LASCELLES, deMERCADO & COMPANY LIMITED

AUDITED STATEMENT OF CONSOLIDATED REVENUE AND OPERATING RESULTS

FOR THE YEAR ENDED SEPTEMBER 30, 2003

Group Balance Sheet

	2003	2002 (restated)
	$000s	$000s
Current assets		
Cash and cash equivalents	3,539,649	2,842,297
Accounts receivable	2,262,906	1,787,487
Taxation recoverable	93,428	57,737
Inventories	3,424,363	2,790,065
Biological assets	153,709	36,532
	9,474,055	7,514,118
Current liabilities		
Bank loans and overdrafts	902,471	759,881
Other unsecured loans	448,806	460,007
Current maturities of long-term liabilities	547,475	593,597
Accounts payable	1,875,729	1,340,280
Insurance funds	947,279	437,828
Taxation	29,090	6,008
	4,750,850	3,597,601

Net current assets	4,723,205	3,916,517
Non-current assets		
Employee benefits asset	801,700	744,600
Investments	3,557,564	3,083,772
Interests in associated companies	8,431	6,853
Goodwill	153,763	-
Trademarks	9,373	10,052
Deferred tax	73,685	63,131
Property, plant & equipment	3,335,284	2,834,325
	12,663,005	10,659,250
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Financed by:		
Stockholders' equity	11,356,649	9,520,638
Non-current liabilities		
Minority interests	5,624	12,162
Employee benefits	224,800	190,100
Long-term liabilities	442,186	410,886
Deferred tax	633,746	525,464
	12,663,005	10,659,250
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Approved for release to the Jamaica Stock Exchange by the Board of Directors on December 31, 2003

William A. McConnell, CD
Director

Anthony J. Bell
Director

Group Income Statement

	Note	2003 $000s	2002 (restated) $000s
Operating revenue		12,123,612	11,322,967
Cost of operating revenue		(7,746,190)	(7,701,715)
Gross profit		4,377,422	3,621,252
Administrative, marketing and selling expenses		(3,279,318)	(2,630,983)
Operating profit		1,098,104	990,269
Associated companies, net		1,578	1,847
Other income	6	56,194	309,154
Profit before net finance costs and taxation		1,155,876	1,301,270
Net finance costs		(38,776)	(43,088)
Profit before taxation		1,117,100	1,258,182
Taxation		(174,525)	(114,756)
Profit after taxation but before minority interests		942,575	1,143,426
Minority interests in results of subsidiaries		1,070	840
Net profit attributable to members		943,645	1,144,266
Earnings per ordinary stock unit	6	$9.83	$11.92

Group Statement of Changes in Stockholders' Equity

	Share Capital $000s	Capital reserve $000s	Unrealised translation reserve $000s	Equity revaluation reserve $000s	Unappropriated profits $000s	Total $000s
Balances at September 30, 2001:						
As previously reported	20,400	1,508,547	238,246	-	3,918,340	5,685,533
The effect of first-time adoption of International Financial Reporting Standards (IFRS) - note 4 (a)	-	105,833	-	2,575,047	115,849	2,796,729
As restated using IFRS	20,400	1,614,380	238,246	2,575,047	4,034,189	8,482,262
Restated net profit attributable to members - note 4 (b)	-	-	-	-	1,144,266	1,144,266
Depreciation in fair value of investments	-	-	-	(68,811)	-	(68,811)
Released on sale of investments	-	-	-	(199,722)	-	(199,722)
Dividends and distributions paid	-	-	-	-	(2,082)	(2,082)
Transfers, net	-	241,756	-	-	(241,756)	-
Translation adjustment arising on consolidation of foreign subsidiaries	-	-	164,725	-	-	164,725
Bonus share issues in subsidiaries	-	38,000	-	-	(38,000)	-

