%	22.8%	21.2%	21.2%
Customer deposits	15.3%	10.9%	-%	-%
Other loans	-	-	-	-

(c) Maturity of non-current borrowings (excluding finance lease liabilities):

	Group		Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Between 1 and 2 years	859,508	382,229	850,163	356,846
Between 2 and 5 years	438,265	160,509	90,928	3,000
Over 5 years	119,785	55,201	440,442	102,041
	1,417,558	597,939	1,381,533	461,887

(d) Finance lease liabilities - minimum lease payments:

	Group		Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Not later than 1 year	19,069	24,536	5,256	5,397
Later than 1 year and not later than 5 years	12,675	18,778	2,440	7,696
	31,744	43,314	7,696	13,093
Future finance charges on finance leases	(5,553)	(7,862)	(1,168)	(3,028)
Present value of finance lease liabilities	26,191	35,452	6,528	10,065
Less: Current portion	(14,258)	(19,393)	(4,271)	(3,537)
	11,933	16,059	2,257	6,528

The present value of finance lease liabilities is as follows:

	Group		Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Between 1 and 2 years	22,573	31,918	6,528	7,808
Between 2 and 5 years	3,618	3,534	-	2,257
	26,191	35,452	6,528	10,065

(e) Borrowing facilities

The Group and the company has the following undrawn committed borrowing facilities:

	Group		Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Floating rate -				
Expiring within one year	1,492,020	1,523,930	642,600	923,740

Expiring beyond one year	453,900	203,040	453,900	203,040
Fixed rate -				
Expiring within one year	256,065	163,380	220,000	120,000

The facilities expiring within one year are annual facilities subject to review at various dates during the subsequent year. The other facilities have been arranged to help finance the Group's activities.

21. Segment Information

Primary reporting format - business segments

2003

	Food Trading $'000	Retail & Trading $'000	Financial Services $'000	Maritime $'000	Information $'000	Elimination $'000	Group $'000
REVENUE							
External sales	9,639,853	7,349,885	5,032,337	328,051	2,415,375	-	24,765,501
Inter-segment sales	557,235	3,663	337,839	19,114	-	(917,851)	-
Total Revenue	10,197,088	7,353,548	5,370,176	347,165	2,415,375	(917,851)	24,765,501
Segment result							
Profit from operations	326,202	212,444	882,410	75,036	472,934	382,293	2,351,319
Finance income - net	114,417	70,365	112,447	234	36,375	13,512	206,620
Share of results of associates before tax	55,840	1,251	(3,534)	55,370	1,364	-	110,291
Profit before tax	496,459	143,330	991,323	130,640	510,673	395,805	2,668,230

Income tax expense							(627,712)
Profit from ordinary activities after tax							2,040,518
Minority interest							(60,327)
Net profit							1,980,191
Segment assets	3,101,676	3,273,516	27,455,173	319,001	641,138	-	34,790,504
Investment in associates	229,759	(9,110)	20,244	1,318,995	54,665	-	1,614,553
Unallocated assets							8,940,310
Total Assets							45,345,367
Segment liabilities	1,413,926	1,268,309	23,858,845	249,373	427,654	-	27,218,017
Unallocated liabilities							6,558,921
							33,777,028
Other segment items							
Capital expenditure	107,348	358,108	66,190	4,882	74,907	-	611,435
Depreciation	125,622	107,430	46,685	15,248	158,747	-	453,732
Amortisation	465	7,867	-	-	7,670	-	16,002
Restructuring costs	-	58,243	17,995	-	-	-	76,238

