

Grace, Kennedy & Company Limited

Unaudited Results For quarter ended

30 September 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	3 months to 30/09/2003 \$'000	9 months to 30/09/2003 \$'000	3 months to 30/09/2002 \$'000	9 months to 30/09/2002 \$'000
Revenue	5,854,664	16,499,283	4,457,011	13,504,954
Expenses	<u>5,425,145</u>	<u>15,388,521</u>	<u>4,230,977</u>	<u>12,751,927</u>
Operating Income	429,519	1,110,762	226,034	753,027
Other Income	110,455	339,555	142,401	410,490
Share of results of associated companies	(4,292)	84,313	17,227	112,105
Exceptional items	<u>10,077</u>	<u>10,077</u>	<u>9,960</u>	<u>3,990</u>
Profit before Taxation	545,759	1,544,707	395,622	1,279,612
Taxation	<u>157,807</u>	<u>432,518</u>	<u>101,637</u>	<u>357,178</u>

Profit after Taxation	387,952	1,112,189	293,985	922,434
Minority interest in results of subsidiaries	<u>15,696</u>	<u>45,567</u>	<u>9,443</u>	<u>26,809</u>
Net Profit Attributable to the Stockholders of Grace, Kennedy & Company Limited	<u>372,256</u>	<u>1,066,622</u>	<u>284,542</u>	<u>895,625</u>
Earnings per Stock Unit of \$1.00	<u>1.15</u>	<u>3.30</u>	<u>0.88</u>	<u>2.77</u> ***

*** Adjusted to reflect issue of new and bonus shares

Note:

As a result of the adoption of International Financial Reporting Standards, there have been significant changes in the accounting policies followed in these interim financial statements compared with those used in the audited financial statements for the year ended 31 December 2002 which have been restated. Details of these changes are outlined in the accompanying notes.

CONSOLIDATED BALANCE SHEET

	SEPTEMBER 2003 \$'000	DECEMBER 2002* \$'000	SEPTEMBER 2002 \$'000
NET ASSETS EMPLOYED			
Fixed Assets	2,003,867	1,930,878	1,854,273
Goodwill	63,104	46,291	45,755
Investments	3,256,744	2,904,406	2,926,206
Long Term Receivables	710,164	514,827	434,110
Deferred Tax Assets	112,675	112,606	82,919
Pension Plan Surplus	<u>3,246,553</u>	<u>3,246,553</u>	<u>2,900,971</u>
Current Assets:			
Inventories	2,044,703	1,555,629	1,371,147
Receivables	4,403,539	3,072,450	3,452,500
Long term receivables - current portion	915,512	611,266	781,542
Taxation recoverable	232,280	291,791	276,636
Cash and short term investments (note 3)	<u>25,957,581</u>	<u>20,937,751</u>	<u>20,056,426</u>
	<u>33,553,615</u>	<u>26,468,887</u>	<u>25,938,251</u>
Current Liabilities:			
Payables	5,138,066	5,223,597	4,694,924
Bank and short term loans	2,350,740	1,254,117	1,471,338
Long term liabilities - current portion	82,627	133,530	80,299
Deposits	3,557,823	2,140,778	1,785,129
Securities sold under agreement to repurchase	18,158,938	14,308,297	14,728,126
Taxation	<u>322,946</u>	<u>230,256</u>	<u>383,607</u>
	<u>29,611,140</u>	<u>23,290,575</u>	<u>23,143,423</u>
Net Current Assets	<u>3,942,475</u>	<u>3,178,312</u>	<u>2,794,828</u>

	13,335,582	11,933,873	11,039,062
	=====	=====	=====
FINANCED BY			
Share Capital	323,166	323,075	268,321
Capital and Fair Value Reserve	3,339,921	3,093,567	2,712,523
Reserve Fund	321,936	321,936	106,659
Retained Earnings	6,231,355	5,574,313	5,587,314
Translation Gains	1,060,328	684,994	640,452
	<u>11,276,706</u>	<u>9,997,885</u>	<u>9,315,269</u>
Minority Interest	199,949	164,103	171,011
Long Term Liabilities	701,016	613,998	538,667
Deferred Tax Liabilities	375,773	375,749	298,232
Employee Benefit Obligations	782,138	782,138	715,883
	<u>13,335,582</u>	<u>11,933,873</u>	<u>11,039,062</u>

