

DESNOES & GEDDES LIMITED

Unaudited Operating Results

For the 3rd Quarter Ended 31st March 2004

The Directors are pleased to present the un-audited results of the Group for the 3rd quarter ended March 2004.

Highlights

	J\$ Millions		
	9 months ended		
	March 31		
	2004	2003	Change%
Turnover	5,908	4,969	19%
Trading Profit	1,141	1,069	7%
Profit before Tax	1,174	1,078	9%
Earnings per stock unit (cents)	39.71	36.42	9%

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The financials for the nine months ended March 31, 2004 and 2003 have been prepared in accordance with the International Financial Reporting Standards (IFRS), with a full restatement of prior year profit,

Operating Performance

Sales

Domestic volumes	Q3 growth % January to March 2004	YTD Growth % 9 mths ended March 2004
Ped Stripe	(14%)	(21%)
Guinness	11%	1%
Heineken	(4%)	(13%)
bragon Stout	(28%)	(8%)
Malta	4%	0%
Smirnoff Ice	<u>(33%)</u>	<u>(34%)</u>
Total	<u>(8%)</u>	<u>(15%)</u>
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Aggressive promotion and the unwinding of the elasticity impact of last year's price increases resulted in an improved performance in the third quarter. Whilst still below last year, the decline of 8% was significantly better than the half-year position of 17% decline.

Export volumes	Q3 growth % January to March 2004	YTD Growth % 9 mths ended March 2004
Other	(17%)	3%
USA	26%	12%
Total	17%	11%

Total exports grew by 17% during the third quarter bringing the year-to-date growth to 11%. The increased marketing drive behind Red Stripe in the USA generated momentum in shipments to that market with a 26% increase in the third quarter, bringing the year-to-date, growth to 12%.

Profit and Loss

Turnover grew by 19% (\$4,969m to \$5,908m) while Special Consumption Tax (SCT) grew by 77% (\$546m to \$968m), an increase which was directly impacted by the combination of higher prices and higher SCT rates.

Marketing expenses grew by 53% as the company increased the focus on advertising and

promotion in both the domestic and export market in order to drive volume growth,

Trading Profit and earnings per stock unit growth was limited to 9% as a result of the increase in marketing spend and Special Consumption Taxes.

Balance Sheet and Cash Flow

Efficiency improvements in collections and careful management of inventory levels helped to maintain a healthy balance sheet.

Total cash increased by 43% when compared to last year, mainly due to the timing of payments (especially to group creditors) as well as to efficiency improvements in working capital management.

Note:

In addition to restating the Profit and Loss in line with the International Financial Reporting Standards (IFRS), this opportunity has been taken to update the classification of expenses in order to provide more useful information to shareholders. The following may help readers to understand the new classification more fully:

1. Turnover is comprised of sale of products and services net of returns and discounts plus other trading income such as rental income and royalty income.
2. Special Consumption Tax (SCT) is the income paid to the government on the sale of products containing alcohol.
3. Cost of Sales represents the total cost of manufacturing and distributing the products, including the cost of staff engaged in these activities.
4. Marketing Costs are the amounts spent on all advertising and promotions for the brands. This does not include staff costs for the Marketing Department.

5. General, Selling and Administrative Expenses (GS&A) are the remaining costs of doing business. This includes the remaining staff costs which covers departments such as Sales, Marketing, Finance, IS, HR, Communications, and Administrative functions.
6. Other Income/Expenses includes dividends received, exchange gains/losses and re-organisation costs that are not sufficiently large to be treated as exceptional.

GROUP BALANCE SHEET

	Unaudited as 31.03.04	Unaudited as a 31.03.04	Audited for year ended 30.06.04
CURRENT ASSETS			
Cash resources	571,853	196,155	446,403
Short -term deposits	905,387	838,858	727,681
Accounts receivable	514,679	596,385	491,727
Inventories	820,187	793,355	929,099
	<u>2,812,106</u>	<u>2,424,753</u>	<u>2,594,910</u>
CURRENT LIABILITIES			
Accounts payable	708,979	604,542	656,853
Special and General	137,307	80,088	120,187
Taxation payable	(27,224)	67,163	42,167
Current portion of l	3,415	4,553	4,553
Diageo group companies	303,675	73,700	573,579
	<u>1,126,151</u>	<u>830,046</u>	<u>1,397,339</u>
WORKING CAPITAL	1,685,955	1,594,707	1,197,571