2002

	Food Trading $'000	Retail & Trading $'000	Financial Services $'000	Maritime $'000	Information $'000	Elimination $'000	Group $'000
REVENUE							
External sales	8,814,354	5,585,432	3,493,181	269,080	1,498,546	-	19,660,593
Inter-segment sales	470,526	2,908	68,823	18,221	200,089	(760,567)	-
Total Revenue	9,284,880	5,588,340	3,562,004	287,301	1,698,635	(760,567)	19,660,593
Segment result							
Profit from operations	122,220	139,135	562,859	64,954	403,141	227,998	1,520,308
Finance income - net	161,600	13,304	126,452	(7,787)	38,414	43,881	349,256
Share of results of associates before tax	84,164	2,718	-	87,592	2,659	-	177,133
Profit before tax	367,984	128,549	689,311	144,759	444,214	271,879	2,046,696
Income tax expense							(410,125)
Profit from ordinary activities after tax							1,636,571
Minority interest							(33,306)
Net profit							1,603,265
Segment assets	2,603,909	1,503,377	21,261,347	358,216	665,575	-	26,392,424
Investment in associates	219,334	(10,568)	-	1,293,899	53,301	-	1,555,966
Unallocated							

assets							8,216,313
Total assets							36,164,703
Segment liabilities	1,738,795	645,403	18,579,204	248,312	661,438		21,873,152
Unallocated liabilities							4,825,073
							26,698,225
Other segment items							
Capital expenditure	195,143	113,060	39,904	3,284	188,287	-	539,678
Depreciation	111,180	67,915	38,181	16,090	128,001	-	361,367
Amortisation	-	1,383	-	-	5,767	-	7,150

Secondary reporting format - geographical segments

At 31 December 2003, the Group is organised on a global basis into three main geographical areas.

Jamaica is the home country of the parent company, which is also the main operating company. All principal activities operate in this area.

The Caribbean - mainly food trading, insurance services and money transfer.

Europe, Central & North America - mainly food trading.

	Sales		Total assets		Capital expenditure	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Jamaica	20,061,718	15,913,440	34,169,684	25,790,008	585,497	501,427
The Caribbean	1,589,829	1,011,048	364,596	437,165	22,526	15,172
Europe, Central & North America	3,113,954	2,736,105	256,224	165,251	3,412	23,079
	24,765,501	19,660,593	34,790,504	26,392,424	611,435	539,678

Associates	1,614,553	1,555,966
Unallocated assets	8,940,310	8,216,313
Total assets	45,345,367	36,164,703

22. Revenues

	2003 $'000	2002 $'000
Sales of products and services	19,733,164	16,425,881
Interest and other financial services income	5,032,337	3,234,712
	24,765,501	19,660,593

23. Expenses

	2003 $'000	2002 $'000
Cost of products and services sold	14,773,647	11,305,546
Interest expense and other financial services expenses	3,552,502	2,411,453
Selling, general and administrative expenses	4,453,060	4,664,509
	22,779,209	18,381,508

24. Operating Income

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

	2003 $'000	2002 $'000
Depreciation	453,732	361,367
Directors' emoluments (Note 37)	92,210	70,504
Auditors' remuneration	36,551	26,947
Staff costs (Note 25)	2,422,416	1,869,690
Repairs and maintenance expenditure	191,909	132,035
Lease rental charges	90,341	67,375

25. Staff Costs

	2003 $'000	2002 $'000
Wages and salaries	2,214,566	1,646,373
Pension	(443,400)	(267,877)
Other post-retirement benefits	126,407	124,159
Other	524,843	367,035
	2,422,416	1,869,690

The Group employed 1,821 persons full-time at the end of the year (2002 - 1,880).

26. Other Income

	2003 $'000	2002 $'000
Investment income - non-banking services	528,504	612,879
Loss on sale of fixed assets	(1,349)	(2,895)
Interest expense - non-banking services	(321,884)	(263,623)
Other, net	366,376	244,117
	571,647	590,478

27. Taxation

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

	2003 $'000	2002 $'000
Income tax at 33 1/3%	342,914	334,278
Deferred tax (Note 8)	241,692	35,106
	584,606	369,384
Associated companies	43,106	40,741
	627,712	410,125

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the company as follows:

	2003 $'000	2002 $'000
Profit before tax	2,668,230	2,046,696

Tax calculated at a tax rate of 331/3%	889,410	682,232
Effect of different tax rates in other countries	(73,208)	64,451
Income not subject to tax	(318,543)	(156,595)
Expenses not deductible for tax purposes	164,988	3,755
Adjustment to prior year provision	66,009	(12,133)
Tax credit on bonus shares issued	(59,666)	(59,874)
Utilisation of previously unrecognised tax losses	(31,518)	(82,276)
Other	(9,760)	(29,435)
Tax expense	627,712	410,125

