

Jamaica Producers Group Limited

AUDITED GROUP RESULTS FOR THE YEAR ENDED

DECEMBER 31, 2004

CHAIRMAN'S REPORT

Jamaica Producers Group recorded a net profit of \$426.3 million on revenue of \$22.11 billion for the year ended December 31, 2004. Net profit declined 52.2% and revenue increased 20.1% from the previous year. The profit decline is mainly due to a \$325.6 million gain on sale of investments in 2003 and the effect of Hurricane Ivan in 2004. Our balance sheet remains strong, with shareholders' equity of \$9.16 billion at December 31, 2004 - up 42.0% during the year.

Fresh and Processed Foods

The Fresh and Processed Foods Division produced excellent results in 2004. Pre-tax profit was \$640.4 million, up 118.1% from \$293.6 million in 2003. Our UK-based juice, smoothie and fresh food distribution business enjoyed strong sales and profit growth, and was the principal contributor to divisional profitability. The fresh produce business (other than bananas) also performed well. The Jamaican snack food business was adversely affected by the unavailability of raw materials following Hurricane Ivan.

Bananas

Hurricane Ivan devastated our banana farms in September 2004. In addition to the direct

impact on the farms, this adversely affected the cost of bananas to the United Kingdom, and our shipping and Jamaican ripening businesses for the rest of the year. The Banana Division recorded a pre-tax loss of \$0.6 million in 2004, compared with a pre-tax profit of \$198.7 million in 2003.

Corporate

The Corporate segment comprises the cost of corporate functions that are not directly charged to the business units, as well as interest and investment income. The segment generated a pre-tax profit of \$70.9 million in 2004, down from \$578.7 million in 2003. The decline was primarily due to a \$325.6 million gain on sale of investments in 2003 and lower interest rates in 2004. We generated excellent returns on our investment portfolio, as reflected in the substantial strengthening of our balance sheet during the year.

2005

Our banana farms are expected to resume exports late in the Second Quarter, as the post-Ivan recovery is underway. Our UK banana business is currently experiencing very difficult trading conditions that will adversely affect the Group's results. We are, however, implementing strategies to increase margins in the short to medium term.

Group Balance Sheet

	Notes	2004 \$'000	2003 \$'000
CURRENT ASSETS			
Cash resources		1,941,335	1,538,641
Short-term investments		173,510	182,002
Securities purchased under resale agreements		810,462	878,644
Accounts receivable		2,638,371	2,388,141
Taxation recoverable		103,244	74,799
Inventories		<u>662,379</u>	<u>498,193</u>
		<u>6,329,301</u>	<u>5,560,420</u>
CURRENT LIABILITIES			
Bank overdrafts and short-term loans		73,666	62,151*
Accounts payable		3,116,874	2,863,722*
Taxation		89,711	26,978
Unclaimed dividends		44,448	27,573
Current portion of long-term loans		<u>87,940</u>	<u>70,112</u>
		<u>3,412,639</u>	<u>3,050,536</u>
WORKING CAPITAL		<u>2,916,662</u>	<u>2,509,884</u>
BIOLOGICAL ASSETS- BANANA PLANTS		24,456	30,408*
INTERESTS IN ASSOCIATED COMPANIES		34,519	76,195
INVESTMENTS		4,769,423	2,262,642
EMPLOYEE BENEFIT ASSET	6(a)	-	116,619
GOODWILL			
DEFERRED TAX ASSETS		341,814	257,318
PROPERTY, PLANT AND EQUIPMENT		<u>2,330,369</u>	<u>2,168,861</u>
		<u>10,560,871</u>	<u>7,593,269</u>
		=====	=====
Financed by:			
STOCKHOLDERS' EQUITY			
Share capital		18,702	18,702
Reserves		<u>9,143,181</u>	<u>6,432,404</u>

	9,161,883	6,451,106
MINORITY INTERESTS	544,583	429,685
DEFERRED TAX LIABILITIES	164,047	158,834
DEFERRED INCOME	130,186	48,055
EMPLOYEE BENEFIT OBLIGATION	352,834	270,863
LONG-TERM LOANS	207,338	234,726
	<u>10,560,871</u>	<u>7,593,269</u>
	=====	=====
Stockholders' funds per ordinary stock unit	\$48.99	\$34.49
	=====	=====

*Reclassified to conform with 2004 presentation

Group Profit and Loss Account

	Notes	2004 \$'000	2003 \$'000
Gross operating revenue	3	22,114,298	18,412,626
Cost of operating revenue		<u>(18,336,932)</u>	<u>(15,226,937)</u>
Grossprofit		3,777,366	3,185,689
Selling and distribution costs		(1,531,168)	(1,172,892)
Administrative and other operating expenses		<u>(1,685,409)</u>	<u>(1,471,084)*</u>
Profit from operations		560,789	541,713
Share of profit in associated companies		1,007	3,346
Net gains from fluctuations in exchange rates		37,020	129,597
Impairment loss on investments		-	(7,562)
Gains on disposal of property, plant and equipment and investments		19,916	322,819
Gain on disposal of subsidiary		-	6,302
Other income		202,830	101,449
Finance cost-interest		(25,694)	(26,635)
Redundancy and lay-off costs		<u>(85,128)</u>	<u>-</u>