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On behalf of the Board

D. R. Oran
Chairman

D. G. Wehby
Chief Financial Officer

Total	-	-	114,837	-	72,148	186,985
Restated Net profit	-	-	-	895,625	-	895,625
Issue of bonus shares	-	-	-	-	-	-
Issue of shares at a premium	1,434	1,434	14,631	-	-	16,065
Par value of bonus shares received	-	-	-	-	-	-
Transfers between reserves	-	-	7,692	(7,692)	-	-
Dividends	-	-	-	(72,391)	-	(72,391)
Withholding tax	-	-	-	-	-	-
Balance at 30 September 2002	<u>268,321</u>	<u>268,321</u>	<u>2,712,523</u>	<u>5,587,314</u>	<u>747,111</u>	<u>9,315,269</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	No. of Shares \$'000	Share Capital \$'000	Fair Value Reserve \$'000	Capital and Retained Earnings \$'000	Other Reserves \$'000	Total \$'000
Balance at 1 January 2003						
- as previously reported	323,075	323,075	3,239,828	3,263,261	1,006,699	7,832,863
- effect of adopting IFRS						
IAS 12 - Income Taxes	-	-	(111,509)	(189,494)	231	(300,772)
IAS 16 - Property, Plant and Equipment	-	-	(164,636)	6,137	-	(158,499)
IAS 19 - Employee Benefits	-	-	-	2,464,415	-	2,464,415
IAS 37 - Provisions, Contingent Liabilities and Contingent Assets	-	-	-	30,000	-	30,000
IAS 39 - Financial Instruments: Recognition and Measurement	-	-	129,884	(6)	-	129,878
- as restated	323,075	323,075	3,093,567	5,574,313	1,006,930	9,997,885
Net gains/(losses) not recognised in the profit and loss account:						
Foreign currency translation adjustments	-	-	-	-	375,334	375,334

Fair value adjustments	-	-	(67,439)	-	-	(67,439)
Revaluation surplus	-	-	-	-	-	-
Net excess of investments	-	-	(11)	-	-	(11)
Total	-	-	(67,450)	-	375,334	307,884
Net profit	-	-	-	1,066,622	-	1,066,622
Issue of bonus shares	-	-	-	-	-	-
Issue of shares at a premium	91	91	1,157	-	-	1,248
Par value of bonus shares received	-	-	-	-	-	-
Transfers between reserves	-	-	312,647	(312,647)	-	-
Dividends	-	-	-	(96,933)	-	(96,933)
-	-	-	-	-	-	-
Withholding tax	-	-	-	-	-	-
Balance at 30 September 2003	323,166	323,166	3,339,921	6,231,355	1,382,264	11,276,706

CONSOLIDATED STATEMENT OF CASH FLOWS

	30/09/2003 \$'000	30/09/2002 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities		
Net profit	1,066,622	895,625
Items not affecting cash	<u>295,644</u>	<u>212,589</u>
	1,362,266	1,108,214
Changes in non-cash working capital components	<u>(1,375,177)</u>	<u>162,351</u>
Cash (used in)/provided by operating activities	(12,911)	1,270,565
Cash provided by financing activities	759,557	15,313
Cash used in investing activities	<u>(5,348,820)</u>	<u>(730,581)</u>
(Decrease)/Increase in cash and cash equivalents	(4,602,174)	555,297
Cash and cash equivalents at beginning of year	7,162,463	2,003,388
Exchange and translation gains on net foreign cash balances	<u>74,354</u>	<u>12,066</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,634,643</u> =====	<u>2,570,751</u> =====

FINANCIAL INFORMATION BY BUSINESS SEGMENT

9 months to September 2003	Food Trading \$'000	Retail and Trading \$'000	Financial Services \$'000	Maritime \$'000	Information \$'000	Eliminations \$'000	Group \$'000
REVENUE							
External sales	7,341,868	4,962,124	2,292,201	237,983	1,665,107	-	16,499,283
Inter-segment sales	392,157	1,295	258,130	13,561	-	(665,143)	-
Total Revenue	<u>7,734,025</u>	<u>4,963,419</u>	<u>2,550,331</u>	<u>251,544</u>	<u>1,665,107</u>	<u>(665,143)</u>	<u>16,499,283</u>
RESULT							
Segment Result	75,642	143,652	545,178	59,031	416,084	(29,478)	1,210,109
Interest Income (Net)	63,789	(23,081)	136,507	(2,059)	35,574	29,478	240,208
Share of associates	56,379	(77)	(1,393)	25,822	3,582	-	84,313
Exceptional items	10,077	-	-	-	-	-	10,077
Profit before Taxation	<u>205,887</u>	<u>120,494</u>	<u>680,292</u>	<u>82,794</u>	<u>455,240</u>	<u>-</u>	<u>1,544,707</u>
Taxation							<u>(432,518)</u>
Profit after Taxation							1,112,189

