DESNOES & GEDDES LIMITED 2004

Notes to the Financial Statements

June 30, 2004

Results at a Glance

Year ended and as at June 30, 2004

	2004	2003
	$'000	$'000
Turnover	7,866,540	6,845,998*
Profit before taxation	1,860,864	1,459,601
Net profit attributable to stockholders	1,552,958	1,328,112
Profit per stock unit calculated		
On net profit attributable to stock	55.28c	47.28c
Dividends per stock unit	55c	55c
Stockholders' Equity		
Share capital	1,404,586	1,404,586
Capital and other reserves	2,389,043	2,397,550*
Revenue reserves	541,172	657,451
	4,334,801	4,459,587
	=========	=========

Five Year Statistical Summary

Financial Year	2004 $'000	2003 $'000	2002 $'000	2001 $'000	2000 $'000
OPERATING DATA					
Turnover	7,866,540	6,845,998*	5,650,264	5,129,571	5,498,478
Profit before taxation	1,860,864	1,459,601	1,100,847	1,319,319	1,212,204
Provision for taxation	(307,906)	(131,489)	287,797	(368,743)	(208,069)
NET PROFIT	**1,552,958**	**1,328,112**	**1,388,644**	**950,576**	**1,004,135**
Dividends	1,545,044	1,545,044	1,012,780	887,106	1,478,511
Net dividend cover	1.01	0.86	1.37**	1.07	0.70
BALANCE SHEET DATA					
Working capital	786,712	1,197,571	1,606,505	1,230,446	1,073,769
Net property, plant and Equipment, etc.	3,380,300	3,064,080	2,778,579	2,257,100	2,369,848
Long-term liabilities, etc.	-	2,277	6,830	11,383	15,936
Stockholders' equity	4,334,801	4,459,587	4,690,394	3,200,698	3,136,814
No. of stock units in issue	2,809,171	2,809,171	2,809,171	1,971,348	1,095,193
PER ORDINARY STOCK UNIT					
Net profit	55.28c	47.28c	49.43c**	48.22c	91.69c
Stockholders' equity	$1.54	$1.59	$1.67c**	$1.62	$2.86
Dividends					
Ordinary - interims	110%	40%	30%	30%	40%

- final	-	-	70%	60%	120%
Capital - interim	-	-	-	-	110%
- final	-	-	-	-	56%

2002, 2003 and 2004 are prepared under International Financial Reporting Standards (IFRS). 2000 and 2001 are prepared under Jamaican generally accepted accounting standards. Adjustments that would be required to make the 2000 and 2001 information IFRS compliant are:

IAS 10 - Events after the balance sheet date
IAS 12 - Income taxes
IAS 19 -Employee benefits
IAS 22 - Business combinations
IAS 37 - Provisions

*Reclassified to conform with 2004 presentation
**Restated on account of dividends paid and IFRS reported net profit.

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1. Identification

Desnoes & Geddes Limited ("the company"), incorporated in Jamaica, is a 58% subsidiary of Udiam Holdings AB, a company incorporated in Sweden. The ultimate parent company is Diageo PLC, incorporated in the United Kingdom. The company's registered office is located at 214 Spanish Town Road, Kingston 11, Jamaica, W.I. The principal activities of the group comprise the brewing, blending and distribution of beers and stouts.

The number of employees at June 30, 2004 was 802 (2003: 732) for the company and the group.

2. Basis of preparation and significant accounting policies

Basis of preparation and statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the Standing Interpretations Committee of the IASB and practice statements issued by the Institute of Chartered Accountants of Jamaica, and the provisions of the Companies Act.

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

The financial statements are presented in Jamaica dollars and are prepared using the historical cost basis, except for the inclusion of available-for-sale investments (except for those for which a reliable measure of fair value is not available) and certain classes of property, plant and equipment at fair value.

The significant accounting policies used in the preparation of the financial statements are summarised below and conform with the Companies Act and in all material respects to IFRS.

Significant accounting policies:

(a) Basis of consolidation:

(i) The consolidated financial statements include the financial statements of the company and its subsidiaries, made up to June 30, 2004. The results of associated companies [note 6 (b)] are also included to the extent explained in note 2(a)(iii). The excess of the cost of shares in subsidiaries over the value of the net assets acquired (goodwill) is written off to retained earnings as the amount is impaired.

