

DESNOES & GEDDES LIMITED 1998

HIGHLIGHTS

| | 12 months to June 1999 | 18 Months to June 1998 |
|-------------------------|---------------------------|---------------------------|
| Turnover | \$6,308M | \$9,078M |
| Operating Profits | \$1,079M | \$631M |
| Profit Before Tax | \$945M | \$313M |
| Proposed Final Dividend | \$0.50 per stock unit | Nil |

OPERATIONS

Despite the poor economic climate and more competitive trading conditions, total volumes were only 7% down on last year. Total beer volumes were down 3%, with lower domestic sales offset by increased exports, particularly to the United States of America, which were up 11 % on last year. Soft Drink volumes were 11 % down on last year with increased competition in the carbonated category.

Operating profits were significantly better than last year, primarily due to:

- i) improved product profitability achieved by way of price increases, improved efficiencies and lower production costs, following the introduction of the new PET packaging line;
- ii) lower fixed costs driven by improved work practices and processes which support our goal of being more globally competitive;
- iii) significantly lower interest costs following the successful Rights Issue in 1997 and cash generation from operations;
- iv) one-off sales of assets (Wines & Spirits business and the Centraville property) providing increased focus on the core business.

DIVIDEND

The Board of Directors have proposed a final dividend of 50.0 cents to be paid on each stock unit of paid up capital stock of the company to stockholders on record as at the close of business 2 December, 1999 and the same be payable on 17 December, 1999, subject to shareholders approval.

BONUS SHARE ISSUE

A bonus issue of 2 shares for every 1 held is proposed subject to shareholders approval. The bonus issue will be made to all stockholders on the Company's Register at 30 December, 1999.

INVESTMENT AND FUNDING

The group continued with its extensive capital reinvestment programme with the completion of over J\$550M worth of projects, the most significant being the successful commissioning of the PET packaging line and the implementation of the integrated business software, SAP. In addition, a number of refrigeration units were purchased to support the 'Cold Beer' campaign.

Working capital requirements absorbed J\$215M with significant increases on last year in both inventory and receivables. This reflects the need to increase onsite inventory due to inconsistent supplier deliveries and D&G's commitment to meet consumer demands. The increased level of debtors reflects the poor economic climate which currently exists. However, both these issues will be addressed by management in the coming year.

Year 2000 Compliance

A comprehensive programme designed to ensure that Desnoes and Geddes Limited meets all its obligations is on schedule for the 31 December, 1999 deadline. This has concentrated on ensuring all "business critical" operational and financial systems have been tested. All required upgrades or replacement of hardware or software are, or will shortly be, in place. In addition, work has been done to establish whether or not our key suppliers will be compliant and that the necessary contingency plans are in place to ensure a smooth transition into the next millennium.

GROUP PROFIT AND LOSS STATEMENT

Year Ended June 30, 1999

| | 18 Months | |
|-------------------------------|--------------|--------------|
| | 30.6.99 | 30.6.99 |
| | \$M | \$M |
| TURNOVER | 6,308 | 9,078 |
| OPERATING PROFIT | 1,079 | 634 |
| After charging: | | |
| Depreciation | 202 | 231 |
| Interest Expense | 40 | 256 |
| Loss on disposal of Associate | - | (94) |
| Redundancy Costs | <u>(133)</u> | <u>(226)</u> |
| PROFIT BEFORE TAXATION | 946 | 314 |
| Taxation Charge | 105 | (150) |
| Minority Interest | - | <u>(2)</u> |
| PROFIT AFTER TAXATION | 841 | 162 |
| Proposed Dividend | <u>183</u> | <u>0</u> |
| RETAINED EARNINGS | <u>658</u> | <u>162</u> |
| Number of Stock Units issued | 365,064,492 | 297,574,364 |
| Earnings per Stock Unit* | \$2.30 | \$0.54 |
| Dividend per stock unit | \$0.50 | \$0.00 |

GROUP BALANCE SHEET

AS AT 30th June 1999

| | 30.6.99 | 30.6.98 |
|--------------------------|---------------------|---------------------|
| | \$M | \$M |
| NET ASSETS EMPLOYED | | |
| Fixed Assets | 2,960 | 2,703 |
| Investments | 48 | 42 |
| | <u>3,008</u> | <u>2,745</u> |
| CURRENT ASSETS | | |
| Inventories | 1,003 | 866 |
| Receivables | 738 | 504 |
| Short Term Deposits | 253 | 26 |
| Cash and Bank | 356 | 71 |
| Taxation Recoverable | 0 | 22 |
| | <u>2,350</u> | <u>1,489</u> |
| CURRENT LIABILITIES | | |
| Payables | 758 | 610 |
| Guinness Group Companies | 98 | 108 |
| Bank Borrowings | 314 | 272 |
| Taxation | 4 | 0 |
| Proposed Dividend | 183 | 0 |
| | <u>1,357</u> | <u>990</u> |
| NET CURRENT ASSETS | 993 | 499 |
| | <u>4,001</u> | <u>3,244</u> |
| FINANCED BY | | |
| Share Capital | 183 | 183 |
| Capital Reserves | 2,010 | 2,010 |
| Retained Earnings | <u>1,418</u> | <u>761</u> |
| SHAREHOLDERS EQUITY | | |
| Deferred Taxation | 361 | 283 |

| | | |
|-----------------------|---------------------|---------------------|
| Long Term Liabilities | 21 | 0 |
| Minority Interest | <u>7</u> | <u>7</u> |
| | <u>4,001</u> | <u>3,244</u> |