Minority Interest	<u>(45,567)</u>
Net Profit	<u>1,066,622</u>

9 months to 30 September 2002	Food Trading \$'000	Retail and Trading \$'000	Financial Services \$'000	Maritime \$'000	Information \$'000	Eliminations \$'000	Group \$'000
REVENUE							
External sales	6,393,482	4,035,955	1,633,091	203,920	1,238,506	-	13,504,954
Inter-segment sales	305,256	1,554	68,626	9,550	2,868	(387,854)	-
Total Revenue	6,698,738	4,037,509	1,701,717	213,470	1,241,374	(387,854)	13,504,954
RESULT							
Segment Result	74,850	93,607	421,853	50,842	293,044	(10,560)	923,636
Interest Income (Net)	126,273	(5,328)	91,164	(5,713)	22,925	10,560	239,881
Share of associates	63,333	(76)	-	48,848	-	-	112,105
Exceptional items	(990)	-	4,980	-	-	-	3,990
Profit before Taxation	263,466	88,203	517,997	93,977	315,969	-	1,279,612
Taxation							<u>(357,178)</u>

Profit after Taxation	922,434
Minority Interest	<u>(26,809)</u>
Net Profit	<u>895,625</u> =====

Notes

1. Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and available-for-sale investment securities.

The Group adopted International Financial Reporting Standards as at 1 January 2003. The financial effect of adopting these standards is reported in the Statement of changes in equity.

(b) Fixed Assets

Freehold land and buildings are initially recorded at cost and subsequently shown at market valuation based on biennial valuations by external independent valuers, less subsequent depreciation of buildings less any impairment losses. Other fixed assets are stated at cost less accumulated depreciation less any impairment losses.

(c) Investments

Investments are classified as originated, held-to-maturity or available-for-sale and are initially recorded at cost. Management at the time of purchase determines an appropriate classification and re-evaluates such designation on a regular basis.

Originated and held-to-maturity investments are subsequently measured at amortized cost.

Available-for-sale investments are subsequently measured at fair value. On adoption of IFRS, any difference between the carrying amount and the fair value of the investments was carried to the Capital & Fair Value Reserve. Gains and losses that arise from a change in the fair value of these investments are recorded in the Capital & Fair Value Reserve.

(d) Employee benefit costs

(i) Pension plan asset

The Group participates in a defined benefit pension plan. The asset in respect of the plan is the fair value of plan assets at the balance sheet date minus the present value of the defined benefit obligation, together with any adjustments for actuarial gains/losses and past services 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 the pension plan are charged or credited to income over the average remaining service lives of the related employees.

(ii) Other employee benefit obligations

The Group provides post-retirement healthcare benefits, gratuity payments and group life benefits to its retirees. The entitlement of these benefits

is usually based on the employee remaining in service up to the 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 of defined benefit pension plans. These obligations are valued annually by independent actuaries.

(e) Deferred taxation

Deferred income tax is provided in full, using the liability method, on all 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 recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(f) Provisions

Provisions are recognized 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.

(g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, and deposits held at call with banks, net of bank and short term loans.

(h) Segment reporting

The Group is organized into five business segments which provide products and services that are subject to risks and returns dissimilar to each other:

- 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; stockbrokerage; 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.

(i) Comparative information

Where necessary, comparative figures have been reclassified and/or restated to conform with changes in presentation in the current year.

2. Banking Subsidiaries

(a) Assets under management

Assets under management, which the banking subsidiaries manage on behalf of investors and retain control of and have a continuing interest in, have been included on the balance sheet.

3. Cash and short term investments

Included in cash and short term investments are amounts which the banking subsidiaries have invested on behalf of clients.

4. Acquisition

The group acquired 45% of the shareholdings of Hardware & Lumber Limited on 9 September 2003. The cost of investment is reflected in the consolidated balance sheet.

INTERIM REPORT TO OUR STOCKHOLDERS

The Directors are pleased to present the unaudited results of the Group for the nine-month period ended 30 September 2003 using International Financial Reporting Standards.