The subsidiaries, incorporated in Jamaica unless stated otherwise, are as follows:-

Wholly-owned -
D & G Wines Limited (In liquidation)
Jamaica Metal Lithographers Limited (In liquidation)
Foods of Jamaica (Export) Limited
D & G Provident Society Limited
Red Stripe Brewing Company Limited [formerly GJL Limited]
RJ Imports Limited (Resident in the United States) - Struck off because of its inactivity

Partly-owned-
Jamfruit Exporters Limited - 51 %

These companies are not currently trading and the shareholdings are the same for 2004 and 2003. The cost of the company's interest in these subsidiaries was written-off previously. The company and its subsidiaries are collectively referred to as the "group".

(ii) For the foreign subsidiary, the balance sheet is translated into Jamaica dollars using the rate of exchange ruling at the balance sheet date. The resultant translation losses are written off to retained earnings as the cost of the subsidiary was written off.

(iii) The equity method of accounting is adopted for associated companies. Under this method, the group's share of results of associated companies is included in the group profit and loss account and the tax attributable to the share of profits is included in the group's tax charge. In the group balance sheet, investments are shown at cost less impairment losses, if any, plus the group's share of reserves arising since the acquisition of the investments.

(b) Revenue:

Revenue from the sale of goods is recognised in the group profit and loss account when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recorded if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(c) Determination of profit and loss:

Profit is determined as the difference between the revenues from the goods and services rendered and the costs and other charges incurred during the year. Profits on transactions are taken in the year in which they are realised. A transaction is realised at the moment of delivery. Losses are taken in the year in which they are realised or predeterminable.

(d) Property, plant and equipment

(i) Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses [note 2 (l)].

(ii) Depreciation:

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the carrying value of each asset over the period of its expected useful life. Annual rates are as follows:

Buildings	2% - 2.5%
Plant and equipment	2% - 12.5%
Furniture, fixture and computer equipment	25%
Vending equipment	20%

(e) Inventories:

Inventories are stated mainly at standard cost (which approximates to actual on a FIFO basis) or net realisable value, whichever is lower. Standard cost, where applicable, includes an appropriate element of production overhead expenses. Used cases and bottles are stated at the customers' deposit value which is below original cost.

(f) Foreign currencies:

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the group profit and loss account. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the values were determined.

(g) Taxation:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the group profit and loss account 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, pf6viding 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.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(h) Employee benefits:

Employee benefits are all forms of consideration given by the group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and housing post; employment benefits such as pension and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post employment benefits are accounted for as described below.

Employee benefits comprising pensions and other post-employment assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the company's and group's post-employment benefit asset and obligations as computed by the actuary. In carrying out their audit, the auditors made use of the actuary's report.

Pension scheme costs (note 9) are accrued and funded annually. Such costs are actuarially determined and include amounts to fund past service benefits, expenses and future service benefits.

The company's net obligation in respect of defined benefit pension plan is calculated by estimating the amount of future benefits 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. The discount rate is determined by reference to the yield at the balance sheet date on long-term government bonds with maturities approximating the terms of the company's obligation. The calculation is performed by a qualified actuary, using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the group profit and loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in the group profit and loss account.

In calculating the company's obligation in respect of the plan, actuarial gains and losses are recognised immediately.

Where the calculation results in a benefit to the company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(i) Investments:

Unquoted investments are classified as "available-for-sale" and are stated at fair value, except where fair value cannot be reliably determined they are stated at cost. Changes in fair value are included in investment revaluation reserve.

(j) Investment property:

Investment property is stated at fair value determined annually by an independent registered valuator or the directors (note 7). Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from change in fair value is recognised in the group's profit and loss account. In carrying out the audit, the auditors relied on the valuator's and directors' reports.

(k) Provisions:

A provision is recognised in the balance sheet when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(l) Impairment:

The carrying amounts of the company's and the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the group's profit and loss account.