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

Dealt with as follows in the financial statements of:

	2003 $'000	2002 $'000
The company	780,309	310,832
The subsidiaries	1,132,697	1,156,041
The associated companies	67,185	136,392
	1,980,191	1,603,265

29. Dividends

	2003 $'000	2002 $'000
Paid,		
Interim - 65 cents per stock unit (2002 - 62 cents)	210,146	166,605

30. Earnings Per Stock Unit

Basic earnings per share is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary shares in issue during the year.

	2003	2002

Net profit attributable to stockholders ($'000)	1,980,191	1,603,265
Weighted average number of stock units in issue ('000)	323,150	321,705
Basic earnings per stock unit ($)	6.12	4.98

The diluted earnings per share is calculated adjusting the weighted average number of ordinary stock units outstanding to assume conversion of all dilutive potential ordinary stock units:

(a) 7,827,792 ordinary stock units for the full year in respect of the Stock Option Plan for directors (Note 16), and

(b) 5,999,931 ordinary stock units for four months in respect of the Stock Option Plan for managers (Note 16).

	2003	2002
Net profit attributable to stockholders ($'000)	1,980,191	1,603,265
Weighted average number of stock units in issue ('000)	329,437	324,920
Diluted earnings per stock unit ($)	6.01	4.93

31. Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	2003 $'000	2002 $'000
Net profit	1,980,191	1,603,265
Items not affecting cash:		
Depreciation	453,732	356,513
Goodwill amortised	16,002	7,150
Loss on disposal of fixed assets	1,349	2,895
Profit on disposal of investments	(2,678)	-
Minority interest in results of the year	60,327	33,306
Exchange loss on foreign balances	65,069	42,602
Interest income	(528,504)	(612,879)
Interest expense	321,884	263,623
Taxation expense	627,712	410,125
Unremitted equity income in associated companies	(24,998)	(52,895)
	2,970,086	2,053,705

Changes in non-cash working capital components:		
Inventories	(1,040,396)	(69,961)
Receivables	(1,441,948)	(737,386)
Payables	503,545	1,329,426
Pension plan surplus	(471,805)	(336,704)
Employee benefit obligations	73,016	64,825
Translation gains	447,597	106,624
	1,040,095	2,410,529
Taxation paid	(557,619)	(257,500)
Cash provided by operating activities	482,476	2,153,029

32. Financial Risk Management

The Group's activities expose it to a variety of financial risks including the effects of changes in debt and equity market prices, foreign currency exchange rates, interest rates and liquidity risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Risk management is carried out by a central treasury function which identifies, evaluates and manages financial risks in close co-operation with the Group's operating business units. The Board of Directors sets guidelines for overall risk management including specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity.

(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 2003 includes aggregate net foreign liabilities for local Group companies of approximately US$14,954,000 (2002 - US$14,874,000) 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 2003.

(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 takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Asset and Liability Committees of the banking subsidiaries sets limits on the level of mismatch of interest rate repricing that may be undertaken.

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 and insurance 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 and insurance 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.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the banking subsidiaries. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

33. Fair Values of Financial Instruments

The amounts included in the financial statements for cash and cash equivalents, receivables, payables, bank, short term loans, securities sold under agreements to repurchase 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:

	2003		2002	
	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Financial assets				
Investments	24,851,951	24,476,211	20,448,635	20,361,107
Long term receivables	1,377,167	1,377,171	1,137,511	1,107,043
Financial liabilities				
Long term liabilities (including current portion)	1,529,689	1,398,690	747,528	621,968

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. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer.

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 reflect the Group's contractual obligations and are carried at amortised cost, which is deemed to approximate the fair value of these liabilities because these liabilities are subject to such terms and conditions as are available in the market for similar transactions.

34. Commitments

(a) Future lease payments under operating leases at 31 December 2003 were as follows:

		$'000
In financial year	2004	58,880
	2005	51,229
	2006	51,711
	2007 and beyond	123,553

(b) At 31 December 2003, the Group had $9.4 million (2002 - Nil) in authorised capital expenditure for which it had established contracts.