INVESTMENTS	45,148	45,194	45,167
INVESTMENT PROPERTIES	39,900	39,900	39,900
FIXED ASSETS	2,956,852	2,826,213	3,064,080
RETIREMENT ASSETS	699,750	691,000	679,000
	<u>5,427,605</u>	<u>5,197,014</u>	<u>5,025,718</u>
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Financed by:

STOCKHOLDERS' EQUITY

Share capital	1,404,586	1,404,586	1,404,586
Share premium	770,394	770,394	770,394
Capital reserves	1,018,990	1,006,035	1,028,014
Investment revaluation	38,474	38,474	38,474
Retained earnings	1,626,694	1,474,838	1,218,119
	<u>4,859,138</u>	<u>4,694,327</u>	<u>4,459,587</u>

LONG-TERM LIABILITY	0	2,656	2,277
DEFERRED TAXATION	561,020	492,584	556,407
MINORITY INTEREST	7,447	7,447	7,447
	<u>5,427,604</u>	<u>5,197,014</u>	<u>5,025,718</u>
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GROUP PROFIT AND LOSS ACCOUNT

	Unaudited 9 months to March 31, 2004 \$'000	Unaudited 9 months to March 31, 2003 \$'000
Turnover	5,907,658	4,969,300
Special Consumption Tax (SCT)	<u>(967,912)</u>	<u>(546,459)</u>
Net Sales	4,939,746	4,422,841
Cost of sales	<u>(2,680,552)</u>	<u>(2,498,111)</u>

Gross Profit	2,259,194	1,924,730
Marketing costs	(710,248)	(465,006)
Contribution after Marketing	<u>1,548,946</u>	<u>1,459,724</u>
General, selling and administrative	(446,280)	(401,912)
Other income / expenses	<u>38,522</u>	<u>10,953</u>
Trading Profit	1,141,188	1,068,765
Interest income	35,210	51,991
Interest expense	(2,435)	(2,499)
Prof it before exceptional item	1,173,963	1,118,257
Exceptional item	<u>0</u>	<u>(40,134)</u>
Profit before taxation	1,173,963	1,078,123
Taxation	<u>(58,484)</u>	<u>(55,126)</u>
Profit after Tax	<u>1,115,479</u>	<u>1,022,997</u>
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Earnings per stock unit in cents	39.71	36.42

Notes:

- (1) The calculation of earnings per stock unit is based on the group's profit for the first nine months of the year of \$1,195,479 (March 31, 2003: \$1,022,997) and 2,809,171,266 stock units, being the number of stock units in issue at the end of the period.
- (2) Reconciliation of previously reported profit before taxation to net profit for period ended March 31, 2003:

Profit before taxation for nine months ended March 31, 2003 as previously	J\$'000
Impact of IFRS adoption:	1,079,645
IAS 37 - General provision made under Jamaican GAAP	
now reversed to conform with IFRS	<u>(1,522)</u>
	1,078,123
Other Adjustments:	
Adjustment for under provision of tax on investment income	<u>(55,126)</u>
Restated Net Profit for nine months ended March 31, 2003	<u>1,022,997</u>
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GROUP STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Share Capital \$'000	Share Premium \$'000	Capital Reserves \$'000	Investment Rev, Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balances at June 30, 2003	1,404,586	770,394	1,028,014	38,474	1,218,119	4,459,587
Reduction in revalued asset value due to disposal			(9,024)			(9,024)
Dividend payment					(702,293)	(702,293)
Deferred taxation on pension assets					(4,611)	(4,611)
Net profit for the peri	-	-	-	-	1,115,479	1,115,479
Balances at March 31, 2003	1,404,586	770,394	1,018,990	38,474	1,626,695	4,859,137