(i) Calculation of recoverable amount

The recoverable amount of the company's and the group's investments in held-to-maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Segment reporting:

A segment is a distinguishable component of the company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Accounts receivable

	Company and Group	
	2004	2003
	$'000	$'000
Trade	320,792	400,883
Other	157,670	169,894
	478,462	570,777
Less provision for doubtful debts	(123,392)	(79,050)
	355,070	491,727
	========	========

4. Inventories

	Company and Group	
	2004	2003
	$'000	$'000
Raw materials	169,067	212,712

Work-in-progress	159,842	177,942
Finished goods	111,767	203,201
Used cases and bottles	222,851	197,391
Plant and equipment spares	142,442	137,853
	805,969	929,099
	=======	=======

5. Accounts payable

	Company		Group	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Trade	198,717	205,242	198,717	205,242
Provisions (see below)	375,345	279,235	375,345	279,235
Other	15,852	289,857	18,558	292,563
	589,914	774,334	592,620	777,040
	=======	=======	=======	=======

Provisions represent marketing cost and employee benefits and are broken down as follows:

	Company and Group	
	2004	2003
	$'000	$'000
Balance at beginning of year	279,235	157,440
Provisions made during the year	1,340,219	872,168
Provisions used during the year	(1,244,109)	(750,373)
Balance at end of year	375,345	279,235
	=========	=======

6. Investments

(a) Investments comprise:

	Company		Group	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Unquoted	46,286	46,322	45,113	45,149
Long-term receivables	-	-	18	18

	46,286	46,322	45,131	45,167
	=======	=======	=======	=======

(b) Associated companies, incorporated in Jamaica unless stated otherwise, are as follows:

	Group's percentage interest	
	2004	2003
West Indies Yeast Company Limited	28.0	28.0
Jamaica Extracts Limited	20.0	20.0
Challenge Enterprises Limited	50.0	50.0
Red Stripe Marketing Company Limited (Resident in the United Kingdom)	50.0	50.0
	=====	=====

7. Investment properties

	Company and Group	
	2004	2003
	$'000	$'000
Vacant commercial lands	39,900	39,900
	=======	=======

The carrying amount of investment properties is the fair value of the properties as initially determined by D.C. Tavares & Finson Realty Limited, registered independent valuator having an appropriate recognised professional qualification and recent experience in the locations and category of the properties being valued. The properties were valued as at the year-end by the directors, who took account of the locations and category of the properties. Fair values arrived at by the directors were determined having regard to recent market transactions for similar properties in the same locations as the group's investment properties and were the same as the independent valuator [note 2 (j)].

8. Property, plant and equipment

Company and Group

	Freehold land and buildings $'000	Plant and equipment $'000	Furniture, fixtures, computer equipment $'000	Construction in progress $'000	Total $'000
Cost or valuation:					
June 30, 2003	1,149,788	4,048,830	256,330	64,790	5,519,738
Additions	4,451	53,122	13,532	522,242	593,347
Transfers from CIP	29,340	24,312	19,750	(73,402)	-
Disposals/write-off	(24,131)	(14,824)	-	-	(38,955)
June 30, 2004	1,159,448	4,111,440	289,612	513,630	6,074,130
At cost	405,148	312,421	289,612	513,630	1,520,811
At valuation	754,300	3,799,019	-	-	4,553,319
	1,159,448	4,111,440	289,612	513,630	6,074,130
Depreciation and impairment losses:					
June 30, 2003	336,816	1,908,699	210,143	-	2,455,658
Charge for the year	24,628	210,599	20,624	-	255,851
Eliminated on disposals/ write-offs	(3,609)	(14,070)	-	-	(17,679)
June 30, 2004	357,835	2,105,228	230,767	-	2,693,830
Carrying amount:					
June 30, 2004	801,613	2,006,212	58,845	513,630	3,380,300
June 30, 2003	812,972	2,140,131	46,187	64,790	3,064,080

Freehold land and buildings were revalued as of June 30, 2001 at market value by D.C. Tavares & Finson Realty Limited.

The company's plant and equipment were revalued as of June 30, 2001 on the depreciated replacement cost basis by Baird & Henderson Valuators Limited.

The surplus arising on revaluation was credited to capital reserves (note 11).

9. Employee benefits asset

The company operates a defined benefit pension scheme [note 2(h)] which is open to all permanent employees and is managed by an independent outside agency. The scheme is funded by employee contributions at rates varying between 6% and 10% of salary and employer contributions at rates recommended by independent actuaries from time to time. Retirement and other benefits are based on average salary for the last three years of pensionable service.

The results of the latest actuarial valuation as at June 30, 2002 disclosed that the scheme was adequately funded at that date. The company accepted the actuaries' recommendation in the December 2000 valuation that contributions be paid at the rate of 1% of pay per annum, which commenced as of July 1, 2001.