35. Summary of Banking Subsidiaries

Summary of assets and liabilities

	2003 $'000	2002 $'000
Assets		
Cash resources	566,101	490,560
Investments and loans	13,005,51	11,720,490
Acceptances, guarantees, indemnities and credits	283,698	193,857
Securities purchased under agreement to resell	580,587	4,725,133
Cheques in the course of collection	287,334	210,113
Other assets	697,860	795,920
Liabilities		
Deposits	3,639,155	2,399,615
Securities sold under agreement to repurchase	9,601,426	14,020,969
Liability on acceptances, guarantees, indemnities and credit	283,698	193,857
Other liabilities	671,875	644,350
Equity and reserves	1,224,943	877,282

The banking subsidiaries are potentially liable under acceptances in respect of guarantees, commitments and letters of credit, which are reported as liabilities in their balance sheets. The subsidiaries have equal and offsetting claims against customers in the event of a call on these commitments, which are reported as assets. These amounts are not included in the consolidated balance sheet for the Group.

36. 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's 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.

37. Business Combinations

Acquisition

Effective 1 October 2003 the Group acquired 67% of the share capital of Hardware & Lumber Limited. As part of the consideration two wholly-owned subsidiaries Agro-Grace Limited and Rapid & Sheffield Limited were transferred to the Hardware & Lumber Group. The acquired businesses contributed revenues of $1,251,597,000 and operating profit of $55,784,000 to the Group for the period from 1 October 2003 to 31 December 2003 and its assets and liabilities at 31 December 2003 were respectively $1,792,845,000 and $1,187,494,000.

Details of net assets acquired and goodwill are as follows:

	$'000
Purchase consideration -	
Cash paid	188,165
Fair value of shares acquired for subsidiaries transferred	232,632
Total purchase consideration	420,797
Fair value of net assets acquired	217,650
Goodwill (Note 4)	203,147

Other than for land and buildings, the fair value of the net assets approximated the book value of the net assets acquired, and no plant closure provisions were established. Other restructuring provisions for redundancies were established in the acquired subsidiary at year end (Note 14).

The assets and liabilities arising from the acquisition are as follows:

	$'000
Cash and cash equivalents	666
Fixed assets (Note 3)	155,542
Pension plan surplus (Note 9)	5,998
Other current assets	589,917
Bank overdraft	(128,192)
Other current liabilities	(273,670)
Employee benefit obligations (Note 9)	(9,817)
Borrowings	(344)
Net deferred tax liabilities (Note 8)	(15,249)
Total fair value of net assets in subsidiary	324,851
Minority interest	(107,201)
Group's portion of fair value of net assets in subsidiary (67%)	217,650
Cash outflow on acquisition -	
Cash paid	(188,165)
Cash and cash equivalents in subsidiaries acquired	(127,526)
	(315,691)

There were no acquisitions in the year ended 31 December 2002.

38. Related Party Transactions and Balances

The following transactions were carried out with associated companies:

(a) Sales of goods and services	2003 $'000	2002 $'000
Sales of goods -		
Dairy Industries Limited	3,683	13,350
Kingston Wharves Group	-	836
Carib Star Shipping Limited	-	3
	3,683	14,189
Sales of services -		
Dairy Industries Limited	10,129	8,012
Kingston Wharves Group	22,311	164,345
Carib Star Shipping Limited	1,251	3,206
Acra Financial Services Limited	-	183

	33,691	175,746

The above transactions were carried out in the normal course of business.

(b) Purchases of goods and services

	2003 $'000	2002 $'000
Purchases of goods -		
Dairy Industries Limited	925,849	729,787
Purchases of services -		
Dairy Industries Limited	9,152	7,813
Kingston Wharves Group	38,302	50,462
Carib Star Shipping Limited	5,101	4,350
	52,555	62,625

The above transactions were carried out in the normal course of business.