Balances at September 30, 2002 as restated using IFRS	20,400	1,894,136	402,971	2,306,514	4,896,617	9,520,638
Net profit attributable to members	-	-	-	-	943,645	943,645
Appreciation in fair value of investments	-	-	-	258,885	-	258,885
Released on sale of investments	-	-	-	58,014	-	58,014
Dividends and distributions paid	-	-	-	-	(2,082)	(2,082)
Transfers, net	-	(51,427)	-	-	51,427	-
Translation adjustment arising on consolidation of foreign subsidiaries	-	-	577,549	-	-	577,549
Bonus share issues in subsidiaries	-	45,000	-	-	(45,000)	-
Balances at September 30, 2003	20,400	1,887,709	980520	2623413	5,844,607	11,356,649

Additional information:

(a) Total recognised gains for the year aggregated $1,838,093,000 (2002: $1,040,458,000).

(b) Recognised gains per ordinary stock unit for the year were $19.15 (2002: $10.84).

Group Statement of Cash Flows

	2003 $000s	2002 (restated) $000s
Cash flows from operating activities		
Net profit attributable to members	943,645	1,144,266
Items not affecting cash	1,117,459	147,887
	2,061,104	1,292,153
Decrease in working capital	(194,603)	(97,003)
Cash provided by operating activities	1,866,501	1,195,150
Cash used by investing activities	(1,283,582)	(578,519)
Net cash provided before financing activities	582,919	616,631
Cash (used)/provided by financing activities	(101,956)	332,797
Net cash provided before dividend and distributions	480,963	949,428
Dividends and distributions paid	(2,082)	(2,082)
Net increase in cash and cash equivalents	478,881	947,346
Cash and cash equivalents at beginning of year	2,719,452	1,772,106
Cash and cash equivalents at end of year	3,198,333	2,719,452
Comprised of:		
Cash and bank balances	483,407	414,023
Short-term deposits and other monetary instruments	3,056,242	2,428,274
	3,539,649	2,842,297
Bank overdrafts	(341,316)	(122,845)
	3,198,333	2,719,452

Notes

1. General

Lascelles, deMercado & Co. Limited is incorporated under the Laws of Jamaica. The activities of the company and its subsidiaries, some of which are domiciled in jurisdictions other than Jamaica, are organized into the following primary segments:

- Liquors, rums, wines and sugar: This includes cane cultivation, sugar manufacturing, distillation, blending, bottling, distribution and export of alcohol, rums, wines and other liquor based products;

- General merchandise: This includes the manufacture, the wholesale and retail merchandising of provisions, household goods and electronic telephone cards and the manufacture and distribution of pharmaceutical preparations;

- General insurance: This comprises the underwriting of property, casualty and other general insurance risks;

- Investments: This includes the holding of investments and the rental of real estate; and

- Transportation and other: This includes aircraft handling, distribution of motor vehicles and spares, and servicing and repairing of motor vehicles.

Required segment information is contained in note 5.

The company and its subsidiaries are collectively referred to as "the group". There were no material changes in the group during the year, except as described hereunder.

- As of October 1, 2002, Daniel Finzi & Co. (Sue) Limited and Estate Industries Limited transferred their existing manufacturing and distribution operations to J. Wray & Nephew Limited and Lascelles Merchandise Limited. On October 1, 2002, Edwin Charley (Jamaica) Limited transferred its manufacturing operations to J. Wray & Nephew Limited. Subsequently, it transferred its distribution operations to J. Wray & Nephew Limited and Lascelles Merchandise Limited.

- During the year, the company incorporated a wholly owned subsidiary, Globe Holdings Limited, in St. Lucia for the purposes of regional expansion of the group's insurance business. Globe Holdings Limited subsequently acquired 100% of the ordinary shares of The Jamaica General Insurance Co. Ltd., a company incorporated under the laws of Jamaica.

- On September 19, 2003, the shareholders of Federated Pharmaceutical Company Limited approved the sale of its business, including assets and liabilities, to Lascelles Merchandise Limited, effective October 1, 2003, and commenced voluntary winding up proceedings. The impact of the liquidation on these financial statements is that minority interest relating to Federated Pharmaceutical Company Limited has been eliminated and related goodwill arising has been capitalised. Formal liquidation proceedings are still in progress.

2. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the Standards Interpretation Committee of the IASB and recommendations by the Institute of Chartered Accountants of Jamaica, and conform to the requirements of the Companies Act.

The financial statements are prepared using IFRS for the first time. Consequently, where necessary, prior year comparatives have been reclassified and restated to conform to IFRS. IFRS 1 - First time adoption of IFRS, has been adopted early, with the application of appropriate exemptions. The effects of adopting IFRS on equity and net profit as previously reported are detailed in note 4.

These financial statements are presented in Jamaica dollars ($), which is the measurement currency of the company.

The financial statements are prepared under the historical cost convention, modified for the inclusion of available-for-sale investments, at fair value, and certain classes of property, plant and equipment at deemed cost at the IFRS transition date [see note 4 (a)].

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the income and expense for the year then ended. Actual amounts could differ from these estimates.

3. Significant accounting policies

(a) Revenue recognition

Operating revenue represents:

- The price of goods and services sold to external customers, after deducting returns and discounts, and includes consumption taxes aggregating $1,616,679,000 (2002: $1,274,765,000);

- The proceeds from the sale of the sugarcane crop of the group's estates is recognised in accordance with the accounting practices of the Jamaican sugar industry. Revenue relating to the current crop of cane is estimated based on the latest available prices and any differences arising on final settlement are consistently accounted for in subsequent periods; Dividend and other investment income is recognized in the income statement on the date of declaration or accrual as appropriate;

- Underwriting results, including gross written premiums of the general insurance subsidiaries are accounted for in compliance with the recommendations of the regulators and the practices of the Jamaican insurance industry, and comply with the provisions of the Insurance Act, 2001

(b) Income taxes

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the income statement, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

(c) Pension asset and other post-retirement benefits

Pension asset:

The company and its subsidiaries are participating employers in various trusteed pension schemes the assets of which are held separately from those of the group.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

The group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. To the extent that the obligation is less than the fair value of plan assets, the asset recognised is restricted to the discounted value of future benefits available to the group. The discount rate applied is the yield at balance sheet date on long-term government instruments that have maturity dates approximating the terms of the group's obligation. The calculation is performed by qualified independent actuaries, using the projected unit credit method.

The group provides post-retirement health care benefits to certain of its retirees. These benefits are usually conditional upon 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 a methodology similar to that for defined benefit pension plans. The present value of these future benefits, which are not entitlements, is computed annually by qualified independent actuaries.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, and include short-term deposits and other monetary investments with maturities ranging between one and twelve months from balance sheet date.

Bank overdrafts that are repayable on demand and form an integral part of the group's cash management activities, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(e) Biological assets

Biological assets materially comprise cultivation expenses, which will be written off against the crop to which they relate. The balance is stated at cost less impairment losses measured by reference to estimated sugarcane proceeds less cultivation, reaping, harvesting and transportation expenses to the point of sale.

(f) Intangible assets

(i) Goodwill:

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable tangible assets acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses.

(ii) Trademarks:

Trademarks, relating to the acquisition of trademarks for liquor products, are stated at cost less accumulated amortisation and impairment losses. Expenses relating to internally developed trademarks, including registration and subsequent renewal, are charged to the income statement as and when these are incurred.

(iii) Amortisation:

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated usual useful lives for goodwill and trademarks are 20 years and 10 years, respectively.

(g) Foreign currencies

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in the income statement. For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in the income statement are treated as cash items and included in cash flows from operating or financing activities along with movements in the principal balances.

The reporting currencies of foreign subsidiaries are also the currencies in which their economic decisions are formulated. For the purpose of these financial statements, revenues, expenses, gains and losses have been translated at the average exchange rates prevailing during the year under review; assets and liabilities have been translated at exchange rates ruling at the balance sheet date and net stockholders' equity has been translated at historical exchange rates.

Unrealised gains and losses arising on translation of net stockholders' equity in foreign subsidiaries are taken to equity on the group balance sheet and added or deducted to reflect the underlying group cash flows from operating activities on the group statement of cash flows.