(a) Amount recognised in the balance sheet in respect of the defined benefit pension scheme and health insurance is as follows:

	2004 $'000	2003 $'000
Present value of funded obligations	(1,078,000)	(990,000)
Present value of unfunded obligations	(53,000)	(46,000)
Fair value of plan assets	2,773,000	1,715,000
	1,642,000	679,000
Asset not recognised due to limit	(695,000)	-
Recognised asset	947,000	679,000
	=========	=========

(b) Movements in the net asset recognised in the balance sheet:

	2004 $'000	2003 $'000
Net asset at July 1	679,000	727,000

Contributions received	6,000	12,000
Income/(expense) recognised in the group profit and loss account	262,000	(60,000)
Net asset at June 30	947,000	679,000

(c) (Income)/expense recognised in the group profit and loss account:

	2004 $'000	2003 $'000
Current service costs	23,000	16,000
Interest on obligation	126,000	105,000
Actuarial (gains)/losses recognised	(209,000)	132,000
Expected return on plan assets	(202,000)	(193,000)
	(262,000)	60,000
Actual return on plan assets	65.0%	11.9%

(d) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2004 %	2003 %
Discount rate at June 30	12.5	12.5
Expected return on plan assets at June 30	12.5	12.5
Future salary increases	10.0	10.0
Future pension increases	4.0	4.0
Medical claims growth	11.0	11.0

10. Share capital

	2004 $'000	2003 $'000
Authorised:		
2,810,500,000 ordinary shares of 50c each	1,405,250	1,405,250

Issued and fully paid:		
2,809,171,266 ordinary stocks of 50c each	1,404,586	1,404,586

11. Capital reserves

	Company		Group	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Unrealised surplus on revaluation of property, plant and equipment (note 8)	1,467,195	1,467,195	1,470,796	1,470,796
Realised (loss)/gain on disposal of property, plant and equipment	(9,024)	-	(4,855)	4,169
Reduction in unrealised surplus for impairment on revalued building, plant and machinery	(47,805)	(47,805)	(47,805)	(47,805)
Depreciation charge on surplus of revalued property, plant and equipment, transferred to retained earnings	(47,449)	-	(47,449)	-
Deferred taxation on revalued property, plant and equipment	(421,845)	(399,146)	(421,844)	(399,146)
	941,072	1,020,244	948,842	1,028,014

12. Other reserves

	Company and Group	
	2004	2003
	$'000	$'000
Investment revaluation reserve [see (a) and note 2(i)	38,474	38,474
Pension equalisation reserve [see (b)]	631,333	560,668
	669,807	599,142

(a) This represents the unrealised gains/losses on the revaluation of available-for-sale investments.

(b) This represents the pension surplus of $947,000,000 (2003:$679,000,000), less deferred tax of $315,667,000 (2003:$118,332,000), arising on the actuarial valuation, under IAS 19, of the group's pension scheme. After first-time implementation of IFRS, annual changes in the value of the scheme are shown in the group profit and loss account, then transferred to this reserve.

13. Long-term liabilities

	Company		Group	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Subsidiaries [see (i) below]	157,235	157,235	-	-
NDB/BNS [see (ii) below]	2,277	6,830	2,277	6,830
Less: Current portion	(2,277)	(4,553)	(2,277)	(4,553)
	-	2,277	-	2,277
	157,235	159,512	-	2,277
	=======	=======	=======	=======

(i) The loans from subsidiaries are unsecured, bore no interest for 2004 and 2003, and are repayable by periodic instalments.

(ii) The loan from the National Development Bank of Jamaica Limited (NDB) and Bank of Nova Scotia Jamaica Limited (BNS) bears interest at the rate of 12% per annum, is repayable in sixty instalments, which commenced January 2000 and is secured by a letter from Diageo PLC in support of the facility.

14. Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	2004	2003
	$'000	$'000
Accrued vacation leave	(12,358)	-
Unrealised foreign exchange gains	6,392	-
Property, plant and equipment	547,094	438,075
Employee benefits asset	315,667	118,332

	856,795	556,407
	=======	=======

Movement in temporary differences during the year:

	Balance at JulY 1 $'000	Recognised in income $'000	Recognised in equity $'000	Balance at June 30 $'000
Accrued vacation leave	-	(12,358)	-	(12,358)
Unrealised foreign exchange gains	-	6,392	-	6,392
Property, plant and equipment	438,075	86,320	22,699	547,094
Employee benefits asset	118,332	87,334	110,001*	315,667
	556,407	167,688	132,700	856,795

* Deferred tax on the employee benefits asset is recognised at the end of each year based on the probability of the benefit reversing after the period where income tax applicable to operations ' is remitted [note 18(a)]. Consequently, the estimated tax that relates to the amount of employee benefits asset previously included in equity is recognised in equity as the actual return on plan assets and the employee benefits assets increased significantly for 2004

15. Turnover

Turnover represents the net invoice value of goods and services, including Special Consumption Tax (SCT), royalties and rental income but excluding General Consumption Tax (GCT).

