

# Grace, Kennedy & Co., Ltd.

## Unaudited Results for the period ended

31 March 2003

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**The Directors are pleased to present the unaudited results of the Group for the quarter ended 31 March 2003.**

The Group achieved Revenues of \$5,250.1 million (2002:\$4,547.3 million), an increase of \$702.8 million or 15.5%. The Net Profit Attributable to Stockholders increased by \$45.7 million over the corresponding period of 2002, moving from \$289.8 million to \$335.5 million, an increase of 15.8%. This represents earning per stock unit of \$1.04 (2002:\$0.90)

The devaluation of the Jamaican dollar has had both positive and negative effects on companies within the group. The operations and structure of the group are now substantially different than that of the last decade, and have put us in a stronger position to weather periods of currency movement similar to the one that we are now experiencing. The group is, overall, in an increasingly strong surplus position in foreign exchange. Furthermore, the individual business units are demonstrating greater sustainable competitive advantage, which is manifested in the group's growing value. As a tangible demonstration of this effect, Grace, Kennedy's market capitalisation at the end of March 2003 was US\$243.7 million, at an exchange rate of J\$56.08 = US\$1.00, compared to US\$32.5 million at the end of 1995 when the exchange rate was J\$39.80 US\$1.00.

The Food Trading Division continues to impact positively on the Group's profits with all the companies within the division showing very good results for the first quarter. Grace Foods & Services Company has commenced the production of the Capri Sun range of juice drinks under licence from Wild GmbH of Germany for sale

throughout the Caribbean region and selected countries in Latin America. Grace Tropical Rhythms and Grace Coconut Water have been receiving increased acceptance within our targetmarkets overseas and Grace Zesti carbonated fruit juice drinks have been successfully launched in Jamaica

The Retail & Trading Division showed improvement in revenues when compared to the previous year. As the Division continues its expansion drive, Hi-Lo Food Stores (Jamaica) Limited purchased Home Town Supermarket in Montego Bay which has been renamed Hi-Lo Basix. A contract for a new information system for the division has been signed and is estimated to cost approximately US\$2.4 million.

The Financial Services Division continues to show substantial increases in both revenue and profits. Our banks, First Global Bank Limited and George & Branday Limited, continue to display record growth both in respect of assets under management, and of profitability. The Trinidad & Tobago Securities & Exchange Commission has given its approval for the Grace Caribbean Fixed Income Fund to be distributed in Trinidad. The official launch of the fund will take place at the end of the second quarter. Jamaica International Insurance Company Limited, our general insurance company, had an exceptional quarter producing revenues and profits above expectations.

The financial results for the Maritime Division were mixed. The performance of Kingston Wharves Limited was affected by legal expenses incurred in defending in Court the action brought by three independent stevedores against the company. Additional exceptional expenses were incurred in preparing for the Extraordinary General Meeting, which was requested by some shareholders and subsequently postponed. The trial arising from the stevedoring litigation concluded on 13 March 2003 with the Judge reserving judgement for a later date.

Our shipping agencies and our stevedoring company Port Services Ltd. were all profitable for the quarter, with Port Services Ltd. reporting a particularly commendable performance.

The Information Services Division had good results for the first quarter with increases between 7% and 19% in the money transfer transactions across its locations in the Caribbean. The major investment in our proprietary Navigator software is beginning to show benefits in terms of productivity improvement for our staff and our agency network.

Our Annual Group Business Conference was held on 11 January 2003 at the Jamaica Conference Centre for a total of about 340 members of the management team and specialist staff. The theme for this year is "Satisfying the unmet Needs of Caribbean People, Wherever We Live". The main focus of the conference was setting out a road map to achieve the 2020 Vision that we have set for ourselves to become a global consumer group.

At an investor and media briefing held on 26 March 2003, a forecast was given of a 12% increase in 2003 profits after tax attributable to shareholders compared to 2002. This forecast will be reviewed after the release of our mid-year results.

The University of Technology publicly recognised the Grace, Kennedy Foundation for its ongoing support of the University's Scholarship Programme since 1987. The presentation was made as part of the University's 45 th Anniversary celebrations.

The City of Kingston recently celebrated its 200th anniversary and in commemoration of this, Grace, Kennedy has commenced the mounting of a series of mini-exhibitions at our Harbour Street headquarters. The series is based on the theme "Kingston - Our Capital City, Our Harbour" and was officially opened on Wednesday, 26 March by the Governor General, His Excellency, Sir Howard Cooke. The series presents historical highlights through photographs, artefacts and brief texts on the city's growth and development since its establishment 200 years ago.

I wish to extend my heartfelt thanks to all those persons who continue to be instrumental in the growth of Grace, Kennedy & Company Limited - the consumers, customers, suppliers and other stakeholders who remain loyal and supportive, and the directors, management and staff whose dedication and commitment make it possible for the company to thrive in the current circumstances that surround us.