4. Effect of first-time adoption of International Financial Report Standards

(a) 2001: Reconciliation of stockholders' equity:

	Capital reserve $000s	Investment revaluation reserve $000s	Unappropriated Profits $000s	Total $000s
IFRS 1 - First time adoption of IFRS (note i)	144,833	-	-	144,833
IAS 12 - Income taxes (note ii)	(39,000)	-	(342,916)	(381,916)
IAS 16 -Property, plant and equipment (note iii)	-	-	(3,000)	(3,000)
IAS 19 - Employee benefits (note iv)	-	-	464,361	464,361
IAS 38 - Intangible assets (note vi)	-	-	(2,596)	(2,596)
IAS 39 - Financial instruments - recognition and measurement (note vii)	-	2,575,047	-	2,5758,047
	105,833	2,575,047	-	2,575,047

(b) 2002: Reconciliation of net profit for the year

	Net profit $000s
Net profit for the year, as previously reported	1,196,102
Effect of first-time adoption of IFRS:	
IAS 12 - Income taxes (note ii)	(80,417)
IAS 16 - Property, plant and equipment (note iii)	(3,000)
IAS 19 - Employee benefits (note iv)	70,549
IAS 37 - Provisions (note v)	161
IAS 38 - Intangible assets (note vi)	1,409
IAS 41 - Biological assets (note viii)	(40,538)
Aggregate effect of first-time adoption of IFRS	(51,836)
As restated	1,144,266

Notes to the reconciliation of equity and net profit for significant adjustments:

(i) The revalued amount of certain freehold land and buildings has been deemed to be the assets' costusing the exemption in IFRS 1. Revaluation surpluses previously reported are included in capital reserve.

(ii) Deferred taxation liability arises primarily on pension assets less other post retirement benefits, and the excess of net book value over tax written down value of property, plant and equipment.

(iii) This represents depreciation adjustments in respect of revalued freehold buildings.

(iv) This represents the recognition of pension assets and liabilities for defined benefit pension schemes, post-retirement medical and life insurance obligations and outstanding leave.

(v) This represents the reversal of general provisions.

(vi) This represents an amortisation adjustment in respect of trademarks.

(vii) This represents the effect of accounting for available-for-sale investments at fair value.

(viii) This represents impairment losses recognised in respect of cane cultivation costs.

5. Segment financial information

Segment information is presented in respect of the group's business segments. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

2003

	Investment $000s	Wine, Spirits & Rum $000s	General Merchandise 000s	General Insurance $000s	Transportation & Other $000s	Elimination $000s	Total $000s
Revenue							
External	376,630	7,624,662	1,967,416	693,775	1,461,129		
Inter segment	-	1,590,771	-	252,378	104,378	(1,947,527)	
Total revenue	376,630	9,215,433	1,967,416	946,153	1,565,507	(1,947,527)	12,123,612
Segment results	320,085	735,460	57,659	40,366	2,306		1,155,876
Segment assets	5,426,545	7,661,170	628,759	2,767,406	754,431		17,238,311
Unallocated assets							175,544
							17,413,855
Segment liabilities	527,145	3,142,740	105,805	1,250,497	362,559		5,388,746
Unallocated liabilities							668,460
							6,057,206
Other segment items:							
Additions to property, plant and equipment	-	650,822	144,054	67,804	80,121		942,801
Depreciation and amortisation	-	315,660	41,430	23,525	33,482		414,097
Other non-cash items	270,399	241,938	85,785	1,200	6,312		605,634

6. Other income and earnings per ordinary stock unit (EPS)

The calculation of earnings per ordinary stock unit is based on the net profit attributable to members, less fixed preference dividends, and the 96,000,000 fully paid ordinary stock units of 20 cents each in issue in both years. In the prior year, other income included a net realised gain of $245,151,000 on sale of shares in Kingston Wharves Limited. Excluding the effect of this gain, the EPS for 2002 would have been $9.37 per ordinary stock unit.