16. Other expenses

	2004 $'000	2003 $'000
Write-off of property, plant and equipment as a result of the new bottling line	-	65,731
Write-off of obsolete bottles	-	59,634
	-	125,365
	=======	=======

17. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2004 $'000	2003 $'000
Auditors' remuneration	3,071	3,375
Depreciation	255,851	177,929
Directors' emoluments -		
Fees	604	616
Management remuneration	101,014	62,900
Staff costs	1,146,394	983,645
Redundancy payments	40,810	33,140
Dividends received on -		
Other investments	(27)	(31)
Overseas investments	(24,994)	(22,745)
(Gain)/loss on disposal of property, plant and	(5,654)	36,931
Royalties earned	(144,752)	(114,940)

18. Taxation

(a) Recognised in the group profit and loss account.

The taxation charge is based on the group's results for the year as adjusted for taxation purposes and comprises:

	2004 $'000	2003 $'000
(i) Current tax expense:		
Income tax at 33 1/3%	557,187	543,845
Tax remitted (see note below)	(474,860)	(510,111)
Prior year under-provision	57,892	-
	140,218	33,734
(ii) Deferred taxation:		
Origination and reversal of temporary differences	167,688	97,755
Total taxation in group profit and loss account	307,906	131,489

Approval was granted to the company for five years, under the provisions of Section 86 of the Income Tax Act, for income tax applicable to operations to be remitted, which commenced for the year ended June 30, 2002. Income tax is still payable on investment income.

(b) Reconciliation of effective tax rate:

	2004 $'000	2003 $'000
Profit before taxation	1,860,864	1,459,601
Computed "expected" tax charge at 33 1/3%	620,288	486,534
Difference between profit for financial statements and tax reporting purposes on		
Employee benefits	(2,000)	(16,000)
Depreciation charge and capital allowances	119,849	171,577
Accrued interest	570	786
Tax remitted	(474,860)	(510,111)
Double and commonwealth tax relief	(15,237)	(8,503)
Prior year under-provision	57,892	-
Disallowed expenses and other capital adjustment	4,362	7,206
Other	(2,958)	-
Actual tax charge	307,906	131,489

	2004 $'000	2003 $'000
(c) Deferred tax recognised directly in equity relating to employee benefits and revaluation of property, plant and equipment	132,700	33,930

19. Earnings per stock unit

The calculation of earnings per stock unit is based on the group's profit for the year of $1,552,958,000 (2003: $1,328,112,000) and 2,809,171,266 stock units, being the number of stock units in issue at the end of the year.

20. Dividends

	2004 $'000	2003 $'000
Ordinary dividends:		
Final paid in respect of 2002:35c	-	983,210
Interims paid in respect of 2004 - 55c(2003: 20c)	1,545,044	561,834
per stock unit - gross	1,545,044	1,545,044

A first interim ordinary dividend of 25c (2003: 20c) (gross) per stock unit, was paid on December 10, 2003 (2003: June 10, 2003).

A second interim ordinary dividend of 30c (gross) per stock unit, was paid to the stockholders on the company's register of members at the close of business on June 22, 2004.

Aggregate dividends paid and proposed for 2004 amounted to $1,545,044,000 (2003: $561,834,000).

21. Related party transactions

Two parties are considered to be related when:

(a) one party is able to exercise control or significant influence over the other party; or
(b) both parties are subject to common control or significant influence from the same source.

The company carried out transactions in the ordinary course of business during the year with its ultimate parent company, Diageo PLC and its affiliates as follows:

	2004 $'000	2003 $'000
Sales	861,779	680,310
Royalties	57,363	79,013
Salary and administration	149,196	111,953
Purchases of raw materials and finished goods	832,596	832,349

22. Capital commitment

Capital expenditure authorised at June 30, 2004, but not provided for in the financial statements, amounted to $400,000,000 (2003:$Nil) for the company and the group.