(c) Year-end balances arising from sales/purchases of goods and services

	2003 $'000	2002 $'000
Receivable from associates	35,605	42,173
Payable to associates	106,573	194,576

(d) Loans from related parties
Loan from Challenge Enterprise Limited:

	2003 $'000	2002 $'000
At beginning of year	28,827	28,827
Addition	3,061	-
At end of year	31,888	28,827

The loan from Challenge was provided interest free, and there is no specified repayment date.

(e) Directors' remuneration

In 2003 the total remuneration of the directors was $92.2 million (2002: $70.5 million).

	2003 $'000	2002 $'000
Directors' emoluments -		
Fees	6,670	3,497
Other (included in staff costs)	76,732	55,060
Pensions	8,808	11,947
	92,210	70,504

(f) Loans to associates

	2003 $'000	2002 $'000
At beginning of year	21,384	23,580
Loans advanced during year	-	-
Loan repayments received	(2,844)	(2,196)
At end of year (Note 7)	18,540	21,384

The loans to associates were given in the normal course of business, with the exception of the loan to Challenge Enterprises Limited, which does not attract interest and does not have a specific repayment date. The related interest income was $1,166,000 (2002 - $1,952,000). The other loans are due in 2004 and carry interest at 26%. No provision was required in 2003 and 2002 for loans made to associated undertakings.

(g) Share options granted to directors
The aggregate number of share options granted to the directors of the company during 2003 was nil (2002 - 7,887,792). The outstanding number of share options granted to the directors of the company at the end of the year was 7,827,792 (7,887,792 at the end of 2002).

39. Effects of Transition to IFRSs

Reconciliation of Equity at 1 January 2001

Group		Company	
Previous Jamaican	Effect of Transition	Previous Jamaican	Effect of Transition

	Note	GAAP $'000	to IFRSs $'000	IFRSs $'000	GAAP $'000	to IFRSs $'000	IFRSs $'000
Non-Current Assets							
Fixed assets	a)	1,947,667	(145,820)	1,801,847	142,737	7,501	150,238
Investments	b)	2,628,368	60,325	2,688,693	2,291,281	(1,440,921)	850,360
Long term receivables	c)	183,512	4,067	187,579	157,941	-	157,941
Deferred tax assets	d)	-	385,371	385,371	-	119,746	119,746
Pension plan surplus	e)	-	3,088,532	3,088,532	-	2,274,902	2,274,902
		4,759,547	3,392,475	8,152,022	2,591,959	961,228	3,553,187
Current Assets							
Inventories		1,485,668	-	1,485,668	443,877	-	443,877
Receivables	f)	2,329,372	537,492	2,866,864	677,790	-	677,790
Long term receivables - Current portion		343,238	-	343,238	12,478	-	12,478
Taxation recoverable		302,307	-	302,307	242,513	-	242,513
Cash and short-term	f)	6,162,953	9,170,200	15,333,153	2,116,581	-	2,116,581
		10,623,538	9,707,692	20,331,230	3,493,239	-	3,493,239
Current Liabilities							
Payables	f),g)	3,933,968	137,848	4,071,816	1,309,320	(30,000)	1,279,320
Bank and short term loans		1,464,829	-	1,464,829	1,025,756	-	1,025,756
Long term liabilities - Current portion		94,391	-	94,391	40,771	-	40,771
Deposits		927,530	-	927,530	-	-	-
Securities sold under agreements to repurchase	f)	1,582,497	9,536,436	11,118,933	-	-	-
Taxation payable		189,149	-	189,149	-	-	-
Subsidiaries		-	-	-	822,776	-	822,776
		8,192,364	9,674,284	17,866,648	3,198,623	(30,000)	3,168,623
Net current assets		2,431,174	33,408	2,464,582	294,616	30,000	324,616
		7,190,721	3,425,883	10,616,604	2,886,575	991,228	3,877,803

Reconciliation of Equity at 1 January 2001

	Group		Company	
	Previous Jamaican	Effect of Transition	Previous Jamaican	Effect of Transition