GROUP STATEMENT OF CASHFLOWS

	Unaudited as 31.03.04 \$'000	Unaudited as at 31.03.04 \$'000
CASHFLOW FROM OPERATING ACTIVITIES		
Net prof it attributable to stockholders	1,115,479	1,022,997
Adjustment to reconcile prof it to net cash provided/(used) by operating activities:		
Items not involving cash:		
Depreciation	193,289	122,212
Loss/(Profit) on disposal/write-off of fixed asset	(20,403)	(3,188)
Deferred taxation charge	4,612	1
Retirement benefits asset (net)	(20,750)	36,000
	1,272,226	1,178,022
(Increase)/decrease in current assets:		

Accounts receivable	(22,952)	(130,941)
Inventories	108,912	(57,804)
Increase/(decrease) in current liabilities:		
Accounts payable	52,104	246,614
Special and General Consumption Tax	17,120	14,728
Taxation payable	(69,391)	(13,825)
Diageo group companies	(269,904)	(486,076)
Net cash provided by operating activities	<u>1,088,114</u>	<u>750,718</u>
CASHFLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments	19	75
Acquisition of fixed assets	(107,338)	(205,921)
Dividend payments	(702,293)	(983,210)
Proceeds from disposal of fixed assets	<u>26,931</u>	<u>3,410</u>
Net cash used by investment activities	(782,681)	(1,185,646)
CASHFLOWS FROM FINANCING ACTIVITIES		
Long term liabilities repaid	<u>(2,277)</u>	<u>(4,173)</u>
Net (decrease)/ increase in cash resources	(303,157)	(439,101)
Net cash at beginning of year	<u>1,174,084</u>	<u>1,474,114</u>
Net cash at end of year	<u>1,477,240</u>	<u>1,035,013</u>
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Comprised of:-		
Cash	571,853	196,155
Short-term deposits	<u>905,387</u>	<u>838,858</u>
	<u>1,477,240</u>	<u>1,035,013</u>
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Financial Information by Geographical Segement

Unaudited	Domestic		Export		Group
	Unaudited	Unaudited	Unaudited	Unaudited	
months to	9 months to	9 months to	9 months to	9 months	9

	31.03.04	31.03.04	31.03.04	31.03.03	31.03.04
	\$'000	\$'000	\$'000	\$'000	\$'000
31.03.03					
\$'000					
Turnover	5,177,757	4,463,125	729,901	506,175	5,907,658
4,969,300					
Special Consumption Tax	(967,912)	(546,459)	0	0	(967,912)
<u>(546,459)</u>					
Net sales	4,209,845	3,916,666	729,901	506,175	4,939,746
4,422,841					
Cost of sales	<u>(2,102,652)</u>	<u>(1,999,005)</u>	<u>(577,900)</u>	<u>(499,106)</u>	<u>(2,680,552)</u>
<u>(2,498,111)</u>					
Gross profit	2,107,193	1,917,661	152,001	7,069	2,259,194
1,924,730					
Marketing costs	<u>(573,033)</u>	<u>(351,339)</u>	<u>(137,215)</u>	<u>(113,667)</u>	<u>(710,248)</u>
<u>(465,006)</u>					
Segment result	1,534,160	1,566,322	14,786	(106,598)	1,548,946
1,459,724					
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General, selling & administrative expenses					(446,280)
(401,912)					
Other income and expenses					<u>38,522</u>
<u>10,953</u>					
Trading profit					1,141,188
1,068,765					
Interest income					35,210
51,991					
Interest expense					(2,435)
(2,499)					
Net Income/(Cost) - Retirement Assets					<u>0</u>
<u>0</u>					

Profit before exceptional items					1,173,963
1,118,257					
Exceptional item					<u>0</u>
(40,134)					
Profit before taxation					1,173,963
1,078,123					
Taxation					<u>(58,484)</u>
(55,126)					
Net profit for the period					1,115,479
1,022,997					<u><u>=====</u></u>

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Segment Assets	6,258,837	5,755,843	294,919	271,218	6,553,756
6,027,060					
=====					
Depreciation	(162,112)	(102,499)	(31,178)	(19,713)	(193,289)
(122,212)					
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Capital Expenditure	107,338	205,921	0	0	107,338
205,921					
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Note: In reviewing the segment report, it is important to note that exports bear a full share of fixed costs.