23. Segment reporting

Segment information is presented in respect of the company's and the group's business segments. The primary format business segments is based on the company's management and internal reporting structure.

There are no inter-segment sales.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

Business segments:

The company only has one business segment consisting of premium drinks.

Geographical segments:

The company's and group's primary segments, which are geographical, comprise domestic and export.

	Domestic		Export		Group	
	2004	2003	2004	2003	2004	2003
	$'000	$'000	$'000	$'000	$'000	$'000
Turnover	6,676,951	5,903,947	1,189,589	942,051	7,866,540	6,845,998
SCT	(1,284,973)	(850,699)	-	-	(1,284,973)	(850,699)
Net sales	5,391,978	5,053,248	1,189,589	942,051	6,581,567	5,995,299
Cost of sales	(2,778,885)	(2,498,694)	(909,808)	(738,184)	(3,688,693)	(3,236,878)
Gross profit	2,613,093	2,554,554	279,781	203,867	2,892,874	2,758,421
Marketing cost	(522,886)	(430,375)	(204,976)	(179,117)	(727,862)	(609,492)

Segment result	2,090,207	2,124,179	74,805	24,750	2,165,012	2,148,929
General, selling and administration expenses					(679,827)	(597,575)
Other income and expenses					63,015	24,639
Trading profit					1,548,200	1,575,993
Employee benefits income/(expense)					262,000	(60,000)
Interest income					54,116	72,711
Interest expense					(3,452)	(3,738)
Other expenses					-	(125,365)
Profit before taxation					1,860,864	1,459,601
Taxation					(307,906)	(131,489)
Net profit for the year					1,552,958	1,328,112
Segment assets	5,673,856	5,777,643	633,820	645,414	6,307,676	6,423,057
Depreciation	(199,564)	(153,796)	(56,287)	(24,133)	(255,851)	(177,929)
Capital expenditure	523,624	529,268	69,723	40,434	593,347	569,702

24. Contingent liabilities

(i) At the balance sheet date, the company had a contingent liability in respect of letters of credit issued in favour of the Collector of Customs, amounting to $12,500,000 (2003: $12,500,000

(ii) A personal injury judgement for approximately $2.3 million was made against the company in respect of a case brought against it. The matter is being appealed and the Court of Appeal has granted an order that the execution of the judgement be stayed until the determination of the appeal.

(iii) The company has committed to title sponsorship of the Jamaica National Football team's ("Reggae Boyz") participation in the 2006 World Cup. At the balance sheet date, $65,000,000 was unexpended and its disbursement depends on the "Reggae Boyz" qualifying for the World Cup.

25. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise or a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash resources, short-term deposits, accounts receivable and investments. Financial liabilities include accounts payable, Diageo group companies' balances and long-term liabilities.

(a) Fair value of financial instruments:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair value of cash resource, short-term deposits, accounts receivable, accounts payable, and Diageo group companies' balances approximates to their carrying values due to their relatively short-term nature.

The fair value of investments is assumed to be equal to estimated market value as described in note 2(i) and as shown in note 6.

The fair value of long term liabilities is assumed to approximate their carrying values as no discount on settlement is anticipated.

(b) Financial instrument risks:

Exposure to credit, interest rate, foreign currency, market, liquidity, and cash flow risks arises in the ordinary course of the company's and the group's business. No derivative financial instruments are presently used to manage, mitigate or eliminate financial instrument risks.

(i) Credit risk:

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The company and group generally do not require collateral in respect of financial assets, predominantly, trade receivables. Management has a credit policy in place to minimise exposure to credit risk. Credit evaluations are performed on all customers requiring credit.

At balance sheet date, there were no significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The company and group materially contracts financial liabilities at fixed interest rates for the duration of the term. Bank overdrafts are subject to fixed interest rates which may be varied by appropriate notice by the lender. At June 30, 2004, financial liabilities subject to fixed interest rates aggregated $2,276,662 (2003: $6,829,950).

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company and group are exposed to significant foreign currency risk, which is managed by maximising foreign currency sales and holding foreign currency balances.

At June 30, 2004, the company and the group had net foreign currency assets amounting to approximately US$1,284,434 (2003: US$11,346,510).

(iv) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The company and the group have no exposure to market risk as there are no traded securities.

(v) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the company and the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the industry, the management of the company and the group maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

(vi) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The company and the group manage this risk through budgetary measures, ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.