	Note	GAAP $'000	to IFRSs $'000	IFRSs $'000	GAAP $'000	to IFRSs $'000	IFRSs $'000
Equity							
Share capital		266,887	-	266,887	266,887	-	266,887
Capital reserve	a),b),d)	2,779,571	(150,875)	2,628,696	1,503,546	(1,434,106)	69,440
Reserve fund		106,659	-	106,659	-	-	-
Retained earnings	a), c),d),e), f),g)	2,712,458	1,459,740	4,172,198	541,739	1,277,722	1,819,461
Translation gains		568,312	(7)	568,305	-	-	-
		6,433,887	1,308,858	7,742,745	2,312,172	(156,384)	2,155,788
Non-Current Liabilities							
Minority interest		175,030	58,745	233,775	-	-	-
Long term liabilities		581,804	-	581,804	574,403	-	574,403
Deferred tax liabilities	d)	-	1,357,030	1,357,030	-	821,393	821,393
Retirement benefit	e)	-	701,250	701,250	-	326,219	326,219
		7,190,721	3,425,883	10,616,604	2,886,575	991,228	3,877,803

Reconciliation of Equity at 31 December 2002

		The Group			The Company		
	Note	Previous Jamaican GAAP $'000	Effect of Transition to IFRS $'000	IFRSs $'000	Previous Jamaican GAAP $'000	Effect of Transition to IFRSs $'000	IFRS $'000
Non-Current Assets							
Fixed assets	a)	2,076,970	(146,091)	1,930,879	139,557	8,003	147,560
Goodwill		46,291	-	46,291	-	-	-
Investments	b)	2,937,359	173,513	3,110,872	2,645,996	(1,850,085)	795,911
Long term receivables	c)	514,827	11,418	526,245	161,182	-	161,182
Deferred tax assets	d)	-	422,811	422,811	-	132,924	132,924
Pension plan surplus	e)	-	3,425,236	3,425,236	-	2,548,517	2,548,517
		5,575,447	3,886,887	9,462,334	2,946,735	839,359	3,786,094

Reconciliation of Equity at 31 December 2002

		Group			Company		
		Previous Jamaican GAAP $'000	Effect of Transition to IFRSs $'000	IFRSs $'000	Previous Jamaican GAAP $'000	Effect of Transition to 1FRSs $'000	IFRSs $'000
Current Assets							
Inventories		1,555,629	-	1,555,629	268,895	-	268,895
Receivables	f)	2,705,833	627,530	3,333,363	598,237	-	598,237
Long term receivables - Current portion		611,266	-	611,266	18,465	-	18,465
Taxation recoverable		291,791	-	291,791	190,237	-	190,237
Cash and short-term	f)	11,222,219	9,688,102	20,910,321	2,474,692	27,934	2,502,626
		16,386,738	10,315,632	26,702,370	3,550,526	27,934	3,578,460
Current Liabilities							
Payables	f),g)	4,900,889	594,645	5,495,534	1,198,343	(30,000)	1,168,343
Bank and short term loans		1,254,117	-	1,254,117	889,362	-	889,362
Long term liabilities - Current portion		133,530	-	133,530	62,751	-	62,751
Deposits		2,140,778	-	2,140,778	-	-	-
Securities sold under agreements to repurchase	f)	4,686,491	9,621,806	14,308,297	-	-	-
Taxation payable		229,215	-	229,215	-	-	-
Subsidiaries		-	-	-	1,147,181	-	1,147,181
		13,345,020	10,216,451	23,561,471	3,297,637	(30,000)	3,267,637
Net current assets		3,041,718	99,181	3,140,899	252,889	57,934	310,823
		8,617,165	3,986,068	12,603,233	3,199,624	897,293	4,096,917