Profit before taxation and minority interests	7	710,740	1,071,029
Taxation		(233,255)	(194,669)
Profit after taxation and before minority interests		477,485	876,360
Minority interests		(51,167)	15,454
Net profit for the year attributable to the group		426,318	891,814
		=====	=====
Dealt with the financial statements of:			
The company		38,897	534,536
Subsidiary companies		387,189	354,948
Associated companies		232	2,330
		426,318	891,814
		=====	=====
Earnings per ordinary stock unit, cents:	4	227.95c	476.84c
		=====	=====

*Reclassified to conform with 2004 presentation

Group Statement of Changes in Stockholders' Equity

	Share capital \$'000	Share premium \$'000	Capital reserves \$'000	Fair Value reserve \$'000	Retained profits \$'000	Total \$'000
Balances at December 31, 2002	18,702	135,087	1,954,308	1,358,585	1,452,860	4,919,542
Net profit attributable to the group	-	-	-	-	891,814	891,814*
Exchange gains not recognized in the group profit and loss account	-	-	542,019	-	-	542,019
Unrealised exchange gains transferred	-	-	45,749	-	(45,479)	-
Change in fair value of investments	-	-	-	586,555	-	586,555*
Realised gains on investments recognised in group profit and loss account	-	-	-	(321,013)	-	(321,013)*

Unrealised distributions to stockholders	-	-	19,213	-	-	19,213*
Distributions to stockholders	-	-	(130,917)	-	(56,107)	(187,024)
Balances at December 31, 2003	18,702	135,087	2,430,372	1,624,127	2,242,818	6,451,106
Net profit for the year attributable to the group	-	-	-	-	426,318	426,318*
Exchange gains not recognised in the group profit and loss account	-	-	223,868	-	-	223,868*
Unrealised exchange gains transferred	-	-	1,448	-	(1,448)	-
Transfer of reserves of former subsidiary	-	-	(22,460)	-	22,460	-
Change in fair value of investments	-	-	-	2,269,460	-	2,269,460*
Unclaimed distributions to stockholders	-	-	24,911	-	-	24,911*
Distributions to stockholders	-	-	-	-	(233,780)	(233,780)
Balances at December 31, 2004	18,702	135,087	2,658,139	3,893,587	2,456,368	9,161,883
=====						
Retained in the financial statements of:						
The company	18,702	135,087	1,404,340	3,881,374	100,052	5,539,555
Subsidiary companies	-	-	1,253,799	12,213	2,356,316	3,622,328
Balances at December 31, 2004	-	135,087	2,658,139	3,893,587	2,456,368	9,161,883
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The company	18,702	135,087	1,379,429	1,624,123	294,935	3,452,276
Subsidiary companies	-	-	1,045,116	4	1,938,703	2,983,823
Associated companies	-	-	5,827	-	9,180	15,007
Balances at December 31, 2003	18,702	135,087	2,430,372	1,624,127	2,242,818	6,451,106
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***Total recognized gains for the year - \$2,944,557,000 (2003: \$1,718,588,000)**

Group Statement of Cash Flows

	2004 \$'000	2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year attributable to the group	426,318	891,814
Adjustments to reconcile net profit for the year to net cash provided/(used) by operating activities:		
Items not involving cash:		
Depreciation	319,107	338,077
Goodwill amortised	3,926	11,864
Biological assets amortised	24,456	-
Impairment loss on investment	-	7,562
Net unrealised exchange gains	129,579	277,912
Deferred tax, net	33,027	91,045
Employee benefits, net	53,815	94,667
Gain on disposal of property, plant and equipment and investments	(19,916)	(322,819)
Share of profit in associated companies	(1,007)	(2,330)
Minority interests in profit for the year	51,167	(15,454)
Deferred income amortised	(4,685)	(9,259)
	<u>1,015,787</u>	<u>1,363,079</u>
Increase/(decrease) in current assets:		
Accounts receivable	(133,535)	(683,319)
Taxation recoverable	(28,445)	(34,133)
Inventories	(164,186)	(142,769)
Increase/(decrease) in current liabilities:		
Accounts payable	253,152	862,868
Taxation recoverable	62,733	(97,617)
Unclaimed distributions to stockholders	16,875	22,029
Due to related companies	-	(96,106)
Net cash provided by operating activities	<u>1,022,381</u>	<u>1,194,032</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Biological assets	(18,504)	(26,401)
Short-term investments	8,492	(155,499)
Securities purchased under resale agreements	68,182	(149,531)
Additions to property, plant and equipment	(414,109)	(281,222)

Proceeds from disposal of property, plant and equipment and investments	228,486	327,414
Interests in associated companies	42,683	17,620
Goodwill acquired	(77,422)	(91,216)
Additions to investments	(337,397)	(241,662)
Net cash used by investment activities	(499,589)	(600,497)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank overdrafts and short-term loans	11,515	(91,065)
Long-term loans	(9,560)	64,056
Deferred income received	86,816	14,400
Distributions to stockholders	(208,869)	(167,811)
Net cash used by financing activities	(120,098)	(180,420)
Net increase in cash resources	402,694	413,115
Cash resources at beginning of the year	1,538,641	1,125,526
Cash resources at end of the year	1,941,335	1,538,641
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***Reclassified to conform with 2004 presentation**

NOTES

1. Group's Operations

There were no significant changes to the Group's operations for the year under review.