**Douglas R. Orane**  
**Chairman & Chief Executive Officer**  
**7 May 2003**

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**GROUP PROFIT AND LOSS ACCOUNT**

	<b>3 months to 31/03/2003 \$'000</b>	<b>3 months to 31/03/2002 \$'000</b>
<b>Revenues</b>	5,250,142	4,547,258
Expenses	<u>4,976,099</u>	<u>4,322,262</u>
<b>Operating Income</b>	274,043	224,996
Other Income	152,900	121,054
Share of results of associated companies	70,388	80,605
Exceptional items	<u>-</u>	<u>(5,721)</u>
<b>Profit before Taxation</b>	497,331	420,934
Taxation	<u>149,199</u>	<u>122,070</u>
<b>Profit after Taxation</b>	348,132	298,864
Minority interest in results of subsidiaries	<u>12,656</u>	<u>9,077</u>
<b>Net Profit Attributable to the Stockholders</b>	335,476	289,787
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Earnings per stock unit of \$1.00	\$1.04	\$0.90***
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\*\*\*Adjusted to reflect issue of New and Bonus Shares

**GROUP BALANCE SHEET**

	<b>March 2003 \$'000</b>	<b>December 2002 \$'000</b>	<b>March 2002 \$'000</b>
<b>NET ASSETS EMPLOYED</b>			
FIXED ASSETS	2,023,533	2,076,970	1,933,535
GOODWILL	43,611	46,291	-
INVESTMENTS	3,253,186	2,937,359	2,567,119
LONG TERM RECEIVABLES	576,167	514,827	182,875
<b>CURRENT ASSETS:</b>			
Inventories	1,553,543	1,555,629	1,341,243
Receivables	3,508,966	2,705,833	2,786,538
Long term receivables - current portion	794,041	611,266	354,353
Taxation recoverable	288,378	291,791	235,947
Cash and short term investments	11,780,002	11,222,219	6,784,646
	<u>17,924,930</u>	<u>16,386,738</u>	<u>11,502,727</u>
<b>CURRENT LIABILITIES:</b>			
Payables	3,884,050	4,900,889	4,284,660
Bank and short term loans	2,394,190	1,254,117	1,042,506
Long term liabilities - current portion	139,222	133,530	76,092
Deposits	2,387,303	2,140,778	1,202,984
Securities sold under agreement to repurchase	5,512,521	4,686,491	1,864,217
Taxation	264,455	229,215	260,453
	<u>14,581,741</u>	<u>13,345,020</u>	<u>8,730,912</u>
<b>NET CURRENT ASSETS</b>	<u>3,343,189</u>	<u>3,041,718</u>	<u>2,771,815</u>
	<u>9,239,686</u>	<u>8,617,165</u>	<u>7,455,344</u>

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**FINANCED BY**

SHARE CAPITAL			323,075	323,075	266,929
CAPITAL RESERVE			3,242,677	3,239,828	2,782,504
RESERVE FUND			321,936	321,936	106,659
RETAINED EARNINGS			3,595,888	3,263,261	2,999,681
TRANSLATION GAINS			908,751	684,763	582,740
			<u>8,392,327</u>	<u>7,832,863</u>	<u>6,738,513</u>
MINORITY INTEREST			185,329	170,304	159,828
LONG TERM LIABILITIES			<u>662,030</u>	<u>613,998</u>	<u>557,003</u>
9,239,686	8,617,165	7,455,344			
			9,239,686	8,617,165	7,455,344

**ON BEHALF OF THE BOARD**

D. R.Orane                      D.G. Wehby  
Chairman                      Chief Financial Officer

**STATEMENT OF CHANGES IN EQUITY**

	Share Capital \$'000	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Other Reserves \$'000	Total \$'000
<b>Balance at 1 January</b>	266,887	266,887	2,779,571	2,712,458	674,971	6,433,887
Net g/(I) not in P&L :						
FC translation adjustments					14,428	14,428
Revaluation Gain						-
Net excess of investments						-
Total	-	-	-	-	14,428	14,428
Net profit				289,787		289,787

Issue of Bonus shares						-
Issue of shares at a premium	42	42	369			411
Transfers between reserves			2,564	(2,564)		-
Dividends to stockholders						-
Withholding tax						-
<b>Balance at 31 March 2002</b>	<u>266,929</u>	<u>266,929</u>	<u>2,782,504</u>	<u>2,999,681</u>	<u>689,399</u>	<u>6,738,513</u>
Balance at 1 January 2003	323,075	323,075	3,239,828	3,263,261	1,006,699	7,832,863
Net g/(I) not in P&L:						
FC translation adjustments					223,988	223,988
Revaluation Gain						-
Net excess of investments						-
Total	-	-	-	-	223,988	223,988
Net profit				335,476		335,476
Issue of Bonus shares						-
Issue of shares at a premium						-
Transfers between reserves				2,849	(2,849)	-
Movement on goodwill for consolidation						-
Dividends to stockholders						-
Withholding tax						-
<b>Balance at 31 March 2003</b>	<u>323,075</u>	<u>323,075</u>	<u>3,242,677</u>	<u>3,595,888</u>	<u>1,230,687</u>	<u>8,392,327</u>

**GROUP STATEMENT OF CASH FLOWS**

	<u>31/03/2003</u>	<u>31/03/2002</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>SOURCES/ (USES) OF CASH:</b>		
<b>Operating Activities</b>		
Net profit	335,476	289,787
Items not affecting cash	<u>15,200</u>	<u>37,245</u>
	350,676	327,032
Changes in non-cash working capital components	(1,559,570)	189,743
Cash provided by operating activities	(1,208,894)	516,775
Cash provided by financing activities	801	196,042
Cash provided by/(used) in investing activities	<u>(604,938)</u>	<u>(470,586)</u>
Increase/(Decrease) in cash and cash equivalents	(1,813,031)	242,231
Cash and cash equivalents at beginning of year	4,886,147	1,345,150
Exchange and translation gains on net foreign cash balances	<u>110,738</u>	<u>1,095</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>3,183,854</u>	<u>1,588,476</u>
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**Notes**

**1 Accounting Policies**

The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2002.

**2 Cash and short term investments**

	<b>Mar. 31,</b>	<b>Dec. 31,</b>
	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
First Global Bank	<u>5,370,355</u>	<u>5,195,176</u>
George & Branday Ltd.	1,917,421	1,462,778
Other group companies	<u>4,492,226</u>	<u>4,564,265</u>



11,780,002  
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11,222,219  
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