Reconciliation of profit for the year ended 31 December 2002

		Group			Company		
	Note	Previous Jamaican GAAP $'000	Effect of Transition to IFRSs $'000	IFRSs $'000	Previous Jamaican GAAP $'000	Effect of Transition to IFRSs $'000	IFRSs $'000
Equity							
Share capital		323,075	-	323,075	323,075		323,075
Capital reserve	a),b),d)	3,239,828	(3,026)	3,236,802	1,960,364	(1,824,059)	136,305
Reserve fund	a)	321,936	-	321,936	-	-	-
Retained earnings	c),d),e), f), g)	3,263,261	1,636,410	4,899,671	447,770	1,462,073	1,909,843
Translation gains		684,763	231	684,994	-	-	-
		7,832,863	1,633,615	9,466,478	2,731,209	(361,986)	2,369,223
Non-Current Liabilities							
Minority interest		170,304	57,472	227,776	-	-	
Long term liabilities		613,998	-	613,998	468,415	-	468,415
Deferred tax liabilities	d)	-	1,528,906	1,528,906	-	923,735	923,735
Retirement benefit	e)	-	766,075	766,075	-	335,544	335,544
		8,617,165	3,986,068	12,603,233	3,199,624	897,293	4,096,917

Reconciliation of profit for the year ended 31 December 2002

		The Group			The Company		
	Note	Previous Jamaican GAAP $'000	Effect of Transition to IFRSs $'000	IFRSs $'000	Previous Jamaican GAAP $'000	Effect of Transition to IFRSs $'000	IFRSs $'000
Revenue	c),f)	18,309,534	1,351,059	19,660,593	5,387,115	-	5,387,115

Expenses	a),e)	(17,314,533)	(1,066,975)	(18,381,508)	(5,814,185)	264,238	(5,549,947)
Operating Income/(expense)		995,001	284,084	1,279,085	(427,070)	264,238	(162,832)
Other income		590,865	(387)	590,478	557,869	5,319	563,188
Share of results of associated companies	d),e)	166,383	10,750	177,133	-	-	-
Exceptional items		(2,503)	2,503	-	5,319	(5,319)	-
Profit before Taxation		1,749,746	296,950	2,046,696	136,118	264,238	400,356
Taxation	d)	(295,924)	(114,201)	(410,125)	(9,637)	(79,887)	(89,524)
Profit after taxation		1,453,822	182,749	1,636,571	126,481	184,351	310,832
Minority interest in results of subsidiaries	d),e)	(34,579)	1,273	(33,306)	-	-	-
Net profit attributable to the stockholders		1,419,243	184,022	1,603,265	126,481	184,351	310,832

Group and Company

(a) Revaluation surplus is recognised under IFRS based on open market value, but was previously recognised under Jamaican GAAP based on depreciated replacement costs (Note 3).

(b) Financial assets are classified as originated debts and available-for-sale securities under IFRS. Premiums and discounts on acquisition of investment securities were amortised on a straight-line basis over the lives of the securities under previous Jamaican GAAP. Under IFRS, premiums/discounts are amortised using the effective yield method. Under previous Jamaican GAAP, the company and the Group measured all investment securities at the lower of cost and market value. Under IFRS, available for sale securities are measured at fair value while Originated debts are carried at amortised cost. The unrealised gains/losses as a result of the re-measurement of the available-for-sale securities to fair value are recognised in the fair value reserves included in capital reserves (Note 17).

(c) A loan loss reserve was established for the banking subsidiaries to represent the difference in the loan loss provision between IAS 39 requirements and the Bank of Jamaica regulatory requirements loan loss provision.

(d) Provision for deferred tax, which was not recognised under previous Jamaican GAAP, is now made in full using the liability method. Deferred tax was recognised as a result of the re-measurement of available-for-sale securities, pension and post retirement benefits, accelerated depreciation, tax losses, unrealised foreign exchange gains/losses and

interest receivable and payable.

(e) Provision for pension assets and obligations, which was not required under previous Jamaican GAAP, is now made in full. The provision for pension benefits and obligations is determined by independent actuaries using the Projected Unit Credit Method.

(f) Funds under management by the banking subsidiaries which were previously recorded as off-balance sheet under Jamaican GAAP, are now recognised in full. The related assets and liabilities were recognised in the financial statements as part of these subsidiaries' results.

(g) Provisions previously recognised under Jamaican GAAP, which are not allowable under IFRS, were reversed.

40. Post Balance Sheet Event

On January 21, 2004 the Group disposed of its approximately 44% shareholding in its associated company Kingston Wharves Limited to National Commercial Bank Jamaica Limited. The transaction was completed across the Jamaica Stock Exchange floor at a price of $1.30 per share.