2. Basis of Presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee of the [ASB and practice statements issued by the Institute of Chartered Accountants of Jamaica,

and comply with the provisions of the Companies Act.

Where necessary, the previous year's comparative figures have been reclassified to conform with those of the current year.

3. Gross Operating Revenue

Gross operating revenue comprises the Group's sales of goods and services, commissions earned on consignment sales net of returns, UK Value Added tax, General Consumption Tax and investment income.

4. Earnings per stock unit and stockholders' funds per stock unit

Earnings per stock unit and stockholders' funds per stock unit are calculated by dividing profit attributable to the group and stockholders' funds, respectively, by 187,024,006 stock units of 10 cents each.

5. Main Activities

The main activities of the Group during the period consisted of the cultivation, marketing and distribution of bananas and other fresh produce locally and overseas, juice manufacturing and distribution, shipping and the holding of investments.

6. Accounting Policies

The following accounting policies have been reflected in these financial statements in compliance with IFRS:

a. Employee benefits

During the year, the group participated in three defined benefit pension plans, one of which was terminated and replaced by a defined contribution plan for eligible employees.

As a result of that termination, the scheme is in the process of being wound up and the related employee benefit asset is included in accounts receivable. Pension costs for defined benefit pension plans are assessed using the projected unit credit method. The cost of providing pensions is charged to the Group Profit and Loss Account. The net of the present value of the pension obligation and the fair value of the plan assets is reflected on the balance sheet.

Provision is made for the cost of vacation leave in respect of services rendered by employees up to the balance sheet date.

b. Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries after 1995. It comprises the excess of the cost of acquisition over the fair value of the net identifiable assets acquired less contingent liabilities, and deemed cost at March 31, 2004.

At each balance sheet date, goodwill is stated at cost less any accumulated impairment losses. IFRS 3 Business combinations, IAS 36 Impairment of assets and IAS 38 Intangible assets as revised, which are effective for accounting periods beginning on or after January 1, 2005 in respect of goodwill, have been adopted early. As of April 1, 2004 goodwill is allocated to cash-generating units and is no longer amortised but tested annually for impairment.

c. Investments

The Group's investments are initially recognized at cost and classified at the time of purchase in accordance with IFRS. Available-for-sale investments are subsequently re-measured at fair value. The excess of the fair value of these investments over the original carrying amount is credited to the Fair Value Reserve (see Group Statement of Changes in Equity). Originated loans and receivables are subsequently re-measured at amortized cost. Securities having a maturity date of less than one year are included in Current Assets.

d. Deferred income tax is provided in full, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts. A tax asset is reflected for unutilized tax losses only to the extent that reversal can reasonably be expected.

e. Segment Reporting

The Group is organized into three business segments:

Banana Division - This comprises the growing, sourcing, ripening, marketing and distribution of bananas, and the operation of a shipping line that inter alia transports bananas to the United Kingdom.

Fresh and Processed Foods Division - This comprises the sourcing, marketing and distribution of fresh produce (other than bananas), and the production and marketing of fresh juices, drinks and other freshly prepared foods and tropical snacks.

Corporate segment - This comprises the cost of corporate functions that are not directly charged to business units, as well as interest and investment income.

7. Segment Results

Segment results are as follows:

	2004	2003
	\$'000	\$'000
<u>Revenue</u>		
Banana Division	8,944,746	8,298,666
Fresh and Processed Foods Division	12,998,342	9,881,263
Corporate	<u>171,210</u>	<u>232,697</u>
Total	<u>22,114,298</u>	<u>18,412,626</u>
<u>Profit/(loss) before tax and minority interests</u>		
Banana Division	(555)	198,684
Fresh and Processed Foods Division	640,355	293,635
Corporate	<u>70,940</u>	<u>578,710</u>
Total	<u>710,740</u>	<u>1,071,029</u>
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8. Foreign Currency Translation

Overseas revenues and expenses have been translated at effective exchange rates of J\$109.38 (2003: J\$92.21) to 1.00 pound and J\$61.01 (2003: J\$58.13) to US\$1.00.

Adjustments have been made for exchange gains and losses on foreign currency assets and liabilities at December 31, 2004 and December 31, 2003 based upon the following exchange rates:

	<u>J\$/Pound</u>	<u>J\$/US\$</u>
December 31, 2004	115.68	61.27
December 31, 2003	105.89	60.42
December 31, 2002	79.89	50.55

On behalf of the Board

Chairman
C.H. Johnston

Managing Director
M. Hall