The Group achieved Revenues for the period of \$16,499.3 million (2002: \$13,505.0 million), an increase of \$2,994.3 million or 22.2%. The Net Profit Attributable to Stockholders increased by \$171.0 million over the corresponding period of 2002, moving from \$895.6 million to \$1,066.6 million, an increase of 19.1%. This represents Earnings per Stock Unit of \$3.30 (2002: \$2.77).

The Food Trading Division experienced satisfactory results for the third quarter. The new products that were introduced by Grace Foods & Services Company are Grace Readymeals in cans, Springtime Blue Laundry detergent, a full range of Diet Tropical Rhythms and Tropical Rhythms in a smaller 280 ml glass package. The Grace brand continues to perform very well in the international market place with both sales and profits exceeding the levels achieved in 2002.

Local expansion in the Retail & Trading Division continues with the merger of Rapid & Sheffield Company Limited and Agro-Grace Limited with Hardware & Lumber Limited. This has created the largest wholesaler and retailer of hardware, home improvement and agricultural products in Jamaica. Grace, Kennedy will retain controlling interest in the merged entities as part of the agreement that was signed with Pan Jamaica Investment Trust Limited in September. Hi-Lo Food Stores (Jamaica) Limited has been realigning its portfolio of store locations with the sale of Hi-Lo Basix Tropical Plaza and the opening of Hi-Lo Basix at the University of the West Indies, Mona Campus.

The Financial Services Division showed significant increases in both revenues and profits for the quarter. The merchant bank in Barbados of which we acquired 40% has been renamed Signia Financial Group Limited. The company will be re-launched during the last quarter of 2003. First Global Insurance Limited received its licence to operate as an insurance agent in the Turks & Caicos Islands on 1 October 2003. The customer response has been very strong to the online banking services now being offered by First Global Bank Limited.

During the quarter, Grace, Kennedy & Company Limited agreed not to renew its management contract with Kingston Wharves Limited and its subsidiaries. This has resulted in a change of status of the employees of Harbour Cold Stores Limited and that company incurring a redundancy liability amounting to \$24.5 million which has been accounted for in the third quarter's unaudited results. A new company', Grace, Kennedy Logistics United, was formed and currently represents two of the Maritime Division's major principals. These are Spliethoff of Amsterdam which specializes in shipping general cargo and operates in all major trade lanes around the world, and Trans-Continental Express Shippers out of Queens, New York, which specializes in shipping personal effects.

The Information Services Division's performance surpassed expectations for the third quarter. Bill Express has been launched in Grenada and the Western Union Loyalty Card has been well received by its customers in Jamaica with approximately 70,000 cards now in circulation.

Grace, Kennedy is pleased to announce that Jamaica International Insurance Company Limited, Hi-Lo Food Stores (Jamaica) Limited and Rapid & Sheffield Company Limited have aligned themselves with the Magna Rewards programme which will create a closer bond with their customers. Jamaica is the fourth Caribbean country to have introduced the Magna Rewards programme. Magna Rewards is an electronic card-based loyalty programme designed to reward loyal customers with free bonus points on every purchase. Accumulation of these points will allow a customer to earn a voucher which can be redeemed for purchases made at any of the participating partners.

The Grace, Kennedy Foundation hosted the Foundation's Annual Award ceremony on 26 August 2003 at Grace, Kennedy's head office. A total of 14 students received the Carlton Alexander Bursary awards for the academic year 2003 - 2004. Grace & Staff Community Development Foundation in conjunction with the Group's Management Information Systems Department held a Summer Camp for students residing in the community adjoining our corporate offices.

We have long held the philosophy that it is better for us to take the initiative and help our neighbours in inner city communities through our outreach programmes, rather than to sit by passively. It has been rewarding to see the members of these communities advance themselves to a better individual quality of life and create an environment with greater social stability. We feel the time is appropriate in Jamaica to offer to share our experiences with anyone in the business community who might be interested in building their own bridges of human care and understanding with the communities around them. We believe that this may be one ingredient in helping us to create peace and harmony in our country at this time.

My sincere thanks to all my colleague directors, management and staff of Grace, Kennedy for their

commitment and dedication in keeping on the current path of growth in spite of the uncertainties in our local environment. Thanks to our customers, consumers, suppliers and all stakeholders for their assistance and support, helping us to achieve our objectives.

Douglas R. Orane
Chairman & Chief Executive Officer

30 October 2003
